



RAA Group Financial Report

For the financial year
ended 30 June 2021



STATEMENT OF PROFIT OR LOSS
For the year ended 30 June 2021

	Note	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Revenue from contracts with customers	3(a)	110,752	115,955
Insurance revenue	3(b)	405,529	383,909
Other revenue	3(b)	44	56
Revenue		516,325	499,920
Other income	3(c)	6,306	8,396
Share of net profit of associates and joint ventures	12, 13	1,526	88
Total Income		524,157	508,404
Expenses			
Employee benefits	4(a)	(91,274)	(90,276)
Payments to contractors for roadside assistance		(19,821)	(17,657)
Cost of sales		(15,288)	(16,482)
Depreciation, impairment and amortisation	4(b)	(12,255)	(20,580)
Finance costs	4(c)	(242)	(237)
Insurance claims expense	23(a)	(265,279)	(253,623)
Outwards reinsurance premium expense	23(a)	(44,487)	(45,344)
Other expenses	4(d)	(57,992)	(55,076)
Total Expenses		(506,638)	(499,275)
Operating profit before income tax from continuing operations		17,519	9,129
Income tax(expense)/benefit	5(a)	(4,599)	(2,504)
Profit after tax for the year		12,920	6,625

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

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2021

	Note	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Profit after tax for the year		12,920	6,625
Other comprehensive income			
<i>Items not to be reclassified subsequently to profit or loss</i>			
Actuarial gain / (loss) on defined benefit plan		443	(223)
Fair value adjustments relating to land and buildings		7,088	-
Income tax on items of other comprehensive income	5(d)	(2,259)	67
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		<u>5,272</u>	<u>(156)</u>
Other comprehensive loss for the year net of tax		<u>5,272</u>	<u>(156)</u>
Total comprehensive income for the year net of tax		<u>18,192</u>	<u>6,469</u>

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 2021

	Note	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Current Assets			
Cash and cash equivalents	6	26,849	23,903
Trade and other receivables	7	216,603	189,344
Inventories	8	1,437	1,386
Deposits in trust account	9	1,136	262
Current tax asset	5(c)	1,209	-
Other current assets	10	3,418	2,876
Financial assets	11	285,919	242,497
Deferred acquisition costs	23(c)	7,159	7,084
Total Current Assets		543,730	467,352
Non-Current Assets			
Trade and other receivables	7	5,653	4,464
Pension asset	26	1,125	809
Financial assets	11	5,819	6,673
Investments in joint ventures	12	-	3,071
Investments in associates	13	3,970	3,842
Property, plant and equipment	14(a)	53,576	50,557
Right-of-use assets	27	7,428	7,557
Intangible assets	15(a)	25,436	29,540
Goodwill	16	61,199	61,199
Deferred tax asset	5(d)	10,785	10,387
Total Non-Current Assets		174,991	178,099
Total Assets		718,721	645,451
Current Liabilities			
Trade and other payables	17	54,424	49,871
Unearned income	18	228,764	206,060
Interest bearing liabilities	19	1,114	1,402
Deposits in trust account	9	1,136	262
Provisions	20	15,598	15,996
Current tax liability	5(c)	-	2,422
Outstanding claims liability	23(d)	108,433	83,332
Total Current Liabilities		409,469	359,345
Non-Current Liabilities			
Interest bearing liabilities	19	7,189	6,728
Provisions	20	1,910	1,644
Deferred tax liability	5(d)	15,667	14,150
Outstanding claims liability	23(d)	6,884	4,174
Total Non-Current Liabilities		31,650	26,696
Total Liabilities		441,119	386,041
Net Assets		277,602	259,410
Equity			
Retained earnings	21	225,144	211,914
Reserves	22	52,458	47,496
Total Equity		277,602	259,410

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 2021

	Asset Revaluation Reserve	Unrealised Capital Reserve on RAAI Acquisition	Retained Earnings	Total
	(Note 22) \$'000	(Note 22) \$'000	(Note 21) \$'000	\$'000
At 1 July 2019	13,023	34,473	205,445	252,941
Profit for the period	-	-	6,625	6,625
Other comprehensive income / (loss)	-	-	(156)	(156)
Total comprehensive income / (loss)	-	-	6,469	6,469
At 30 June 2020	13,023	34,473	211,914	259,410
At 1 July 2020	13,023	34,473	211,914	259,410
Profit for the period	-	-	12,920	12,920
Other comprehensive income / (loss)	4,962	-	310	5,272
Total comprehensive income / (loss)	4,962	-	13,230	18,192
At 30 June 2021	17,985	34,473	225,144	277,602

