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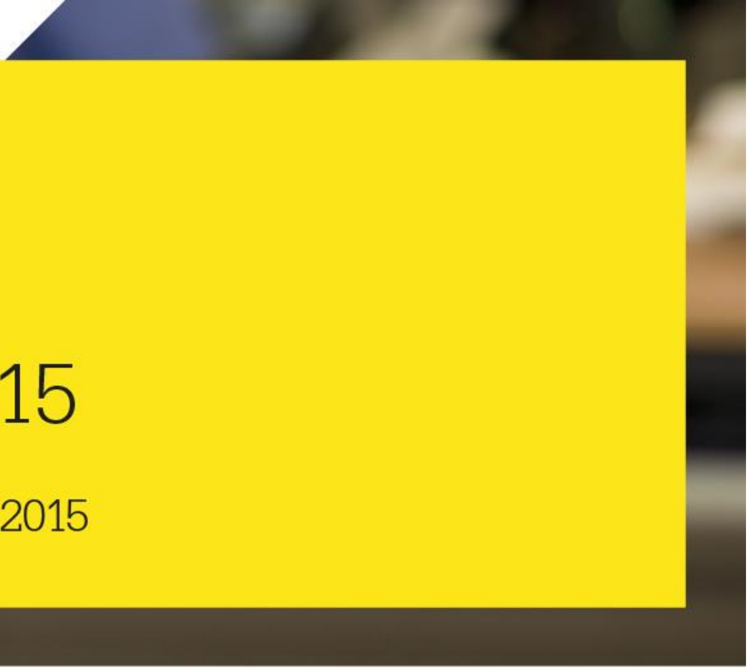
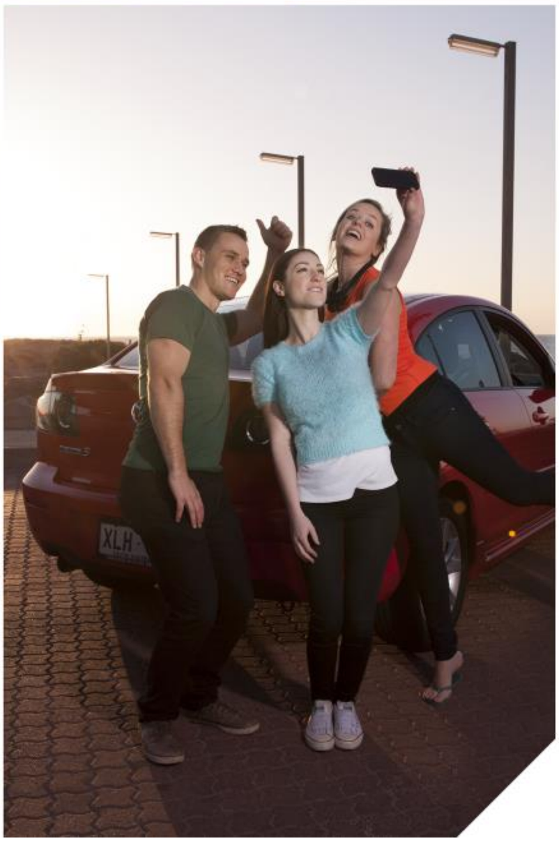
RAA Group
Financial Report 2015

For the financial year ended 30 June 2015





RAA

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
Continuing operations			
Revenue	3(a)	**310,440**	279,116
Revenue		**310,440**	279,116
Other Income	3(b)	**8,809**	7,235
Share of net profit of associates and joint ventures	12, 13	**57**	330
Total Income		**319,306**	286,681
Expenses			
Employee benefits	4(a)	**(69,768)**	(65,545)
Payments to contractors for roadside assistance		**(14,764)**	(14,654)
Cost of sales		**(19,948)**	(16,720)
Depreciation and amortisation	4(b)	**(6,927)**	(8,573)
Finance costs	4(c)	**(524)**	(639)
Insurance claims expense	23(a)	**(119,349)**	(109,225)
Outwards reinsurance premium expense	23(a)	**(24,554)**	(14,874)
Other expenses	4(d)	**(41,485)**	(37,522)
Total Expenses		**(297,319)**	(267,752)
Operating profit before income tax from continuing operations		**21,987**	18,929
Income tax expense	5(a)	**(4,819)**	(2,965)
Operating profit after tax from continuing operations		**17,168**	15,964
Net profit after tax for the period		**17,168**	15,964
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net fair value gain / (loss) on financial assets and derivatives		**(713)**	2,345
Income tax on items of other comprehensive income	5(c)	**209**	(704)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit plan		**125**	347
Fair value adjustments relating to land and buildings		**-**	117
Income tax on items of other comprehensive income	5(c)	**(38)**	(139)
Other comprehensive income for the year net of tax		**(417)**	1,966
Total comprehensive income for the year net of tax		**16,751**	17,930

The Statement of Comprehensive Income is to be read in conjunction with the accompanying Notes to the Financial Statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
Current Assets			
Cash and cash equivalents	6	**15,625**	26,036
Trade and other receivables	7	**85,919**	71,364
Inventories	8	**2,530**	2,370
Deposits in trust account	9	**704**	430
Other current assets	10	**1,205**	1,247
Financial assets	11	**149,865**	140,854
Deferred acquisition costs	23(c)	**4,289**	3,817
Total Current Assets		**260,137**	246,118
Non-Current Assets			
Trade and other receivables	7	**1,427**	1,401
Pension asset	26	**1,324**	1,276
Financial assets	11	**2,547**	45
Investments in joint ventures	12	**3,206**	-
Investments in associates	13	**4,479**	3,538
Property, plant and equipment	14	**51,887**	51,126
Intangible assets	15	**41,740**	41,255
Goodwill	16	**58,041**	58,254
Deferred tax asset	5(c)	**4,724**	5,141
Total Non-Current Assets		**169,375**	162,036
Total Assets		**429,512**	408,154
Current Liabilities			
Trade and other payables	17	**9,833**	12,925
Unearned income	18	**116,125**	114,431
Interest bearing loans and borrowings	19	**250**	-
Deposits in trust account	9	**704**	430
Provisions	20	**12,093**	11,049
Current tax liability		**2,456**	2,320
Outstanding claims liability	23(d)	**38,644**	35,871
Total Current Liabilities		**180,105**	177,026
Non-Current Liabilities			
Interest bearing loans and borrowings	19	**10,000**	10,157
Provisions	20	**1,502**	1,462
Deferred tax liability	5(c)	**15,047**	13,817
Outstanding claims liability	23(d)	**552**	137
Total Non-Current Liabilities		**27,101**	25,573
Total Liabilities		**207,206**	202,599
Net Assets		**222,306**	205,555
Equity			
Retained earnings	21	**168,395**	151,140
Reserves	22	**53,911**	54,415
Total Equity		**222,306**	205,555

The Statement of Financial Position is to be read in conjunction with the accompanying Notes to the Financial Statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2015

	Asset Revaluation Reserve (Note 22) $'000	Net Unrealised Gains Reserve (Note 22) $'000	Unrealised Capital Reserve on RAAI Acquisition (Note 22) $'000	Retained Earnings (Note 21) $'000	Total $'000
At 1 July 2013	15,203	3,016	34,473	134,933	187,625
Profit for the period	-	-	-	15,964	15,964
Prior year adjustments	-	-	-	-	-
Other comprehensive income	82	1,641	-	243	1,966
Total comprehensive income	82	1,641	-	16,207	17,930
At 30 June 2014	15,285	4,657	34,473	151,140	205,555
At 1 July 2014	15,285	4,657	34,473	151,140	205,555
Profit for the period	-	-	-	17,168	17,168
Other comprehensive income	-	(504)	-	87	(417)
Total comprehensive income	-	(504)	-	17,255	16,751
At 30 June 2015	15,285	4,153	34,473	168,395	222,306

The Statement of Changes in Equity is to be read in conjunction with the accompanying Notes to the Financial Statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
Cash flows from operating activities			
Receipts from members and customers (inclusive of GST)		**368,284**	338,693
Payments to suppliers and employees (inclusive of GST)		**(362,739)**	(313,374)
Interest paid		**(524)**	(639)
Interest received		**3,578**	4,313
Rental income received		**98**	98
Income tax paid		**(2,863)**	(5,371)
Net cash from operating activities	6	**5,834**	23,720
Cash flows from investing activities			
Proceeds from sale of fixed assets and intangibles		**332**	521
Proceeds from the sale of investments		**13,823**	14,587
Distributions received		**311**	580
Dividends received		**1,629**	912
Purchase of fixed assets and intangibles		**(8,839)**	(15,563)
Purchase of financial assets		**(14,791)**	(7,887)
Investment in related parties		**(4,500)**	-
Net cash used in investing activities		**(12,035)**	(6,850)
Cash flows from financing activities			
Loans to related parties		**(4,300)**	(124)
Proceeds from borrowings		**90**	50
Repayment of finance leases		**-**	(7,705)
Net cash used in financing activities		**(4,210)**	(7,779)
Net increase / (decrease) in cash		**(10,411)**	9,091
Cash and cash equivalents at beginning of the year		**26,036**	16,945
Cash and cash equivalents at the end of the year	6	**15,625**	26,036

The Statement of Cash Flows is to be read in conjunction with the accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of the Royal Automobile Association of South Australia Inc. (the Association) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution by the directors on 27 August 2015.

The Association is an incorporated association domiciled in Australia. The address of the Association's registered office is 101 Richmond Road, Mile End, South Australia, 5031.

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the *Associations Incorporation Act South Australia 1985,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on the basis that the entity is for-profit.

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report has been prepared on the basis of historical cost, except for land and buildings, derivative financial instruments and available-for-sale financial assets, contingent considerations and non-cash distribution liability that have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars [$'000], unless otherwise stated. Where appropriate, amounts shown for prior periods have been reclassified to facilitate comparison.

The significant accounting policies adopted are stated in order to assist in a general understanding of the financial report. These policies have been consistently applied, unless otherwise stated.

Accounting policies are 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.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Association (the Parent) and its subsidiaries (the Group) as at 30 June 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiary. Specifically, the Group controls a subsidiary if and only if the Group has:

- Power over the subsidiary (i.e. existing rights that give it the current ability to direct the relevant activities of the subsidiary)
- Exposure, or rights, to variable returns from its involvement with the subsidiary, and
- The ability to use its power over the subsidiary to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over a subsidiary including:

- The contractual arrangement with the other vote holders of the subsidiary
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains or ceases control.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the Parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated on consolidation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New accounting standards and interpretation

(i) *Changes in accounting policy and disclosures.*

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014:

Reference	Title	Application date of standard*	Application date for Group*	Impact
Interpretation 21	**Levies** This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 July 2014	No Impact. The Group already recognises a liability to pay a levy when the activity occurs.
AASB 2013-3	**Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets** AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014	Additional disclosures are included when the recoverable amount is based on FV less cost of disposal
AASB 2014 - Part B (Amendments to AASB 119)	***Defined Benefit Plans: Employee Contributions*** AASB 2014-Part B makes amendments in relation to the requirements for contributions from employees or third parties that are set out in the formal terms of the benefit plan and linked to service. The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.	1 July 2014	1 July 2014	No Impact

(ii) *Accounting standards and interpretations issued but not yet effective*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2015. These are outlined below.