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 2021

	Note	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Cash flows from operating activities			
Receipts from members and customers (inclusive of GST)		557,472	541,044
Payments to suppliers and employees (inclusive of GST)		(509,392)	(506,261)
Interest received		157	344
Rental income received		47	61
Income tax (paid)/received		(9,370)	(12,660)
Net cash from operating activities	6	38,914	22,528
Cash flows from investing activities			
Proceeds from sale of fixed assets and intangibles		1,960	1,050
Proceeds from the sale of financial assets		1,913	-
Proceeds from disposal of operations		-	11,027
Distributions received		3,787	6,108
Dividends received		1,438	319
Purchase of fixed assets and intangibles		(5,554)	(9,647)
Purchase of financial assets		(41,770)	(34,741)
Proceeds from disposal of joint venture		3,031	-
Net cash used in investing activities		(35,195)	(25,884)
Cash flows from financing activities			
Loans (to)/from related parties		854	338
Payment of principal portion of lease liabilities		(1,627)	(1,290)
Net cash (used in) / from financing activities		(773)	(952)
Net (decrease) / increase in cash		2,946	(4,308)
Cash and cash equivalents at beginning of the year		23,903	28,211
Cash and cash equivalents at the end of the year	6	26,849	23,903

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 2021

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 2021 was authorised for issue in accordance with a resolution by the directors on 23 August 2021.

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 (AASB) 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 and financial instruments 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 2021. 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 consolidated financial statements 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 in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) New accounting standards and interpretation***(i) Standards issued but not yet effective***AASB 17 Insurance Contracts**

In May 2017, the AASB released its new accounting standard, AASB 17 replacing AASB 4, AASB 1023 and AASB 1028. All insurers are expected to be impacted, with changes to profit recognition and extensive new disclosure requirements.

AASB 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Application date for the Group is 1 July 2023.

The Group is currently in the process of assessing the impact on its financial statements resulting from AASB 17. It does not intend to adopt the new standard before its application date.

(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 9 Financial Instruments, 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 9, 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 Profit or Loss 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Profit or Loss.

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 Profit or Loss.

(f) Revenue recognition*Revenue streams*

The Group generates revenue primarily from Road Service Subscriptions and Insurance Premiums. Other sources of revenue include sales of goods (retail sales) and rendering of services (driving lessons and vehicle inspections).

Revenue from contracts with customers

Road Service subscriptions, Sales of goods, Rendering of services, Distribution fees, Commission, Sundry Income and Advertising revenue are measured under AASB 15 and classified as revenue from contracts with customers. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Road Service subscriptions

The performance obligations related to Road Service subscriptions are deemed to be the provision of Road Service and any discounts received on other Group retail sales or services.

Revenue is recognised when the Road Service performance obligation is satisfied, on a straight line basis over the subscription period. Discounts received in conjunction with holding a Road Service subscription are not material.

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

Sales of goods

The performance obligation relating to retail sales is the over the counter sale of the product. Revenue from the sales of goods is recognised when the customers obtain control of the product, usually on delivery of the goods. Revenue from the sales of goods is measured at fair value of the consideration received or receivable, net of customer discounts.

Revenue outside the scope of AASB 15*Insurance premiums and Reinsurance recoveries*

Revenue streams from Insurance are not applicable to AASB 15 as they fall within the scope of AASB 1023 General Insurance Contracts.

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.

Gross earned premium comprises amounts charged to the policyholders, including fire service levies but excluding taxes collected on behalf of third parties. Gross earned premium is recognised as revenue in profit or loss when it has been earned. Gross earned 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 to closely approximate the pattern of risks underwritten using the 365ths method.

Gross written premium is earned in profit or loss in accordance with the pattern of incidence of risk of the related business. The unearned premium liability is the portion of gross written premium that has not yet been earned and a measure of unexpired risk liability.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*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 Profit or Loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss 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 and reflects the uncertainty related to income taxes, if any.

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.

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 and reflects any uncertainty related to income tax, if any.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset 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."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

In line with AASB 9, an allowance loss based on lifetime expected credit losses (ECLs) is recognised at each reporting date.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 – 15-17%
- 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.

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 it 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 Profit or Loss. 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 Profit or Loss.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

(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 instruments

Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition of issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. All financial assets backing insurance liabilities have been designated as FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(ii) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

*Derecognition**(i) Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(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 Profit or Loss in subsequent reporting periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

(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 Profit or Loss 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 changes in service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in the net defined benefit obligation under employee benefits expense in the profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(s) Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets is equal to the lease liabilities recognised. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are also subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in lease payments or change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest bearing liabilities (see Note 19).

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for in a straight-line basis over the lease term and is included in revenue in the Statement of Profit and Loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(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.

(u) Provisions and employee benefits

As at 30 June 2021, the Group had 971 (2020:916) 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 Profit of Loss 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(iii) 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.

(v) 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, Finity. 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

Insurance liabilities

The adequacy of the unearned premium liability for the portfolio is assessed by considering current estimates of the present value of the expected future cash flows relating to future claims arising from current insurance contracts. If the present value, plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability, less related intangible assets and related deferred acquisition costs, the unearned premium liability is deemed deficient. If deficient, the entire deficiency is recognised in the Statement of Profit or Loss and Other Comprehensive Income. First the related intangible assets are written down and then related deferred acquisition costs, with any excess being recognised in the Statement of Financial Position as an unexpired risk liability.

The outstanding claims liability is also considered a significant accounting judgement/estimate. The method for estimating the outstanding claims liability can be seen at Note 1 (v).

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 Profit or Loss.

The Group has a Board approved Tax Governance Framework and has adopted the Board of Taxation's Voluntary Taxation Transparency Code. The Tax Governance Framework reflects the Group's low risk appetite. The Group make decisions for commercial reasons and do not enter transactions for the primary purpose of obtaining a tax benefit. The Group takes advantage of available deductions, tax rebates, offsets and credits to achieve the best tax outcomes for the Group.

The Group is committed to complying with all relevant tax legislation, rulings and regulations and to maintaining a transparent and proactive relationship with tax authorities. The Group has controls in place to ensure the right amount of tax is paid.

RAA conducted a review of its tax mutuality status with external advisors and concluded RAA remains a mutual association for accounting purposes but is no longer a mutual for tax purposes from 1 July 2014.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)*Determining the lease term of contracts with renewal and termination options – Group as a lessee*

The Group determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

*(ii) Significant accounting estimates and assumptions**Fair value measurement of financial instruments*

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Revaluation of property, plant and equipment

The Group measures its Land and Buildings at the revalued amount, with changes in fair value being recognised in OCI. Land and Buildings were valued by reference to transactions involving properties of similar nature, location and condition. The Group engaged an independent valuation specialist to assess the fair value as at 30 June 2021.

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. No impairment has been recognised for the 2021 financial year (2020: nil).

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available, or they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

	Note	Consolidated 2021 \$'000	Consolidated 2020 \$'000
3. INCOME			
(a) Revenue from contracts with customers			
Subscriptions (i)		74,363	70,574
Sales of goods		18,092	18,610
Rendering of services		7,498	14,266
Distribution fee		233	280
Commission		1,331	4,542
Sundry income		8,813	7,178
Advertising revenue		422	505
		<u>110,752</u>	<u>115,955</u>
(b) Other Revenue			
Insurance premium revenue	23a)	346,006	315,658
Reinsurance and other recoveries revenue	23a)	59,523	68,251
Rental income		44	56
		<u>405,573</u>	<u>383,965</u>
Total Revenue		<u>516,325</u>	<u>499,920</u>
(c) Other Income			
Interest		157	344
Investment income		5,058	6,427
Net gain / (loss) on financial assets at fair value through profit or loss			
Investments held at end of financial year		1,540	(576)
Investments sold during the financial year		754	(165)
Net gain / (loss) on disposal of non-current assets		(1,203)	(70)
Net gain on disposal of operations		-	2,436
		<u>6,306</u>	<u>8,396</u>

(i) Subscriptions

Subscription revenue, relating to Road Service, is recognised over time. All other revenue from contracts with customers is recognised at a point in time.