Reference	Title	Summary	Application date of standard*	Application date for Group*	Impact
AASB 9	*Financial Instruments*	AASB 9 (December 2014) is a new Principal standard which replaces AASB 139 and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.	1 January 2018	1 July 2018	Alternative treatment will be required for all available-for-sale instruments. The Group is not impacted until 2018
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.	1 January 2016	1 July 2016	No impact as they will not be adapted by the Group at this stage.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reference	Title	Summary	Application date of standard*	Application date for Group*	Impact
AASB 15	Revenue from Contracts with Customers	The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The IASB's July 2015 meeting confirmed its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. It is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this standard for the Group will move from 1 July 2017 to 1 July 2018.	1 January 2017	1 July 2017	The Group has not yet determined the extent of the impacts of the new standard.
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 *Separate Financial Statements*, and consequentially amends AASB 128 *Investments in Associates and Joint Ventures*, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016	1 July 2016	Equity method of accounting has been applied to the Groups investment in subsidiaries, JVs and associates
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends AASB 10 C*onsolidated Financial Statements* and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2016	1 July 2016	No impact as the Group is not impacted by these amendments at this stage.
AASB 2015-1	Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	AASB 119 Employee Benefits: Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability.	1 January 2016	1 July 2016	The Group has adopted these changes and applied the corporate bond rate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition related costs are expensed as incurred and included in other expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses (refer Note 1(o), Goodwill).

(e) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associate, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group’s investments in its associates and joint ventures are accounted for using the equity method of accounting in the consolidated financial statements and at cost in the Parent.

Under the equity method, investments in the associates or joint ventures 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 associates. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income reflects the Group’s share of the profits or losses of the associate or joint venture. Any change in OCI of those associates is presented as part of the Group’s OCI. When there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The reporting dates of the associates or joint ventures are the same as the Group. The accounting policies of associates or joint ventures conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is evidence that the investment in the associate or joint venture is impaired. If such evidence exists, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss in the statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

As can be seen in Note 23(a) the results of “total net earned premium” and “total net incurred claims” are captured to recognise the insurance contribution at a gross level, the two revenue levels of “total premium revenue” and “reinsurance and other recoveries revenue”, and the two expense levels of “outwards reinsurance premium expense” and “claims expense” are now captured separately.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the customer, usually on delivery of the goods. Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of a contract or contracts at reporting date or at the time of completion of the contract and billing to the customer. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The proportion of revenue not recognised at the reporting date is recognised as a liability in the statement of financial position.

Interest revenue

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the Group’s right to receive the dividend is established.

Rental revenue

Rental revenue is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

(g) Income tax and other taxes

Income tax on the Statement of Comprehensive Income for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period’s taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

The Association and its wholly-owned Australian controlled entities elected to be taxed as a single entity under the tax consolidation regime with effect from 1 July 2003.

The measurement and disclosure of deferred tax assets and liabilities is performed in accordance with the principles in AASB 112 "Income taxes" and on a standalone basis under Interpretation 1052 "Tax consolidation accounting."

The head entity, the Association, and the wholly owned tax consolidated entities account for their own current and deferred tax amounts. The Association recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of each entity in respect of tax amounts. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in Note 5.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or the expense item as applicable
- Receivables and payables, which are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable, or payable to, the taxation authority.

Cash flows are included in the Statement of Cash Flows on a gross basis and 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 part of operating cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on hand and short term deposits generally with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(i) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. Collectability of trade receivables is reviewed on an on-going basis at an operating level. Individual debts that are known to be uncollectible are written off when identified.

An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Due to the short term nature of these receivables, the carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to make the sale. Inventories are accounted for on a first in, first out basis.

(k) Prepayments

Prepayments are recognised as an asset at reporting date as they represent rights to receive services in the future. Common prepayments include software maintenance agreements and subscriptions.

(l) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Land and buildings are measured at fair value, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation. Depreciation is calculated on a straight line basis over the estimated useful life of the specific assets.

The depreciation rates used for each class of assets are as follows:

- Land - not depreciated
- Buildings - 2%
- Plant and equipment - 2.5-50%
- Motor vehicles - 15%
- Furniture and fittings - 2.5-50%
- Leasehold improvements - 10-50%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revaluations of land and buildings

Land and buildings are measured on the fair value basis. Fair value is determined on the basis of an independent valuation prepared by external valuation experts, and determined on market based evidence by appraisal, and does not take capital gains tax into account. The fair values are recognised in the financial statements of the Group, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss. Any revaluation decrement is recognised in profit or loss, except to the extent that is offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amount of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Comprehensive Income. Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Derecognition

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.

(m) Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation of an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(n) Impairment of non-financial assets other than goodwill and indefinite life intangibles

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual review of asset values to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment. 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 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. Each unit to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. The Group performs its impairment testing as at 30 June each year using discounted cash flows under the value in use methodology. Further details on the methodology and assumptions used are outlined in Note 16, Goodwill.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Impairment recognised for goodwill is not subsequently reversed.

(p) Financial assets

Initial Recognition and measurement

Financial assets are classified at initial recognition, as either financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired.

Financial assets are recognised initially at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within the period established generally by regulation or convention in the market place(regular way trades) are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

Subsequent measurement

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance sheet date, which are classified as non-current.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities, which are designated as available-for-sale or are not classified as any of the two preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Derecognition

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the Group transfers substantially all of the risks and rewards of the financial assets. If the Group neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

(q) Deferred acquisition costs

Acquisition costs incurred in obtaining general insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to earned premium revenue that will be recognised in the Statement of Comprehensive Income in subsequent reporting periods.

(r) Pensions and other post-employment benefits

The defined benefit pension plan requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in the statement of comprehensive income on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under employee benefits expense in the profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income.

(s) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalised at the inception of the lease at the lower of fair value of the leased asset or the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(t) Trade and other payables

Trade payables and other payables are carried at amortised cost and due to their short term nature are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(v) Provisions and employee benefits

As at 30 June 2015, the Group had 771 (2014:763) full time equivalent employees.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of time value of money and the risks specific to the liability.

Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Workers' compensation

The Group is a self-insurer for workers' compensation claims. A claims incurred expense and a provision for outstanding claims has been recognised in the financial statements. The provision for outstanding claims has been actuarially assessed by reviewing individual claim files and estimating unnotified claims using statistics based on past experience and trends.

Outstanding claims have been discounted to 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 timing of claim payments. Refer to Note 28 for contingent liability relating to bank guarantee provided as security for outstanding claims.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Outstanding Claims Liability

The liability for outstanding claims is measured as the central estimate of the present value of the expected future payments for claims incurred at the reporting date under general insurance contracts, with an additional risk margin to allow for the inherent uncertainty in the central estimate. The liability is measured based on advice / valuation of the appointed actuary, Finite. Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Impairment of non-financial assets other than goodwill and indefinite life intangibles

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Comprehensive Income.

(ii) Significant accounting estimates and assumptions

Valuation of investments

The Group's investments in listed and unlisted securities are classified as "available-for-sale" investments with movements in fair value recognised directly in equity and investments at "fair value through profit and loss" with movements in fair value recognised in the Statement of Comprehensive Income. The fair value of listed shares has been determined by reference to published price quotations in an active market.

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. Impairment of $213k has been recognised for the 2015 financial year (2014: $2 million).

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
3. CONTINUING OPERATIONS			
(a) Revenue			
Subscriptions and entrance fees		**59,163**	59,883
Insurance premium revenue	23a)	**167,138**	156,607
Reinsurance and other recoveries revenue	23a)	**34,376**	20,009
Sales of goods		**30,118**	26,281
Rendering of services		**7,512**	6,893
Distribution fee		**412**	-
Interest		**672**	733
Commission		**3,938**	3,623
Sundry income		**6,314**	4,371
Advertising revenue from SA Motor		**750**	666
Rental income		**47**	50
		310,440	279,116
(b) Other Income			
Investment distributions		**6,196**	6,300
Realised / unrealised gains on disposal of investments		**2,466**	680
Net gain / (loss) on disposal of non-current assets		**147**	255
		8,809	7,235

4. EXPENSES

	Consolidated 2015 $'000	Consolidated 2014 $'000
(a) Employee Benefits		
Salaries, wages and allowances	**64,455**	60,429
Superannuation Guarantee	**5,313**	5,116
	69,768	65,545
(b) Depreciation, Impairment and Amortisation		
Depreciation of property, plant and equipment	**3,403**	4,012
Impairment of intangibles	**213**	2,000
Amortisation of intangibles	**3,311**	2,561
	6,927	8,573
(c) Finance costs		
Bank loans	**524**	639
	524	639
(d) Other expenses		
Bad debts written off, net of recoveries	**37**	186
Banking and credit card charges	**1,634**	1,454
Building maintenance	**775**	714
Commission paid to agents	**1,797**	1,836
Consultants	**3,772**	3,225
Legal fees	**314**	215
Fleet expenses	**1,048**	1,204
Investment fund expenses	**659**	542
Office and computer supplies	**4,547**	3,721
Other expenditure	**3,076**	3,057
Postages and freight	**1,989**	1,800
Promotional and public issues	**9,519**	7,100
Rates, insurance and utility expenses	**1,763**	1,797
Rent paid on operating leases	**1,248**	1,230
SA Motor magazine production costs	**1,052**	965
Staff related costs	**6,809**	6,659
Telephone charges	**1,446**	1,817
	41,485	37,522

	Consolidated 2015 $'000	Consolidated 2014 $'000
5. INCOME TAX		
(a) Income tax expense / (benefit)		
Current income tax	**5,838**	5,087
Deferred income tax	**666**	(1,369)
Prior year under / (over) provision	**(1,685)**	(753)
	4,819	2,965

Deferred income tax expense / (benefit) included in income tax expense comprises:

Decrease / (increase) in deferred tax charged directly to equity	**171**	(843)
Decrease / (increase) in deferred tax assets	**417**	(862)
(Decrease) / increase in deferred tax liabilities	**1,230**	916
	1,818	(789)

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and the tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit / (loss) before income tax	**21,987**	18,929
Income tax expense / (benefit) at 30% (2014: 30%)	**6,596**	5,679
Net income not assessable due to mutual activities	**(236)**	(1,865)
Expenditure not allowable for income tax purposes	**94**	34
Rebates	**(330)**	(220)
Franking credits	**99**	66
Tax losses not recognised as probable Deferred Tax Asset	**176**	-
Assessable income not included		
Equity share of associate's profits	**105**	24
Prior year under / (over) provision	**(1,685)**	(753)
Aggregate income tax expense	**4,819**	2,965