(d) Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

Receivables, which are included in 'trade and other receivables'	7	19,734	16,500
Contract liabilities - Road Service Subscriptions	18	<u>(39,018)</u>	<u>(36,836)</u>

The contract liabilities relate to the advance consideration received from customers in relation to Road Service, for which revenue is recognised over the 12 month period of the Subscription.

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
4. EXPENSES		
(a) Employee Benefits		
Salaries, wages and allowances	83,613	82,720
Superannuation Guarantee	7,661	7,556
	<u>91,274</u>	<u>90,276</u>
(b) Depreciation, Impairment and Amortisation		
Depreciation of property, plant and equipment	6,580	5,744
Impairment of intangibles	1,861	9,693
Amortisation of intangibles	3,814	5,143
	<u>12,255</u>	<u>20,580</u>
(c) Finance costs		
Interest on lease liabilities	242	237
	<u>242</u>	<u>237</u>
(d) Other expenses		
Bad debts written off, net of recoveries	27	89
Banking and credit card charges	2,154	2,176
Building maintenance	796	659
Commission paid to agents	1,621	1,918
Consultants	7,657	6,078
Legal fees	77	242
Fleet expenses	843	1,029
Investment fund expenses	631	554
System expenses	15,095	11,369
Other expenditure	2,561	1,307
Postages and freight	1,794	1,777
Marketing and public issues	12,776	15,134
Rates, insurance and utility expenses	1,835	1,962
Rent paid on operating leases	30	232
SA Motor magazine production costs	817	804
Staff related costs	7,557	8,060
Telephone charges	1,721	1,686
	<u>57,992</u>	<u>55,076</u>

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
5. INCOME TAX		
(a) Income tax expense / (benefit)		
Current income tax	5,581	7,765
Current tax expense - Prior year under/over	157	(343)
Deferred income tax	(875)	(4,989)
Deferred tax expense - Prior year under/over	(264)	71
	<u>4,599</u>	<u>2,504</u>
<i>Deferred income tax benefit included in income tax expense comprises:</i>		
Decrease in deferred tax charged directly to equity	(2,259)	67
Increase in deferred tax assets	(397)	(1,316)
Increase in deferred tax liabilities	1,517	(3,681)
	<u>(1,139)</u>	<u>(4,930)</u>
(b) Numerical reconciliation between aggregate tax expense recognised in the statement of profit or loss 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 before income tax	<u>17,521</u>	<u>9,129</u>
Income tax expense at 30% (2020: 30%)	5,256	2,739
Expenditure not allowable for income tax purposes	109	159
Rebates	(703)	(274)
Franking credits	211	82
Distributions	431	-
<i>Assessable income not included</i>		
Equity share of associate's profits	(598)	70
Prior year over provision	(107)	(272)
Aggregate income tax expense/(benefit)	<u>4,599</u>	<u>2,504</u>
Accounting effective tax rate:	26.25%	27.43%

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
5. INCOME TAX (continued)		
(c) Numerical reconciliation of tax expense to current tax liability		
Aggregated income tax expense	4,599	2,504
Less prior year under/over provision	107	272
<i>Timing difference recognised in deferred tax asset</i>		
Doubtful debts	-	(49)
Audit fee payable	2	17
Employee benefits	(65)	23
Unearned income	176	306
Outstanding claims	430	171
Intangible assets	-	-
Tax only assets	(362)	138
Accruals	220	689
<i>Timing difference recognised in deferred tax liability</i>		
Other Items	38	34
Deferred acquisition costs	(23)	(306)
Financial assets at fair value	(519)	368
Intangible assets at fair value	-	156
Property, plant and equipment	978	3,455
Prior year tax amendments	-	(76)
Current year instalments paid this year	<u>(6,790)</u>	<u>(5,280)</u>
Current tax liability/(asset)	<u>(1,209)</u>	<u>2,422</u>
(d) Recognised deferred tax assets and liabilities		
<i>(i) Amounts recognised directly in equity</i>		
Aggregate deferred tax arising in the reporting period and not recognised in net profit but directly debited to equity:		
Revaluation of Land and Buildings	2,126	-
Actuarial (loss)/gain on defined benefit superannuation fund	<u>133</u>	<u>(67)</u>
	<u>2,259</u>	<u>(67)</u>

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
5. INCOME TAX (continued)		
(d) Recognised deferred tax assets and liabilities (continued)		
<i>(ii) Non-current assets - Deferred tax assets</i>		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Audit fee payable	20	17
Employee benefits	4,935	5,002
Unearned income	2,445	2,125
Outstanding claims	1,686	1,256
Tax only assets	1,018	1,298
Accruals	681	689
	<hr/>	<hr/>
Net deferred tax assets	10,785	10,387
<i>Movements</i>		
Opening balance	10,387	9,070
Reclassification of deferred tax balance	(568)	(114)
Recognised in income	965	1,431
	<hr/>	<hr/>
Closing balance	10,784	10,387
<i>(iii) Non-current liabilities - Deferred tax liabilities</i>		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Other Items	114	(20)
Deferred acquisition costs	2,148	2,125
Financial assets at fair value	3,437	2,807
Intangible assets at fair value	4,620	4,620
Property, plant and equipment	5,348	4,618
	<hr/>	<hr/>
Net deferred tax liabilities	15,667	14,150
<i>Movements</i>		
Opening balance	14,150	17,831
Reclassification of deferred tax balance	(568)	(114)
Recognised in income	(174)	(3,500)
Recognised in equity	2,259	(67)
	<hr/>	<hr/>
Closing balance	15,667	14,150

5. INCOME TAX (continued)**(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.

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
6. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	<u>26,849</u>	<u>23,903</u>
Reconciliation of net profit after tax to net cash flows from operations		
Net profit / (loss) after tax	12,920	6,625
<i>Adjustments for:</i>		
Depreciation, impairment and amortisation	12,256	20,580
Defined benefit fund expense / actuarial gain	127	114
Net (profit) / loss on disposal of property, plant and equipment	1,203	70
Net loss on investments recognised through profit and loss	(2,127)	741
Net (gain) / loss on disposal of operations	-	(2,436)
Share of Associates profit	(1,526)	(88)
Dividend from associates	(1,438)	(319)
Distributions received	(3,787)	(6,108)
Finance Costs	242	237
Rental expense	(1)	1,713
Income tax received / (paid)	(9,370)	(12,660)
Income tax expense / (benefit)	4,599	2,504
<i>Changes in assets and liabilities:</i>		
Decrease in inventories	(51)	415
Decrease/(Increase) in trade and other receivables	(29,323)	(18,702)
Decrease/(Increase) in prepayments	(542)	(343)
Increase in deferred acquisition costs	(75)	(1,020)
Increase in trade and other payables	5,427	(473)
Increase in provisions	(132)	(530)
Increase in unearned income	22,703	15,032
Increase in outstanding claims	<u>27,809</u>	<u>17,176</u>
Net cash from / (used in) operating activities	<u>38,914</u>	<u>22,528</u>

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
7. TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	19,734	16,500
Allowance for impairment loss (a)	-	-
Insurance premiums receivable	157,013	137,705
Reinsurance and other recoveries	39,856	35,139
	<u>216,603</u>	<u>189,344</u>
Non-Current		
Reinsurance and other recoveries	5,653	4,464
	<u>222,256</u>	<u>193,808</u>

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. As at 30 June 2021, trade receivables of an initial value of \$27,000 (2020: \$89,000) 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:

Balance at the beginning of the financial year	-	162
Bad debts recognised through Profit and Loss	27	89
Bad debts written off	(27)	(251)
	<u>-</u>	<u>-</u>
Balance at the end of the financial year	-	-

There are no expected credit losses (ECL's) in relation to trade receivables as lifetime ECL's are considered immaterial.

The ageing analysis of trade receivables is as follows:

	Neither past due nor impaired \$'000	Past due but not impaired				Impaired \$'000	Total \$'000
		0-3 mths \$'000	3-6 mths \$'000	6-12 mths \$'000	> 12 mths \$'000		
2021							
Consolidated	19,055	698	(19)	-	-	-	19,734
2020							
Consolidated	12,534	50	3,839	77	-	-	16,500

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 2021 \$'000	Consolidated 2020 \$'000
8. INVENTORIES		
Finished goods at cost	<u>1,437</u>	<u>1,386</u>

During 2021, \$4,468,000 was recognised as an expense for inventories carried at cost. This is recognised in cost of sales.