	Consolidated 2015 $'000	Consolidated 2014 $'000
5. INCOME TAX (continued)		
(c) Recognised deferred tax assets and liabilities		
(i) Amounts recognised directly in equity		
Aggregate deferred tax arising in the reporting period and not recognised in net profit but directly debited to equity:		
Gain / (loss) on Managed Funds	**(209)**	704
Actuarial gain/(loss) on defined benefit superannuation fund	**38**	104
Revaluation of Land and buildings	**-**	35
	(171)	843

(ii) Non-current assets - Deferred tax assets

The balance comprises temporary differences attributable to:

	Consolidated 2015 $'000	Consolidated 2014 $'000
Amounts recognised in profit or loss		
Doubtful debts	**2**	2
Audit fee payable	**16**	16
Employee benefits	**2,074**	1,924
Unearned income	**1,287**	1,095
Outstanding claims	**937**	924
Intangible assets	**126**	200
Tax only assets	**137**	108
Accruals	**145**	182
Capital losses	**-**	602
Revenue losses	**-**	88
Net deferred tax assets	**4,724**	5,141
Movements		
Opening balance	**5,141**	4,279
Recognised in income	**(417)**	862
Closing balance	**4,724**	5,141

5. INCOME TAX (continued)

(c) Recognised deferred tax assets and liabilities (continued)

(iii) Non-current liabilities - Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Consolidated 2015 $'000	Consolidated 2014 $'000
Amounts recognised in profit or loss		
Other Items	**397**	350
Deferred acquisition costs	**1,287**	1,095
Financial assets at fair value	**1,956**	2,174
Intangible assets at fair value	**1,719**	1,824
Property, plant and equipment	**9,688**	8,374
Net deferred tax liabilities	**15,047**	13,817
Movements		
Opening balance	**13,817**	12,901
Recognised in income	**1,401**	73
Recognised in equity	**(171)**	843
Closing balance	**15,047**	13,817

(d) Unrecognised temporary differences

At 30 June 2015, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries and associates, as the Group has no liability for additional taxation should unremitted earnings be remitted (2014: nil).

(e) Tax consolidation

Members of the tax consolidated group and the tax sharing arrangement

The Parent and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2003. The Association is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Members of the tax consolidated group and the tax funding arrangement

Under the tax funding agreement, income tax is recognised on a standalone taxpayer basis under which current and deferred tax amounts for the tax consolidated group are allocated among each entity in the tax consolidated group. Assets or liabilities arising under the tax funding agreements with tax consolidated entities are recognised as amounts receivable or payable to other entities in the tax consolidated group.

6. CASH AND CASH EQUIVALENTS

	Consolidated 2015 $'000	Consolidated 2014 $'000
Cash at bank and on hand	**15,625**	26,036

Reconciliation of net profit after tax to net cash flows from operations

	Consolidated 2015 $'000	Consolidated 2014 $'000
Net profit / (loss) after tax	**17,168**	15,964
Adjustments for:		
Depreciation and impairment	**3,616**	6,012
Amortisation	**3,311**	2,561
Defined benefit fund expense	**77**	109
Net (profit) / loss on disposal of property, plant and equipment	**(147)**	(254)
Net (gain) / loss on disposal of available for sale investments	**(2,466)**	(680)
Dividend income	**(1,629)**	(912)
Investment interest	**(4,567)**	(2,429)
Interest paid	**524**	162
Income tax received / (paid)	**(4,358)**	(5,371)
Income tax expense / (benefit)	**4,819**	2,965
Changes in assets and liabilities:		
(Increase) / decrease in inventories	**(160)**	(165)
(Increase) / decrease in trade and other receivables	**(14,581)**	(7,642)
(Increase) / decrease in prepayments	**42**	168
(Increase) / decrease in deferred tax assets	**417**	(862)
(Increase) / decrease in deferred acquisition costs	**(472)**	(204)
(Decrease) / increase in income tax payable	**136**	(1,618)
(Decrease) / increase in deferred tax liabilities	**1,230**	916
(Decrease) / increase in trade and other payables	**(3,092)**	2,206
(Decrease) / increase in provisions	**1,084**	350
(Decrease) / increase in unearned income	**1,694**	7,521
(Decrease) / increase in outstanding claims	**3,188**	4,923
Net cash from / (used in) operating activities	**5,834**	23,720

	Consolidated 2015 $'000	Consolidated 2014 $'000
7. TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	**68,508**	62,506
Allowance for impairment loss (a)	**(25)**	(25)
Reinsurance and other recoveries	**17,436**	8,883
	85,919	71,364
Non-Current		
Reinsurance and other recoveries	**1,427**	1,401
	87,346	72,765

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. As at 30 June 2015, trade receivables of an initial value of $37,000 (2014: $186,000) were impaired and fully provided for. These amounts have been included in the other expenses item.

Movements in the provision for impairment loss were as follows:

	2015	2014
Balance at the beginning of the financial year	**25**	25
Charge for year	**37**	186
Amounts written off (included in other expenses)	**(37)**	(186)
Balance at the end of the financial year	**25**	25

The ageing analysis of trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired					
		0-3 mths	3-6 mths	6-12 mths	> 12 mths	Impaired	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015							
Consolidated	67,819	132	381	151	-	25	68,508
2014							
Consolidated	62,290	95	24	72	-	25	62,506

See Note 29 on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

	Consolidated 2015 $'000	Consolidated 2014 $'000
8. INVENTORIES		
Finished goods at cost	**2,530**	2,370

There were no amounts recognised as an expense for inventories carried at net realisable value.

9. DEPOSITS IN TRUST ACCOUNT

Current Assets		
RAA Travel trust bank balance	**704**	430
Current Liabilities		
RAA Travel trust liabilities	**704**	430

Cash balances held in trust accounts are not available for use by the Group. Cash in the RAA Travel trust account represents funds held on behalf of travel clients and payable to travel service providers.

10. OTHER CURRENT ASSETS

Prepayments	**1,205**	1,247

11. FINANCIAL ASSETS

	Consolidated 2015 $'000	Consolidated 2014 $'000
Current		
Financial assets at fair value through profit and loss		
Funds under management (i)	**73,212**	70,831
Available for sale financial assets at fair value		
Funds under management (i)	**43,661**	34,765
Shares - Australian unlisted (ii)	**175**	175
Short-term deposits held for reinvestment (iii)	**31,860**	35,083
	75,696	70,023
Loans and Receivables (iv)		
Loan to Related Parties	**957**	-
	149,865	140,899
Non-current		
Loans and Receivables (iv)		
Loan to Related Parties	**2,547**	45
	2,547	45

Available for sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

(i) Listed equities and debt securities

The fair value of investments has been determined directly by reference to published price quotations in an active market. There are no individually material investments.

(ii) Unlisted shares

The value of Australian unlisted shares is carried at cost.

(iii) Term deposits

Term deposits with a maturity of greater than 3 months have been classified as 'Short-term deposits held for reinvestment' in accordance with Note 1.

(iv) Loans and Receivables

a. The loan to ACC CAD Pty Ltd for $956,733 is a short term cash advance to cover current project expenses and as such no interest has been charged.

b. The loan to Motoring Club Finance Pty Ltd for $2,500,000 is not expected to be repaid within the next 12 months and has interest calculated at the agreed interest rate.

c. The loan to RAA Auto Glass Pty Ltd of $47,205 is not expected to be repaid within the next 12 months and has interest calculated at the agreed interest rate.

12. INTEREST IN JOINT VENTURES

	Equity Interest		Consolidated 2015 $'000	Consolidated 2014 $'000
Entity	**2015**	**2014**		
Motoring Club Finance Pty Ltd (i)	50.00%	50.00%	**3,206**	**-**
RAA Auto Glass Pty Ltd (ii)	50.00%	50.00%	**-**	-
Total Investment in Joint Ventures			**3,206**	**-**

(i) Motoring Club Finance Pty Ltd

The Group has a 50% share in Motoring Club Finance Pty Ltd, purchased in October 2014. The company commenced trading 1 November 2014.

Summarised financial information	Consolidated 2015 $'000	Consolidated 2014 $'000
Current assets	**11,211**	-
Non-current assets	**67**	-
Current liabilities	**-**	-
Non-current liabilities	**(4,866)**	-
Net assets	**6,412**	-
Carrying amount of Group's investment in Joint Venture	**3,206**	-
Total revenue	**127**	-
Total expenses	**(967)**	-
Net profit before income tax	**(840)**	**-**
Income Tax	**252**	**-**
Net profit after income tax	**(588)**	**-**
Share of net profit/(loss) of joint ventures accounted for using the equity method	**(294)**	**-**

12. INTEREST IN JOINT VENTURES (continued)

(ii) RAA Auto Glass Pty Ltd

The Group has a 50% share in RAA Auto Glass Pty Ltd, a jointly controlled entity involved in the provision and replacement of motor vehicle windscreens in South Australia.

	Consolidated 2015 $'000	Consolidated 2014 $'000
Summarised financial information		
Current assets	**123**	136
Non-current assets	**80**	97
Current liabilities	**(75)**	(83)
Non-current liabilities	**(282)**	(308)
Net assets	**(154)**	(158)
Carrying amount of Group's investment in Joint Venture	**(77)**	(79)
Total revenue	**478**	263
Total expenses	**(474)**	(421)
Net profit before income tax	**4**	(158)
Income Tax	**-**	-
Net profit after income tax	**4**	(158)
Share of net profit/(loss) of joint ventures accounted for using the equity method	**2**	(79)
Investment in Joint Ventures	**-**	-

As the share of net assets is negative due to accumulated losses exceeding the investment, it is carried in the balance sheet at nil and reclassified under Loans to Related Parties at Note 11.

13. INVESTMENTS IN ASSOCIATES

	Equity Interest		Consolidated 2015 $'000	Consolidated 2014 $'000
Associate	**2015**	**2014**		
Australian Club Consortium (i)	33.33%	33.33%	**941**	1
Club Consortium Pty Ltd (ii)	25.56%	25.56%	**3,538**	3,537
			4,479	**3,538**

(i) Australian Club Consortium Pty Ltd

The Group has a 33.33% share in Australian Club Consortium Pty Ltd. During the year an additional equity contribution was made, to provide funds for the company to purchase a share of Intelematics Australia Pty Ltd and set up a 100% owned subsidiary, ACC CAD Pty Ltd.

Summarised financial information	Consolidated 2015 $'000	Consolidated 2014 $'000
Current assets	**2,238**	3
Non-current assets	**3,080**	-
Current liabilities	**(2,495)**	-
Non-current liabilities	**-**	-
Net assets	**2,823**	3
Carrying amount of Group's investment in Joint Venture	**941**	1
Total revenue	**4,996**	-
Total expenses	**(5,249)**	-
Net profit before income tax	**(253)**	**-**
Income Tax	**73**	
Net profit after income tax	**(181)**	**-**
Share of net profit/(loss) of joint ventures accounted for using the equity method	**(60)**	**-**

	Consolidated 2015 $'000	Consolidated 2014 $'000

13. INVESTMENTS IN ASSOCIATES (continued)

(ii) Club Consortium Pty Ltd

The Group has a 25.56% share in Club Consortium which holds a 20% shareholding in Club Assist Corporation Pty Ltd.

	Consolidated 2015 $'000	Consolidated 2014 $'000
Summarised financial information		
Current assets	**41**	40
Non-current assets	**13,800**	13,800
Current liabilities	**1**	(1)
Non-current liabilities	**-**	-
Net assets	**13,842**	13,839
Carrying amount of Group's investment in Joint Venture	**3,538**	3,537
Total revenue	**1,602**	1,604
Total expenses	**(1)**	(2)
Net profit before income tax	**1,601**	1,602
Income Tax	**-**	
Net profit after income tax	**1,601**	1,602
Share of net profit/(loss) of joint ventures accounted for using the equity method	**409**	409
Share of Dividends Paid	**409**	409

14. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Land and Buildings	Plant, Equipment and Motor Vehicles	Furniture, Fittings and Leasehold	Total
	$'000	$'000	$'000	$'000
At 1 July 2013				
Cost or fair value	37,147	31,495	20,035	88,677
Accumulated depreciation	(1,035)	(19,031)	(15,373)	(35,439)
Net book amount	36,112	12,464	4,662	53,238
Year ended 30 June 2014				
Opening net book amount	36,112	12,464	4,662	53,238
Additions	158	1,296	557	2,011
Disposals	-	(226)	-	(226)
Depreciation	(488)	(2,601)	(925)	(4,014)
Net revaluation increment / (decrement)	117	-	-	117
Closing net book amount	35,899	10,933	4,294	51,126
At 30 June 2014				
Cost or fair value	37,422	32,565	20,592	90,579
Accumulated depreciation	(1,523)	(21,632)	(16,298)	(39,453)
Net book amount	35,899	10,933	4,294	51,126
Year ended 30 June 2015				
Opening net book amount	35,899	10,933	4,294	51,126
Additions	628	3,547	152	4,327
Disposals	-	(162)	(1)	(163)
Depreciation	(462)	(2,323)	(618)	(3,403)
Net revaluation increment / (decrement)	-	-	-	-
Closing net book amount	36,065	11,995	3,827	51,887
At 30 June 2015				
Cost or fair value	38,050	35,950	20,743	94,743
Accumulated depreciation	(1,985)	(23,955)	(16,916)	(42,856)
Net book amount	36,065	11,995	3,827	51,887

(b) Revaluation of freehold land and freehold buildings

The Group engages an accredited independent valuer that uses the International Valuation Standards Committee, International Valuation Standards as a reference, to determine the fair value of its freehold land and buildings. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Group, and to market based yields for comparable properties. The effective date of the latest revaluation was 30 June 2014 and confirmed the carrying value of $35.899m. The valuation technique used in valuing the freehold land and buildings consists of Direct Comparison and Income approach. Observable inputs include:

- Buildings (office/storage accommodation) - $80 - $100 per sqm
  (car parking/storage accommodation) - $40 - $60 per sqm
- Land - $2,433 per sqm of building

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Carrying amounts if land and buildings were measured at cost less accumulated depreciation and impairment

	2015		2014	
	Freehold Land $'000	Freehold Buildings $'000	Freehold Land $'000	Freehold Buildings $'000
Cost value	**4,901**	**13,682**	4,901	13,055
Accumulated depreciation	**-**	**(4,778)**	-	(4,433)
Net carrying amount	**4,901**	**8,904**	4,901	8,622

15. INTANGIBLE ASSETS

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Monitored Security Lines $'000	Computer Software $'000	Customer Relation-ships # $'000	Brand # $'000	Total $'000
At 1 July 2013					
Cost or fair value	3,611	18,499	5,000	15,400	42,510
Accum. amortisation & impairment	(4)	(6,033)	(3,335)	-	(9,372)
Net book amount	3,607	12,466	1,665	15,400	33,138
Year ended 30 June 2014					
Opening net book amount	3,607	12,466	1,665	15,400	33,138
Additions	1,725	10,957	-	-	12,682
Disposals	-	(4)	-	-	(4)
Amortisation	(2,000)	(2,101)	(460)	-	(4,561)
Closing net book amount	3,332	21,318	1,205	15,400	41,255
At 30 June 2014					
Cost or fair value	5,336	29,452	5,000	15,400	55,188
Accum. amortisation & impairment	(2,004)	(8,134)	(3,795)	-	(13,933)
Net book amount	3,332	21,318	1,205	15,400	41,255
Year ended 30 June 2015					
Opening net book amount	3,332	21,318	1,205	15,400	41,255
Additions	2,775	1,021	-	-	3,796
Disposals	-	-	-	-	-
Impairment / Amortisation	-	(2,961)	(350)	-	(3,311)
Closing net book amount	6,107	19,378	855	15,400	41,740
At 30 June 2015					
Cost or fair value	8,111	30,473	5,000	15,400	58,984
Accum. amortisation & impairment	(2,004)	(11,095)	(4,145)	-	(17,244)
Net book amount	6,107	19,378	855	15,400	41,740

purchased as part of business combinations

15. INTANGIBLE ASSETS (continued)

(b) Description of the Group's intangible assets

(i) Monitored security lines

Monitored security lines are carried at cost less accumulated impairment. These intangible assets have been determined to have indefinite useful lives. This determination has been based on the fact that these lines have minimal technical obsolescence, require minimal maintenance, and the Association has control over these assets for the foreseeable future. For the purpose of assessing impairment, Monitored security lines are allocated their own cash generating unit (CGU).

The impairment test is performed by comparing the CGU's carrying amount with its recoverable amount using a pre-tax discount rate of 12.0% (2014: 9.54%). The recoverable amount has been determined based on the Net Fair Value Less Cost to Sell, using recurring revenue on a monthly basis over a multiple of months less costs to sell. The multiple of months is based on the expected multiple the Group uses when purchasing additional monitored lines. At 30 June 2015 no impairment has been recognised for the year (2014: $2 million).

Sensitivity to changes in assumptions:

In relation to the recoverable amount, sensitivity to changes in assumptions may result in an impairment loss. If either revenue was to drop by 10% or the multiple of months was reduced by 10% a small impairment would be recognised. Likewise a combination of both a revenue drop and reduction of the multiple of months less than 10% may also result in impairment.

(ii) Computer software

Computer software is carried at cost less accumulated amortisation and accumulated impairment losses. These intangible assets have been assessed as having a finite life between 3 to 5 years and are amortised using the straight line method over their useful life. The amortisation has been recognised in the Statement of Comprehensive Income in the line item "Depreciation and amortisation expense". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(iii) Customer relationships

Customer relationships represent the expected retention of current customers in RAA Insurance Holdings Limited. These intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the diminishing value method over a period of 10 years. The amortisation has been recognised in the Statement of Comprehensive Income in the line item "Depreciation and amortisation expense". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(iv) Brand

Brand represents the RAA Insurance brand name and is carried at cost less accumulated impairment losses. This intangible asset has been determined to be an indefinite life asset. For the purpose of assessing impairment, the RAA Insurance brand is allocated to the CGU of RAA Insurance Limited.

The impairment test for brand is performed by comparing the CGU's carrying amount with its recoverable amount. The recoverable amount has been determined based on a value in use calculation using profit projections as at 30 June 2015 from financial budgets covering a five year period. The Gordon Growth Model has been used to project the cash flows beyond this period. The pre-tax discount rate used is 9.3% (2014: 9.54%) which has been determined using a weighted average cost of capital calculation

The key assumption used in calculating the RAA Insurance Limited profit projections is that growth in insurance covers will continue to rise at an average of 5% per year, based on the past performance and future expectations of RAA Insurance Limited.

At 30 June 2015 no impairment loss has been recognised for the year (2014: nil).

(c) Impairment recognised

At 30 June 2015 no impairment has been recognised for the year (2014: $2 million)

16. GOODWILL

	Consolidated 2015 $'000	Consolidated 2014 $'000
Opening net book amount	**58,254**	58,254
Acquisition of subsidiary	**-**	-
Impairment of Goodwill	**(213)**	-
Closing net book amount	**58,041**	58,254

(a) Description of the Group's goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to section (c) of this note).

(b) Impairment losses recognised

At 30 June 2015 an impairment of $213,000 has been recognised for the year (2014: nil).

(c) Impairment tests for cash generating units containing goodwill

For the purpose of assessing impairment, goodwill is allocated to a Cash Generating Unit (CGU). The impairment test for goodwill is performed by comparing the CGU's carrying amount with its recoverable amount. The recoverable amount has been determined based on a value in use calculation using profit projections as at 30 June 2015 covering a five year period. The Gordon Growth Model has been used to project the cash flows beyond this period.

The closing goodwill balance relates to the RAA Insurance CGU and uses the key assumption that growth in insurance covers will continue to rise at an average of 5% per year, based on the past performance and future expectations of RAA Insurance Limited. The discount rate used is 9.3% (2014: 9.54%) which has been determined using a weighted average cost of capital calculation. For the year ended 30 June 2015 no impairment loss has been recognised for the RAA Insurance CGU (2014: nil). Sensitivity analysis has been performed around the key assumptions, with no impairment likely due to the significant headroom between the value in use calculation and the goodwill carrying value.

The goodwill balance relating to the SA Driver Education CGU of $213,000 was fully impaired during the year ended 30 June 2015 (2014: nil). Due to future revenue growth remaining stable and a discount rate of 9.0% (2014: 9.0%). The balance was considered impaired in full and has been reduced to zero.

	Consolidated 2015 $'000	Consolidated 2014 $'000
17. TRADE AND OTHER PAYABLES		
Current		
Trade payables	**1,321**	1,558
Security deposit (i)	**1,069**	991
Other payables and accruals	**7,443**	10,376
	9,833	12,925

(i) Security Deposit

The Group provides roadside assistance services to Assist Australia Pty Limited under a Services Agreement. A security deposit received from Assist Australia Pty Limited secures the performance of the services to be provided under the Services Agreement and Assist Australia Pty Limited's obligation to pay for those services.

18. UNEARNED INCOME

	Consolidated 2015 $'000	Consolidated 2014 $'000
Subscriptions in advance	**28,607**	30,643
Unearned insurance premiums	**87,518**	83,788
	116,125	114,431

19. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated 2015 $'000	Consolidated 2014 $'000
Current		
Related party loans	**250**	-
	250	-
Non-Current		
Bank Loan	**10,000**	10,000
Related party loans	**-**	157
	10,000	10,157

(a) On the 29th June 2015, the Association held a $10 million loan, with the balance payable by June 2019.

(b) The carrying amount of the Association's current and non-current borrowings approximate their fair value. Details regarding interest rate and liquidity risk are disclosed in Note 29.

(c) Assets pledged as security for current and non-current interest-bearing liabilities is equivalent to 100% of the net assets of the Association only.

(d) During the current year there were no defaults or breaches on any of the loans.