9. DEPOSITS IN TRUST ACCOUNT

Current Assets

RAA Travel trust bank balance	1,124	256
Customer deposits - car subscriptions	6	-
Solar battery deposits in trust	6	6
	<u>1,136</u>	<u>262</u>

Current Liabilities

RAA Travel trust liabilities	1,124	256
Customer deposits - car subscriptions	6	-
Solar battery deposits in trust	6	6
	<u>1,136</u>	<u>262</u>

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	<u>3,418</u>	<u>2,876</u>
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	Consolidated 2021 \$'000	Consolidated 2020 \$'000
11. FINANCIAL ASSETS		
Current		
<i>Financial assets mandatorily at fair value through profit and loss</i>		
Unit Trusts and Interest Bearing Securities (i)	151,614	145,910
Shares - Australian unlisted (ii)	1,523	1,690
	<u>153,137</u>	<u>147,600</u>
<i>Financial assets designated at fair value through profit and loss</i>		
Unit Trusts and Interest Bearing Securities (i)	<u>109,779</u>	<u>85,211</u>
<i>Financial assets at amortised cost</i>		
Short-term deposits held for reinvestment	22,013	8,854
Loan to Related Parties (iii)	990	832
	<u>23,003</u>	<u>9,686</u>
Total Current	<u>285,919</u>	<u>242,497</u>
Non-current		
<i>Financial assets at amortised cost</i>		
Loan to Related Parties (iii)	5,819	6,673
	<u>5,819</u>	<u>6,673</u>

(i) *Unit Trusts and Interest Bearing Securities*

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

(ii) *Unlisted shares*

Australian unlisted shares are carried at fair value which is calculated on the net asset value of the underlying entity.

(iii) *Loans and Receivables*

- a. The loan to ACC CAD Pty Ltd for \$6,808,294 is expected to be repaid over 10 years, with loan repayments of both interest and principal made every 6 months. The loan is carried at cost, not fair value, with fixed interest calculated at the agreed interest rate of BBSW90 + 2% at each date of repayment.
- b. The loan to RAA Auto Glass Pty Ltd of \$124,000 was fully repaid in the year.

		Consolidated 2021 \$'000	Consolidated 2020 \$'000
12. INVESTMENT IN JOINT VENTURES			
	Equity Interest		
Entity	2021	2020	
Motoring Club Finance Pty Ltd (i)	0.00%	50.00%	3,053
RAA Auto Glass Pty Ltd (ii)	0.00%	50.00%	18
		-	-
Total Investment in Joint Ventures		-	3,071

(i) Motoring Club Finance Pty Ltd

The Group had a 50% share in Motoring Club Finance Pty Ltd, a jointly controlled entity involved in the issuing of personal and car loans, and investment notes. The principal place of business of the entity was Mile End, South Australia.

A share buy back was undertaken on 9 March 2021 whereby 3,500,000 of the 3,500,001 ordinary shares in the Company held by the Group were bought back by the Company for 0.866 cents per share. The Group's Equity Interest in the Company was extinguished at this time. The Company was deregistered in May 2021 at which point the remaining share was cancelled.

Summarised financial information

Current assets	-	2,071
Non-current assets	-	4,513
Current liabilities	-	(66)
Non-current liabilities	-	(412)
Net assets	-	6,106
Carrying amount of Group's investment in Joint Venture	-	3,053
Total revenue	-	498
Total expenses	-	(485)
Net profit before income tax	-	13
Income tax	-	(25)
Net (loss)/profit after income tax	-	(12)
Share of net profit/(loss) of Joint Venture accounted for using the equity method	-	(6)
Loss on disposal of investment	(23)	-

12. INVESTMENT IN JOINT VENTURES (continued)**(ii) RAA Auto Glass Pty Ltd**

The Group had 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. The principle place of business of the entity was Mile End, South Australia. The Joint Venture ceased trading on 30 April 2019 and was wound up in December 2020. Upon wind up, the Company returned the Group's \$100 share capital and fully repaid the \$124,000 loan.