20. PROVISIONS

	Consolidated 2015 $'000	Consolidated 2014 $'000
Current		
Employee benefits (i)	**11,823**	10,909
Workers' compensation (ii)	**270**	140
	12,093	11,049
Non-current		
Employee benefits (i)	**1,172**	1,213
Workers' compensation (ii)	**330**	249
	1,502	1,462

(a) Movement in provisions

Movement in the workers' compensation provision during the financial year is set out below:

Balance at beginning of financial year	**389**	427
Re-measurement of the estimated future liability	**211**	(38)
Balance at end of financial year	**600**	389

(b) Nature and timing of provisions

(i) Employee Benefits

Refer to Note 1 for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of employee benefits.

(ii) Workers' Compensation

The provision for workers' compensation represents the present value of a reasonable estimate of the liabilities for claims incurred up to and including 30 June 2015, net of recoveries.

21. RETAINED EARNINGS

	Consolidated 2015 $'000	Consolidated 2014 $'000
Balance at beginning of the financial year	**151,140**	134,933
Net profit / (loss) after tax	**17,168**	15,964
Actuarial gains/(loss) from defined benefit superannuation scheme	**87**	243
Balance at end of financial year	**168,395**	151,140

22. RESERVES

	Consolidated 2015 $'000	Consolidated 2014 $'000
Asset Revaluation Reserve	**15,285**	15,285
Net Unrealised Gains Reserve	**4,153**	4,657
Unrealised Capital Reserve on RAA Insurance Acquisitions	**34,473**	34,473
Balance at end of financial year	**53,911**	54,415

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another and the land and buildings valuation at 30 June 2015 supports this value.

Net unrealised gains reserve

The net unrealised gains reserve records movements in the fair value of available-for-sale financial assets.

Unrealised capital reserve on RAA Insurance Holdings Limited Acquisition

The unrealised capital reserve on RAA Insurance Holdings Limited acquisition is used to recognise the uplift to fair value of the pre-existing investment of the Association on the gaining of control of RAA Insurance Holdings Limited.

23. INSURANCE DISCLOSURES

The information in Note 23 relates to the results of RAA Insurance Limited in isolation from the Group and may not tie exactly to the results of the Group due to intercompany eliminations and classification on consolidation.

(a) Contribution to profit from General Insurance activities

	RAA Insurance 2015 $'000	RAA Insurance 2014 $'000
Net earned premium		
Direct premium revenue	**167,138**	156,607
Outwards reinsurance premium expense	**(24,554)**	(14,874)
Total net earned premium	**142,584**	141,733
Net incurred claims		
Claims expense (i)	**(125,524)**	(114,860)
Reinsurance recoveries revenue	**16,314**	1,319
Other recoveries revenue	**18,062**	18,691
Total net incurred claims	**(91,148)**	(94,850)
Underwriting expenses		
Commissions	**(15,743)**	(14,750)
Acquisition costs	**(7,894)**	(7,217)
Other underwriting expenses	**(5,394)**	(4,841)
Total underwriting expenses	**(29,031)**	(26,808)
Underwriting result	**22,405**	20,075
Net investment income / (loss) on technical reserves	**1,501**	1,931
Insurance trading result	**23,906**	22,006
Net investment income / (loss) on shareholders' funds	**1,682**	1,890
Contribution to profit before tax	**25,588**	23,896

(i) Insurance claims expense reconciliation

	RAA Insurance 2015 $'000	RAA Insurance 2014 $'000
Claims expense	**(125,524)**	(114,860)
Transfer to:		
- Employee benefits	**2,209**	2,119
- Other expenditure	**3,966**	3,516
Insurance claims expense	**(119,349)**	(109,225)

23. INSURANCE DISCLOSURES (continued)

(b) Net incurred claims

Details of net incurred claims are as follows:

Direct Business	2015 Current Year $'000	2015 Prior Years $'000	2015 Total $'000	2014 Current Year $'000	2014 Prior Years $'000	2014 Total $'000
Gross claims incurred and related expenses						
Undiscounted	126,073	(419)	125,654	115,576	(1,135)	114,441
	126,073	(419)	125,654	115,576	(1,135)	114,441
Reinsurance and other recoveries						
Undiscounted	(33,685)	(657)	(34,342)	(18,854)	(1,170)	(20,024)
Discount and discount movement	(32)	(131)	(163)	336	97	433
	(33,717)	(788)	(34,506)	(18,518)	(1,073)	(19,591)
Total net claims incurred	92,355	(1,207)	91,148	97,058	(2,208)	94,850

Current period claims relate to risks borne in the current financial year while prior period claims relate to a reassessment of the risks borne in all previous financial years.

(c) Deferred Acquisition Costs

Treatment of deferred acquisition costs incurred in obtaining general insurance contracts is detailed in Note 1(q).

	Consolidated 2015 $'000	**Consolidated 2014 $'000**
Balance at beginning of the financial year	**3,817**	3,613
Acquisition costs deferred	**8,672**	7,454
Amortisation charged to income	**(8,200)**	(7,250)
Balance at end of financial year	**4,289**	3,817

(d) Outstanding Claims Liability

Measurement of outstanding claims liability is detailed in Note 1(w) and part f of this note.

Current	**38,644**	35,871
Non-Current	**552**	137
	39,196	36,008

(e) Critical Accounting Judgements and Estimates

RAA Insurance makes estimates and judgements in respect of certain key assets and liabilities. Estimates and judgements are continually reviewed and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgements are applied are described below.

(f) Estimation of outstanding claims liability

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance date, including the cost of claims incurred but not yet reported (IBNR).

23. INSURANCE DISCLOSURES (continued)

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected reinsurance and other recoveries. RAA Insurance Limited takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to RAA Insurance Limited, where more information about the claim is generally available. Personal insurance claims are generally reported within a short time frame following the claim event and therefore tend to display low levels of volatility.

In calculating the estimated cost of unpaid claims RAA Insurance Limited uses a variety of estimation techniques, generally based upon statistical analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Where historical experience is not sufficient a combination of actual and industry experience is utilised. A prudential margin is added for changes in uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including;

- changes in processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods
- changes in the legal environment
- the effects of inflation
- the impact of large losses
- movements in industry benchmarks

Provisions are calculated gross of any reinsurance and other recoveries.

Details of specific actuarial assumptions used in deriving the outstanding claims liability at year end are detailed at section (i) of this note.

(i) Assets arising from reinsurance contracts

An estimate of the amounts recoverable from reinsurers is made based upon the gross provisions, taking into account the current reinsurance arrangements. An estimate of other recoveries is made based on past patterns of other recoveries. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty risk, credit risk and the time value of money. Both reinsurance and other recoveries are stated at present value.

(ii) Premium revenue

Premium revenue comprises premiums earned from direct business and unclosed business. Direct premium revenue comprises amounts charged to the policyholders, including fire service levies but excluding amounts collected on behalf of third parties, principally stamp duties and GST. Premium revenue is recognised in the statement of comprehensive income when it has been earned. The proportion of premium received or receivable but not earned in the statement of comprehensive income at the reporting date is recognised in the statement of financial position as an unearned premium liability. Premium revenue is treated as beginning to be earned from the date of attachment of risk. The pattern of recognition over the policy or indemnity periods is based on time, which is considered too closely approximate the pattern of risks underwritten using the 365ths method.

23. INSURANCE DISCLOSURES (continued)

(g) Liability adequacy test deficiency

The Liability Adequacy Test (LAT) assesses whether the net earned premium liability less any related intangible assets and deferred acquisition costs is sufficient to cover future claims cost for in-force policies. Future claims costs are calculated as the present value of the expected cash flows relating to future claims, and includes a risk margin to reflect inherent uncertainty in the central estimate for each portfolio of contracts. The test is based on prospective information and so is heavily dependent on assumptions and estimates.

For the purposes of the liability adequacy test there is one portfolio being Personal Insurance. The liability adequacy test has identified a surplus for this portfolio of $3,187,478 (2014: surplus of $3,599,267).

The probability of adequacy (POA) adopted in performing the liability adequacy test is set at the 75th percentile compared to the 90th percentile adopted in determining the outstanding claims liabilities.

The POA for outstanding claims liabilities is set at a level that is appropriate and sustainable to cover the RAA Insurance's claims obligations after having regard to the prevailing market environment and prudent industry practice. Being a test of adequacy, the POA for the liability adequacy test is set to highlight deficiencies in product pricing following an analysis of the Company's profit margins after having regard to regulatory minimum requirements.

The overall risk margin has been determined allowing for diversification between the different classes of business and the relative uncertainty of the outstanding claims estimate for each class. Uncertainty was analysed for each class taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the general insurance environment, and the impact of legislative reform. The assumptions regarding uncertainty for each class were applied to the net central estimates, and the results were aggregated, allowing for diversification in order to arrive at an overall provision which is intended to have a 90% POA. The risk margin applied to personal insurance (at 90% POA) is 11.1% (2014: 9.2%).

(h) General Insurance Risk Management

Objectives in managing risks and policies for mitigating those risks

In accordance with Prudential Standard GPS 220 Risk Management and GPS 230 Reinsurance Management issued by the Australian Prudential Regulation Authority (APRA), the Board and senior management have developed a risk management framework that is designed to ensure that risks that may affect RAA Insurance's abilities to meet obligations to policy holders are identified, assessed, mitigated and monitored. RAA Insurance's objective is not to eliminate all risk, but to ensure that risk is recognised and maintained at an acceptable level and at an acceptable cost.

The Risk Management Framework (RMF) is made up of a series of components which, in total, comprise the overall approach RAA Insurance has to managing risk. The main components are the Risk Management Strategy (RMS), Reinsurance Management Strategy (ReMS), Investment Management Strategy, Capital Management Plan and the Internal Capital Adequacy Assessment Process (ICAAP).

The RMF's aim is to ensure that RAA Insurance has in place policies, procedures, processes and controls that effectively identify, assess, mitigate and monitor the key risks that the Company faces during the course of its operations.

The Board and senior management are responsible for ensuring the assets of RAA Insurance are safeguarded from risk, provide shareholders with assurance that their investment is protected from material claims losses and that RAA Insurance is able to meet obligations to policyholders when they fall due.

The Board is responsible for reviewing the RMS annually to ensure adequate frameworks exist to monitor and evaluate circumstances that may impact the RAA Insurance's risk profiles. Annually, the Board certifies to APRA that adequate strategies have been put in place to monitor the risks and that systems are in place to ensure compliance with legislative and prudential requirements. The Board also certifies to APRA that it is satisfied as to the adequacy and compliance with the RMS.

An integral part of RAA Insurance’s overall RMS is the governance and management of the risks that impact the amount, timing and uncertainty of cash flows from insurance contracts. RAA Insurance has established internal controls to manage risk in the areas of exposure relevant to its business. The risk categories discussed below are:

- strategic and tactical risk
- reinsurance risk
- operational risk
- insurance risk

23. INSURANCE DISCLOSURES (continued)

RAA Insurance's RMS also recognises the volatility of financial markets and aims to minimise adverse effects on its financial performance. This is considered in Financial Risk (Note 29).

Strategic and tactical risk

RAA Insurance considers risk and opportunity simultaneously, with the identification of both internal and external environments leading to actions and projects that form company and departmental business plans. Risk is therefore identified as part of the business planning process, during quarterly risk workshops and as an on-going part of each department's execution of its business plan.

Business planning and risk management are linked to ensure risks arising out of business planning and strategy development are included into, and considered by, the risk management framework, or that significant risks or risks not within tolerance are addressed as part of the business planning and strategy development process of the Company. Initiatives identified during the business planning and strategy process are noted on the Risk Profiles. Project management includes a process for the identification and management of risks, noting the risks involved with the project and the benefits the project will deliver.

RAA Insurance has determined that its core business will continue to be personal lines insurance offered to South Australian and Broken Hill risks.

Reinsurance risk

The management of reinsurance risk is addressed in the REMS. The REMS is reviewed annually and is approved by the Board of RAA Insurance.

Reinsurance management refers to the selection, monitoring, review and control of reinsurance arrangements – that is where some part of individual or aggregate insurance risks are ceded to other insurers.

Weaknesses in the controls and management of reinsurance arrangements could result in the inability to meet policyholder liabilities as they fall due and may impair the capital, profitability or liquidity position of RAA Insurance.

The REMS has been developed to ensure that RAA Insurance has in place prudent reinsurance arrangements to provide the necessary security and liquidity to meet its obligations to policyholders and hence provide protection to the assets of RAA Insurance.

Key aspects of RAA Insurance's REMS include:

- The use of a simple reinsurance structure (due to the classes of business underwritten) that facilitates the timely recovery of reinsurance claims;
- The selection of adequate reinsurance programs for each product line to limit exposure to large single claims and catastrophes. In relation to catastrophic losses, actuarial modelling is used to calculate the Probable Maximum Loss (PML) with a return period of 1 in 250 years;
- Spreading the reinsurance program across major reinsurance markets to avoid over dependency on any one market;
- Evaluating reinsurers based upon creditworthiness, the basis of coverage, security, price and a genuine willingness to pay claims;
- Matching the skills, knowledge and experience of each reinsurance counterparty to the type of business ceded;
- Fostering long term relationships with reinsurers to encourage active assistance in establishing the correct price of risk transfer over a period of time; and
- The continuous evaluation of the benefit of multi-year contracts to achieve long term stability to pricing, leading to reduced underwriting expenses.

Operational risk

Operational risk is the risk of loss resulting from system weaknesses or failure, human error or external events that does not relate to insurance or financial risks.

RAA Insurance manages operational risk by recruiting and retaining high quality employees who have the requisite skills and experience for their positions. Each employee is also given an authority level based on their expertise and position description, with compliance to their authorities actively monitored. Other methods to manage operational risk include segregation of duties, reconciliation procedures and access controls which are regularly reviewed.

23. INSURANCE DISCLOSURES (continued)

Insurance risk

Insurance risk refers to the inherent risk in any insurance contract that the insured event may occur and the uncertainty of the amount of the resulting claim. RAA Insurance manages this risk through the RMS, REMS (as discussed in Reinsurance risk) and the terms and conditions of its insurance contracts. RAA Insurance addresses the concentration of insurance risk by maintaining a balanced diversified portfolio of two main classes of business; discussed below.

Key aspects of the RMS that aim to mitigate risk include:

- Underwriting operations are managed in accordance with documented underwriting guidelines, with regular quality assessments and monitoring of operations conducted.
- Claims operations are managed in accordance with documented claims guidelines, with regular assessment and monitoring of operations conducted.
- Actuarial models utilise information from the management information system to calculate premiums and monitor claims patterns. Past experience and statistical methods form part of this process.

Terms and conditions of insurance contracts

RAA Insurance has adopted a standard insurance contract for each class of insurance policy. The terms and conditions of these insurance contracts are in accordance with legislative requirements as stipulated in the Insurance Contracts Act. These standard contracts are used for all insurance policies entered into between RAA Insurance and its policyholders. No special terms are entered into with any policyholder that has a material impact on the financial statements.

Concentration risk

RAA Insurance is a domestic insurer that only operates in South Australia and Broken Hill. As a result, a concentration risk potentially exists due to the nature and location of the business. As part of the Risk Profiles, RAA Insurance considers and reviews these risks to ensure they are adequately addressed and managed.

This risk is considered and noted in RAA Insurance's risk appetite. RAA Insurance has identified a potential asset concentration risk, related to geographic location, which could impact RAA Insurance should there be a catastrophe and have mitigated this risk through its reinsurance arrangements.

RAA Insurance's exposure to concentration of insurance risk is mitigated by maintaining a diversified portfolio of two main classes of business (Motor - comprehensive and third party, and Home - building and contents, damage and liability). Specific provisions for monitoring identified key concentrations are set out below.

Risk	Source of concentration	Risk management measures
Natural catastrophes:	Risk's concentrated in the following regions:	Underwriting strategies requires individual risk premiums to be differentiated in order to identify the higher loss value.
- Earthquake - Bushfire - Flood	- South Australia - Broken Hill	The Company has modelled aggregated risk by postcode using commercially available catastrophe models.
		Based on the PML per the models, the Company purchases catastrophe reinsurance cover to limit exposure to any single event.
The largest potential loss faced by the Company is earthquake.		The Company entered into a new Quota share Reinsurance Arrangement from 1 July 2014, whereby 25% of the Home - Building and Contents Premium is ceded to reinsurers. This limits the Company's exposure.

23. INSURANCE DISCLOSURES (continued)

(i) Actuarial assumptions and methods

RAA Insurance writes Personal Insurance which includes the following classes of business; Motor Comprehensive, Motor Third Party, Home (Building and Contents, Damage and Liability) and Boat. The classes are generally short-tail in nature, meaning that claims are typically settled within one year of being reported. The process for determining the value of outstanding claims liabilities in respect of these classes is described below.

Personal Insurance (not including personal injury liability)

For these classes of business, there is not a significant delay between the occurrence of the claim and the claim being reported to, and settled by, RAA Insurance. Therefore, due to the short-tail nature of these classes, no allowance for general economic inflation or superimposed inflation has been incorporated into the resulting projected payments and those payments have not been discounted to allow for the time value of money.

In 2015 RAA Insurance adopted a method based on the Development of Average Incurred Cost times ultimate claim numbers for all classes other than Home Liability to estimate the gross outstanding claims liabilities. This method was unchanged from the previous review (2014). This method assesses the ultimate cost for each accident period as:

- An expected ultimate number of claims per period, allowing explicitly for the impact of things such as 'weekend month-ends', seasonality, etc.
- These claim numbers are multiplied by an expected average claim size. The average claim size is assessed as a multiple of the incurred average reported cost to date, based on the expected development pattern of claims.

Home and Boat Personal Injury Liability

The outstanding liability for this class is estimated based on the individual case estimates on each claim at the balance date plus an allowance for claims that have occurred but are yet to be reported (IBNR). This allowance takes into account the expected cost of claims per policy, the number of policies exposed and the proportion of losses yet to be recognised (all of which are derived from the analysis of the portfolio experience with due consideration to other industry statistics). As there can sometimes be a significant delay between the occurrence of the claim and the claim being reported and settled by RAA Insurance, projected payments have been discounted to allow for the time value of money.

Prudential Margin

Risk margins are added to the estimated liabilities to allow for the inherent uncertainties in the estimates and so as to achieve a 90% probability that the amount provided will be sufficient to pay out all claims.

Actuarial Assumptions

The following assumptions have been made in determining the outstanding claims liabilities:

	2015	**2014**
Average weighted term to settlement from reporting date	< 1 yr	< 1 yr
Average claim frequency (claims per policy)	2.4% - 15.1%	2.8% - 15.3%
Claims handling expense rate	4.5% - 9.5%	4.8% - 10%
Discount rate	2.13% - 2.59%	2.9% - 3.1%
Inflation and superimposed inflation	n/a	n/a

Process to Determine Assumptions

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

Average weighted term to settlement from reporting date

The estimated average weighted term to settlement is based on historical settlement patterns.

Average claim frequency (claims per policy)

Estimated future numbers of claim reports are based on historical patterns of claim reporting.

Average claim size

Estimated average claim sizes are based on historical claim size experience, by type of claim.

Claims handling expense rate

The allowance for claims handling expenses is based on the historical relationship between claims handling expenses and gross claim costs.

23. INSURANCE DISCLOSURES (continued)

The selected discount rate is based on an empirical analysis of the current yield curve for government bonds comparing the yield and the profile of the underlying payments.

Inflation and superimposed inflation

No explicit allowance for normal and superimposed inflation has been made on the grounds of materiality.

Reinsurance and non-reinsurance recoveries

Estimates of recoveries are based on assessment of individual large claims.

Summary

RAA Insurance conducts sensitivity analyses to quantify the exposure to risk changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of RAA Insurance. The tables below describe how a change in each assumption will affect the insurance liabilities and show an analysis of the sensitivity of the profit / (loss) and equity to changes in these assumptions both gross and net of reinsurance.

Variable	*Impact of movement in variable*
Average claim size	Historical claim size information is used in determining the outstanding claims liability. An increase or decrease in the average claim size would have a corresponding increase or decrease on claims expense respectively.
Average claim frequency	Claims frequencies are used in determining the level of claims incurred but not reported (IBNR). An increase or decrease in the assumed average frequency levels would have a corresponding impact on claims expense.
Expense rate	An estimate for the internal costs of handling claims in included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.

		Net Profit / (Loss)		**Equity**
	Movement in Variable	**Gross of Reinsurance**	**Net of Reinsurance**	
Variable		**$'000**	**$'000**	**$'000**
Average claim size	+10%	(1,776)	(1,776)	(1,776)
	-10%	1,776	1,776	1,776
Claim frequency - most recent accident	+10%	(1,776)	(1,776)	(1,776)
	-10%	1,776	1,776	1,776
Expense rate	+1%	(262)	(262)	(262)
	-1%	262	262	262

24. RELATED PARTY DISCLOSURE

(a) Related Parties

Royal Automobile Association of SA Inc. is the ultimate parent entity and the ultimate parent of the Group. The consolidated financial statements include the financial statements of the Association and the subsidiaries. All related parties are listed below.

Name		Equity interest 2015	Equity interest 2014	Investment 2015	Investment 2014
		%	%	$	$
RAA Insurance Holdings Limited	Subsidiary	**100%**	100%	**103,497,581**	103,497,581
SA Driver Education Pty Ltd *	Subsidiary	**50%**	50%	**212,500**	212,500
Motoring Club Finance Pty Ltd	Joint Venture	**50%**	50%	**3,500,000**	-
RAA Auto Glass Pty Ltd	Joint Venture	**50%**	50%	**100**	-
Australian Club Consortium Pty Ltd	Associate	**33%**	33%	**1,001,000**	1,000
Club Consortium Pty Ltd	Associate	**26%**	26%	**3,528,544**	3,528,544
				111,739,725	107,239,625

* SA Driver Education Pty Ltd is treated as a subsidiary due to the Group having the obligation to acquire the remaining 50% in the future.

(b) Ultimate parent

Royal Automobile Association of SA Inc. is the ultimate parent entity and the ultimate parent of the Group.