Summarised financial information

Current assets	-	274
Non-current assets	-	30
Current liabilities	-	(20)
Non-current liabilities	-	(248)
	<hr/>	<hr/>
Net assets	-	36
	<hr/>	<hr/>
Carrying amount of Group's investment in Joint Venture	-	18
	<hr/>	<hr/>
Total revenue	-	-
Total expenses	-	(2)
Net (loss) / profit before income tax	-	(2)
Income tax	-	(8)
	<hr/>	<hr/>
Net (loss) / profit after income tax	-	(10)
	<hr/>	<hr/>
Share of net profit / (loss) of Joint Venture accounted for using the equity method	-	(5)
	<hr/>	<hr/>
Loss on disposal of investment	(18)	
	<hr/>	<hr/>

			Consolidated 2021 \$'000	Consolidated 2020 \$'000
13. INVESTMENTS IN ASSOCIATES				
		Equity Interest		
Associate	2021	2020		
Australian Club Consortium (i)	33.33%	33.33%	432	303
Club Consortium Pty Ltd (ii)	25.56%	25.56%	3,538	3,539
			<hr/>	<hr/>
Total Investment in Associates			3,970	3,842
			<hr/>	<hr/>
(j) Australian Club Consortium Pty Ltd				
The Group has a 33.33% share in Australian Club Consortium Pty Ltd which holds 100% shareholding in ACC CAD Pty Ltd.				
Summarised financial information				
Current assets			166	5,034
Non-current assets			1,222	19,027
Current liabilities			-	(3,819)
Non-current liabilities			(576)	(19,333)
			<hr/>	<hr/>
Net assets			812	909
			<hr/>	<hr/>
Carrying amount of Group's investment in Associate			271	303
			<hr/>	<hr/>
Total revenue			10,095	10,405
Total expenses			(9,561)	(9,995)
Net profit/(loss) before income tax			534	410
Income tax			(148)	(114)
			<hr/>	<hr/>
Net profit/(loss) after income tax			386	296
			<hr/>	<hr/>
Share of net profit/(loss) of Associate accounted for using the equity method			129	99
			<hr/>	<hr/>

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
13. INVESTMENTS IN ASSOCIATES (continued)		
(ii) Club Consortium Pty Ltd		
The Group has a 25.56% share in Club Consortium Pty Ltd which holds a 20% shareholding in Club Assist Corporation Pty Ltd.		
Summarised financial information		
Current assets	42	45
Non-current assets	13,801	13,800
Current liabilities	(2)	(1)
Non-current liabilities	-	-
Net assets	<u>13,841</u>	<u>13,844</u>
Carrying amount of Group's investment in Associate	<u>3,538</u>	<u>3,539</u>
Total revenue	5,625	3
Total expenses	(4)	(2)
Net profit/(loss) before income tax	<u>5,621</u>	<u>1</u>
Income tax	1	-
Net profit/(loss) after income tax	<u>5,622</u>	<u>1</u>
Share of net profit / (loss) of Associate accounted for using the equity method	<u>1,438</u>	<u>1</u>
Share of dividends paid	<u>1,438</u>	<u>320</u>

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 30 June 2019				
Cost or fair value	35,013	40,684	22,494	98,191
Accumulated depreciation	(1,269)	(19,779)	(19,283)	(40,331)
Net book amount	<u>33,744</u>	<u>20,905</u>	<u>3,211</u>	<u>57,860</u>
Year ended 30 June 2020				
Opening net book amount	33,744	20,905	3,211	57,860
Additions	27	5,491	2,723	8,241
Net disposals	(16)	(1,062)	(42)	(1,120)
Depreciation	(438)	(2,999)	(743)	(4,180)
Closing net book amount	<u>33,317</u>	<u>12,091</u>	<u>5,149</u>	<u>50,557</u>
At 30 June 2020				
Cost or fair value	35,022	33,711	25,089	93,822
Accumulated depreciation	(1,705)	(21,620)	(19,940)	(43,265)
Net book amount	<u>33,317</u>	<u>12,091</u>	<u>5,149</u>	<u>50,557</u>
Year ended 30 June 2021				
Opening net book amount	33,317	12,091	5,149	50,557
Additions	42	4,033	662	4,737
Net disposals	-	(1,207)	(208)	(1,415)
Transfer out to intangibles	-	(2,502)	-	(2,502)
Depreciation	(430)	(3,236)	(1,223)	(4,889)
Net revaluation increment / (decrement)	7,088	-	-	7,088
Closing net book amount	<u>40,017</u>	<u>9,179</u>	<u>4,380</u>	<u>53,576</u>
At 30 June 2021				
Cost or fair value	42,152	29,195	24,827	96,174
Accumulated depreciation	(2,135)	(20,016)	(20,447)	(42,598)
Net book amount	<u>40,017</u>	<u>9,179</u>	<u>4,380</u>	<u>53,576</u>