(c) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Related party	*Transaction Type*	**2015 $**	**2014 $**
RAA Insurance Holdings Limited	Dividend revenue	**11,500,000**	14,000,000
	Distribution services	**16,094,144**	15,372,960
	Rent, IT services and administration	**6,901,915**	5,743,597
	Insurance Premiums	**(60,107)**	(58,705)
		34,435,952	35,057,852
SA Driver Education Pty Ltd	Distribution services	**158,000**	125,000
	Administration	**337,354**	-
	Interest	**18,093**	4,127
		513,447	129,127
Motoring Club Finance Pty Ltd	Distribution services	**411,504**	-
		35,360,903	35,186,979

The terms and conditions of the transactions with RAA Insurance Holdings Limited are largely fixed under distribution and cost sharing agreements with RAA Insurance Limited. Transactions with SA Driver Education Pty Ltd are made on normal commercial terms and conditions.

No transactions have been entered into with specified Directors or Executives. During the financial year, specified Directors and Executives purchased goods and services, which were domestic or minor in nature, from the Association on the same terms and conditions available to customers and members.

24. RELATED PARTY DISCLOSURE (continued)

(d) Outstanding balances with related parties

Related party	*Balance Type*	**2015** **$**	**2014** **$**
RAA Insurance Holdings Limited	Income Tax Payable	**306,290**	2,979,250
	Loan payable / (receivable)	**2,363,449**	2,394,385
		2,669,739	2,979,250
SA Driver Education Pty Ltd	Interest Payable	**18,093**	4,127
	Loan payable / (receivable)	**232,340**	138,213
		250,433	142,340
Motoring Club Finance Pty Ltd	Loan payable / (receivable)	**2,500,000**	-
RAA Auto Glass Pty Ltd	Loan payable / (receivable)	**124,000**	124,000
Australian Club Consortium Pty Ltd	Loan payable / (receivable)	**956,733**	-
		6,500,905	3,245,590

Outstanding balances at year end are unsecured and settlement occurs in cash. No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense recognised in respect of bad or doubtful debts due from related parties.

25. KEY MANAGEMENT PERSONNEL

(a) Directors

The Constitution of the Association provides for the payment of Directors' fees. The remuneration committee reviews the remuneration packages of all Directors and Executives on an annual basis and makes recommendations to the Board. Employees involved in the management of the Association are remunerated on basis determined by relevant industrial awards or commensurate with the duties, responsibilities and performance required of the individual positions as recommended by independent remuneration consultants.

The specified Directors of the Association during the financial year were:

- DA Cross (President)
- ED Perry (Vice President)
- IH Stone (Group Managing Director)
- RG Grigg
- KJ Gramp
- RJ Payze
- RN Robinson (Resigned 28 February 2015)
- GR Rohrsheim
- JE Sarah
- AJ Sharley
- PR Siebels
- SR Starick
- KN Thomas

25. KEY MANAGEMENT PERSONNEL (continued)

The aggregate compensation made to the specified Directors during the financial year is set out below; these amounts exclude IH Stone, who is included in the specified Executive table:

	Consolidated 2015 $	Consolidated 2014 $
Short-term employee benefits	**428,214**	390,660
Post-employment benefits	**104,279**	90,865
	532,493	481,525

Some Directors of the Association are also Directors of related organisations. Remuneration paid to these Directors is paid by those organisations and not by the Association. Remuneration paid by related organisations to the Associations' Directors during the year total $129,065 (2014: $124,900).

(b) Specified Executives

The following executives also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year;

- IH Stone — Group Managing Director
- D McGown — Group Chief Financial Officer
- M Butcher — General Manager Human Resources
- P Gale — General Manager Public Affairs
- T Griffiths — General Manager Sales and Marketing
- P Hurcombe — General Manager Strategy, Risk & Investments
- D Jacob — General Manager Automotive Services
- D Parr — General Manager Secure Services
- M Walters — General Manager Information Services
- D Russell — Insurance Chief Executive

The aggregate compensation made to the specified Executives during the financial year is set out below:

	Consolidated 2015 $	Consolidated 2014 $
Short-term employee benefits	**3,068,360**	2,933,970
Long-term employee benefits	**111,061**	94,203
Post-employment benefits	**243,860**	216,013
	3,423,281	3,244,186

No transactions have been entered into with specified Directors or Executives. During the financial year, specified Directors and Executives purchased goods and services, which were domestic or minor in nature, from the Group on the same terms and conditions available to customers and members.

26. DEFINED BENEFIT PENSION PLAN

The Group contributes to a number of superannuation schemes, which provide benefits on retirement, resignation, disablement or death of members of those schemes. Superannuation guarantee contributions are expensed as they are incurred. The members of the schemes and the Group make contributions as specified in the rules of the respective schemes.

Schemes providing accumulation benefits do not require actuarial assessments. In the event of termination of the schemes, or voluntary or compulsory termination of each employee, the assets of each scheme are sufficient to satisfy all vested benefits.

The last actuarial assessment of the defined benefit scheme in the Group was made at 30 June 2015 by Mercer Investments Nominees Limited. Actuarial assessments are carried out annually. The conclusion of the actuarial review was that the funds within the scheme were considered adequate to satisfy all benefits payable in the event of termination of the scheme and voluntary or compulsory termination of employment of each employee.

Disclosures in accordance with AASB 119 Employee Benefits and in relation to the defined benefit section of the RAA Staff Superannuation Scheme.

Accounting policy

Actuarial gains and losses are recognised immediately through retained earnings in the year in which they occur.

Scheme information

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section of the Scheme is closed to new members. All new members receive accumulation only benefits.

Reconciliation of the present value of the defined benefit obligation

	Consolidated 2015 $'000	**Consolidated 2014 $'000**
Opening defined benefit obligation	**2,412**	2,538
Service cost	**125**	148
Net Interest	**105**	116
Contributions by scheme participants	**34**	39
Actuarial (gains) / losses	**113**	(52)
Benefits paid	**(262)**	(318)
Taxes, premiums & expenses paid	**(100)**	(59)
Closing defined benefit obligation	**2,427**	2,412

Reconciliation of the fair value of scheme assets

	Consolidated 2015 $'000	**Consolidated 2014 $'000**
Opening fair value of fund assets	**3,688**	3,576
Expected return on scheme assets	**153**	155
Actuarial gains / (losses) less interest	**238**	295
Contributions by scheme participants	**34**	39
Benefits paid	**(262)**	(318)
Taxes, premiums & expenses paid	**(100)**	(59)
Closing fair value of fund assets	**3,751**	3,688

26. DEFINED BENEFIT PENSION PLAN (continued)

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

	Consolidated 2015 $'000	Consolidated 2014 $'000
Defined benefit obligation *	**2,427**	2,412
Fair value of scheme assets	**(3,751)**	(3,688)
Net superannuation liability / (asset)	**(1,324)**	(1,276)

* includes contributions tax provision

Expense recognised in the Statement of Comprehensive Income

Service cost **	**125**	148
Interest cost	**105**	116
Expected return on assets	**(153)**	(155)
Superannuation expense / (income)	**77**	109

** No allowance has been made above for employer contributions for accumulation members or additional employer contributions for defined benefit members.

Amounts recognised in the Statement of Comprehensive Income

Actuarial (gains) / losses	**(125)**	(347)

Fair value of Fund Assets

Asset Category	Total $'000	Quoted prices Level 1 $'000	Observable inputs Level 2 $'000	Unobservable inputs Level 3 $'000
Equity	-	-	-	-
Debt	-	-	-	-
Investment Funds - Balanced	3,751	-	3,751	-
Real Estate	-	-	-	-
Total	3,751	-	3,751	-

Scheme assets

The percentage invested in each asset class at the reporting date:

	Consolidated 2015	Consolidated 2014
Australian Equity	**29%**	29%
International Equity	**28%**	28%
Fixed Income	**15%**	15%
Property	**7%**	7%
Alternatives / Other	**17%**	17%
Cash	**3%**	3%

26. DEFINED BENEFIT PENSION PLAN (continued)

Actual return on scheme assets

	Consolidated 2015 $'000	Consolidated 2014 $'000
Actual return on scheme assets	**450**	450

Principal actuarial assumptions at the reporting date

	Consolidated 2015	Consolidated 2014
Discount rate	**4.5% pa**	4.6% pa
Expected salary increase rate	**3.0% pa**	3.5% pa

Fair value of scheme assets

The fair value of Scheme assets includes no amounts relating to:

- any of the Employer's own financial instruments
- any property occupied by, or other assets used by, the Employer.

Expected rate of return on scheme assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax and investment fees.

Sensitivity Analysis

	Base	Discount Rate Sensitivity		Salary Rate Sensitivity	
Discount rate	3.80%	3.30%	4.30%	3.80%	3.80%
Salary increase rate	3.00%	3.00%	3.00%	2.50%	3.50%
Defined Benefit obligation	2,427	2,495	2,379	2,393	2,485

Expected contributions

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Expected employer contributions	-	-	-	-	-

Nature of asset / liability

The Group has recognised an asset in the Statement of Financial Position in respect of its defined benefit superannuation arrangements. If a surplus exists in the Scheme, the Group may be able to take advantage of it in the form of a reduction in the required contribution rate for both defined benefit (and potentially for defined contribution members), depending on the advice of the Scheme's actuary.

The Employer may at any time by notice to the Trustee terminate its contributions. The Employer has a liability to pay the contributions due prior to the effective date of the notice, but there is no requirement for the Employer to pay any further contributions, irrespective of the financial condition of the Scheme.

27. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

The Group has entered into commercial property leases. These leases have an average life of between one to twelve years. They generally provide the Group with a right of renewal at which time all terms are renegotiated. There are no restrictions placed upon the Group by entering into these leases.

Commercial property commitments	Consolidated 2015 $'000	Consolidated 2014 $'000
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Within one year	**1,761**	1,730
After one year but not more than five years	**3,961**	5,185
Total minimum lease payments	**5,722**	6,915

28. CONTINGENT LIABILITY

Bank guarantees provided as security for :		
- outstanding workers' compensation claims	**964**	956
- leasing of retail property at Elizabeth Shopping Centre, Elizabeth	**11**	11
- leasing of retail property at Hindmarsh Square, Adelaide	**208**	208
	1,183	1,175

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

For the purpose of the Group's capital management, capital includes retained earnings, available debt facilities and all other equity reserves attributable to the RAA Group. A capital management strategy is in place to ensure that all approved capital expenditures are adequately funded over the life of the expenditures and that any risks related to funding are mitigated in accordance with the Group Capital Management Policy and associated risk frameworks such that member value is maximised.

Capital management is reviewed annually at the time that the coming financial year's budget is finalised. Capital expenditures are monitored monthly as part of the cash flow monitoring process and, where required, liquidity is adjusted to meet RAA's commitments.

The RAA Group's capital management aims to meet all financial covenants attached to any borrowings that are defined as part of its capital structure. Any breach of covenants may result in the lender to call in any outstanding loans. There have been no breaches in the financial year. No changes were made to the objectives, policies or processes for managing the Group's capital during the financial year or any period prior.

Risk exposures and responses

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 Group uses different measures 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 analysis 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 risk 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.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: Interest rate risk and equity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available for sale investments and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The level of debt is disclosed in Note 19.

The Group's approach to minimising interest rate risk is to invest in high quality (minimum of S&P A- or APRA Grade 3), liquid Australian fixed interest and cash and to actively manage the duration and mix of the fixed and variable interest portfolio.

The Group's sensitivity to movements in interest rates in relation to the value of cash, interest bearing investment assets, derivatives and other financial liabilities is shown on the following page:

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

	2015 Exposure at June $'000	2014 Exposure at June $'000	Movement in variable %	2015 Net Profit / (Loss) After Tax $'000	2015 Equity $'000	2014 Net Profit / (Loss) After Tax $'000	2014 Equity $'000
Cash	15,625	26,036	+1	109	109	182	182
	15,625	26,036	-1	(109)	(109)	(182)	(182)
Deposits in trust account	704	430	+1	5	5	3	3
	704	430	-1	(5)	(5)	(3)	(3)
Short-term deposits	31,860	35,083	+1	223	223	246	246
	31,860	35,083	-1	(223)	(223)	(246)	(246)
Loans	(10,250)	(10,000)	+1	(72)	(72)	(70)	(70)
	(10,250)	(10,000)	-1	72	72	70	70
Deposits in trust account	(704)	(430)	+1	(5)	(5)	(3)	(3)
	(704)	(430)	-1	5	5	3	3

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The portfolio of equity securities are exposed to price risk. A downturn in the equities market could have had a negative impact on the Group's future financial performance. The impact of any significant movement is managed by ensuring that the investment portfolio consists of high-quality holdings of Australian and International companies diversified over a wide range of industries.

The Group's sensitivity to movements in equity prices is highlighted below

	2015 Exposure at June $'000	2014 Exposure at June $'000	Movement in variable %	2015 Net Profit / (Loss) After Tax $'000	2015 Equity $'000	2014 Net Profit / (Loss) After Tax $'000	2014 Equity $'000
Equities	7,862	4,279	+10	550	550	300	300
	7,862	4,279	-10	(550)	(550)	(300)	(300)
Unit Trusts	44,883	41,654	+10	3,142	3,142	2,916	2,916
	44,883	41,654	-10	(3,142)	(3,142)	(2,916)	(2,916)
Bonds / Notes	64,129	59,662	+10	4,489	4,489	4,176	4,176
	64,129	59,662	-10	(4,489)	(4,489)	(4,176)	(4,176)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group's exposure to credit risk relates to its Cash, Trade and Other Receivables, including recoveries and Investments. The credit risk relating to premium receivables arises from the right to cancel the policy. Other claim recoveries are a collection of relatively small amounts against which a substantial impairment provision has been made. The allowance for impairment is assessed by Management in conjunction with actuaries at least annually. Reinsurance recoveries are regularly reviewed by management.

The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. Receivable balances are monitored on an on-going basis with the result that the Group's experience of bad debts has not been significant.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

The credit quality is assessed and monitored as follows:

	AAA	AA	A	Below A	Not rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2015						
Current						
Cash and cash equivalents	-	15,625	-	-	-	15,625
Deposits in trust account	-	704	-	-	-	704
Trade and other receivables	-	6,070	3,940	-	75,909	85,919
Financial Assets	16,618	57,138	30,177	9,000	36,932	149,865
	16,618	**79,537**	**34,117**	9,000	**112,841**	**252,113**
Non Current						
Trade and other receivables	-	-	-	-	1,427	1,427
Financial Assets	-	-	-	-	2,547	2,547
	-	-	-	-	**3,974**	**3,974**
2014						
Current						
Cash and cash equivalents	-	26,036	-	-	-	26,036
Deposits in trust account	-	430	-	-	-	430
Trade and other receivables	-	-	-	-	71,364	71,364
Financial Assets	24,740	58,403	17,545	4,800	35,366	140,854
	24,740	**84,869**	**17,545**	**4,800**	**106,730**	**238,684**
Non Current						
Trade and other receivables	-	-	-	-	1,401	1,401
	-	**-**	**-**	**-**	**1,401**	**1,401**

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and committed available credit lines.

The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis. The Group has established comprehensive risk reporting covering its operations that reflect expectations of management of the expected settlement of financial assets and liabilities.

The following liquidity risk disclosures reflect all contractually fixed pay-offs repayments and interest resulting from recognised financial liabilities as at 30 June 2015. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments. Trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's on-going operation. Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

	1 year or less $'000	1 to 5 yrs $'000	Over 5 yrs $'000	Total $'000
2015				
Liquid Financial Assets				
Cash and cash equivalents	15,625	-	-	15,625
Trade and other receivables	85,919	1,427	-	87,346
Deposits in trust account	704	-	-	704
	102,248	**1,427**	**-**	**103,675**
Financial liabilities				
Trade and other payables	9,833	-	-	9,833
Loan and borrowings	250	10,439	-	10,689
Deposits in trust account	704	-	-	704
Derivative financial liabilities	-	-	-	-
	10,787	**10,439**	**-**	**21,226**
Net inflow / (outflow)	**91,461**	**(9,012)**	**-**	**82,449**
2014				
Liquid Financial Assets				
Cash and cash equivalents	26,036	-	-	26,036
Trade and other receivables	71,364	1,401	-	72,765
Deposits in trust account	430	-	-	430
	97,830	**1,401**	**-**	**99,231**
Financial liabilities				
Trade and other payables	12,925	-	-	12,925
Loan and borrowings	-	10,485	-	10,485
Deposits in trust account	430	-	-	430
	13,355	**10,485**	**-**	**23,840**
Net inflow / (outflow)	**84,475**	**(9,084)**	**-**	**75,391**

The disclosure above for Loans and borrowings with a contract over 12 months reflects all contractually fixed repayments and interest.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial assets and liabilities. There are three primary methods of determining fair value according to the following hierarchy;

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 – using inputs that have a significant effect on the recorded fair value of the asset or liability that are not based on observable market data

During the financial year ended 30 June 2015, there were no transfers between Level 1 and Level 2 fair value measurements. There has been no change in the assets classified at level 3 or their fair values. The table below summarises the basis for the determination of the fair value of the Group's financial instruments at 30 June 2015 that are measured at fair value after initial recognition, other than those where the carrying value is a reasonable approximation of fair value.

The following table shows the valuation techniques used in measuring Level 2 fair values.

Financial assets / (financial liabilities)	Fair Value Hierarchy	Pricing Inputs and Valuation Techniques
Property & Buildings	2	Valued at market value based on third party property valuation conducted June 2014

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2015				
Financial assets at fair value through profit and loss (Note 11):				
Listed investments	73,212	-	-	73,212
Available for sale investments (Note 11):				
Listed investments	43,661	-	-	43,661
Revalued Property, Plant & Equipment (Note 14):				
Property & Buildings	-	36,065	-	36,065
	116,873	**36,065**	**-**	**152,938**
2014				
Financial assets at fair value through profit and loss (Note 11):				
Listed investments	70,831	-	-	70,831
Available for sale investments (Note 11):				
Listed investments	34,765	-	-	34,765
Revalued Property, Plant & Equipment (Note 14):				
Property & Buildings	-	35,899	-	35,899
	105,596	**35,899**	**-**	**141,495**

30. AUDITORS REMUNERATION

The auditor of the Parent is Ernst & Young (Australia)	2015 $	2014 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• An audit or review of the financial report of the entity and any other entity in the consolidated group	**110,422**	90,000
• Other services in relation to the entity and any other entity in the consolidated group		
- Income tax compliance	**32,560**	43,594
- Other tax consulting	**60,983**	56,504
- Other services	**5,911**	32,615
	209,876	222,713

The auditor of RAA Insurance Holdings and RAA Insurance is KPMG.

Amounts received or due and receivable by KPMG for:	$	$
• An audit or review of the financial report of the entity	**96,450**	92,885
• Other services in relation to the entity		
- Auditing the APRA Returns	**32,405**	32,070
- Other services	**25,365**	24,495
	154,220	149,450

31. EVENTS AFTER THE REPORTING DATE

Between the end of the financial year and the date of this report, the Group has acquired the remaining 50% of SADE. As a result SADE Pty Ltd has become a wholly owned subsidiary and now forms part of the tax consolidated group.

ROYAL AUTOMOBILE ASSOCIATION OF SOUTH AUSTRALIA INC.

Directors' Declaration

In accordance with a resolution of the directors of the Royal Automobile Association of South Australia Incorporated, we state that:

1. In the opinion of the Directors:

    a) The financial statements and notes of the Association and of the consolidated entity are in accordance with the Associations Incorporation Act 1985, including:

        (i) Giving a true and fair view of the Association's and consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date.

        (ii) Complying with Accounting Standards and Constitution of the Association.

    b) There are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable.

    c) In accordance with Section 35(5) of the Associations Act 1985, the Directors hereby state that during the financial year ended 30 June 2015;

        (i) a. No Director of the Association
        b. No firm of which a Director is a member; and
        c. No body corporate in which a Director has a substantial financial interest,

    Has received or become entitled to receive a benefit as a result of a contract between the Director, firm, or body corporate and the Association except for the following;

    Ms ED Perry, Director of the Association, is a partner in EMA Legal, which provided a once off service in relation to an education seminar during the year.

    Mr RG Grigg, Director of the Association, is the Chairman of Bedford Phoenix, which has provided goods and services at commercial rates to the Association during the year.

    Mr GR Rohrsheim, Director of the Association, is a Director of Chamonix IT Consulting and Kloud Solutions, which has provided consulting services at commercial rates to the Association during the year.

    Mr PR Siebels, Director of the Association, was a partner of the firm KPMG until 31 December 2014, which is the auditor of the subsidiary RAA Insurance Holdings Limited.

    Ms KN Thomas, Director of the Association, is a partner of law firm Fisher Jeffries, which firm has provided legal services at commercial rates to the Association during the year.

(ii) No Director of the Association has received directly or indirectly from the Association any payment or other benefit of a pecuniary value except for the following;

All Directors have received Director Fees paid in conjunction with their role as Directors as set out in Note 25 of the preceding Financial Report.

Some Directors of the Association are also Directors of RAA Insurance. This remuneration has been disclosed in Note 25 of the preceding Financial Report.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with the Associations Incorporation Act 1985 for the financial year ended 30 June 2015.

On behalf of the board

DA Cross President	**ED Perry** Vice President

Adelaide, 27 August 2015

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Independent auditor's report to the members of Royal Automobile Association of South Australia Incorporated

We have audited the accompanying financial report of Royal Automobile Association of South Australia Incorporated (the Association), which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the association 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 Association are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and with the *Associations Incorporation Act 1985 (South Australia)* 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 that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 our 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, we consider 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.

Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.

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Opinion

In our opinion:

(a) the financial report presents fairly, in all material respects, the financial position of the Association as of 30 June 2015, and it's financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards and the *Associations Incorporation Act 1985 (South Australia)*; and

(b) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Ernst & Young
Adelaide
27 August 2015