(b) Revaluation of freehold land and freehold buildings

The Group engages an accredited independent valuer that uses the 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 participants 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 2021. The valuation technique used in valuing the freehold land and buildings consists of Discounted Cash Flow Approach, Capitalisation Approach and Direct Comparison. In the current financial year, an upwards revaluation of \$7,088,000 was recorded through other comprehensive income as a result of the most recent valuation.

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

	2021		2020	
	Freehold Land	Freehold Buildings	Freehold Land	Freehold Buildings
	\$'000	\$'000	\$'000	\$'000
Cost value	5,835	15,583	5,835	15,541
Accumulated depreciation	-	(7,134)	-	(6,704)
Net carrying amount	<u>5,835</u>	<u>8,449</u>	<u>5,835</u>	<u>8,837</u>

14. PROPERTY, PLANT AND EQUIPMENT (continued)**(d) Change in an accounting estimate**

On 1 July 2020 the Group reassessed the useful life of its Computer Hardware from 5 to 3 years. This change in accounting estimate resulted in a \$688,000 expense in the current year which is contained within net disposals and depreciation of Plant, Equipment and Motor Vehicles in the above table. On 1 July 2020 the Group also reassessed the useful life of Leasehold assets in line with the lease term of each asset. This change in accounting estimate resulted in a \$299,605 expense in the current year which is contained within net disposals and depreciation of Furniture, Fittings and Leasehold in the above table.

15. INTANGIBLE ASSETS**(a) Reconciliation of carrying amounts at the beginning and end of the period**

	Monitored Security Lines	Computer Software	Customer Relationships #	Brand #	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2019					
Cost or fair value	8,234	40,189	5,000	15,400	68,823
Accum. amortisation / impairment	(4,164)	(23,038)	(4,915)	-	(32,117)
Net book amount	4,070	17,151	85	15,400	36,706
Year ended 30 June 2020					
Opening net book amount	4,070	17,151	85	15,400	36,706
Additions	-	1,406	-	-	1,406
Net disposals	(3,551)	(428)	-	-	(3,979)
Amortisation / impairment	(519)	(14,233)	(85)	-	(14,837)
Closing net book amount	-	14,140	-	15,400	29,540
At 30 June 2020					
Cost or fair value	-	51,145	5,000	15,400	71,545
Accum. amortisation / impairment	-	(37,005)	(5,000)	-	(42,005)
Net book amount	-	14,140	-	15,400	29,540
Year ended 30 June 2021					
Opening net book amount	-	14,140	-	15,400	29,540
Additions	-	817	-	-	817
Transfer in from plant & equipment	-	2,502	-	-	2,502
Net disposals	-	(1,748)	-	-	(1,748)
Amortisation / impairment	-	(5,675)	-	-	(5,675)
Closing net book amount	-	10,036	-	15,400	25,436
At 30 June 2021					
Cost or fair value	-	54,372	5,000	15,400	74,772
Accum. amortisation / impairment	-	(44,336)	(5,000)	-	(49,336)
Net book amount	-	10,036	-	15,400	25,436

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 have been carried at cost less accumulated amortisation and accumulated impairment losses. As at 1 July 2015 these intangible assets were assessed as having a finite life of 12 years and amortised using the straight line method over their useful life. All monitored security lines were sold in the year ended 30 June 2020.

(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 of 5 years and are amortised using the straight line method over their useful life. The amortisation has been recognised in the Statement of Profit or Loss in the line item "Depreciation, impairment 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 Profit or Loss in the line item "Depreciation, impairment 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. This asset has been fully amortised as at 30 June 2020.

(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 as it is expected to continue to generate value for the Group. For the purpose of assessing impairment, the RAA Insurance brand is allocated to the cash-generating unit (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 2021 from financial budgets covering a three year period. The Gordon Growth Model has been used to project the cash flows beyond this period. The pre-tax discount rate used is 7.65% (2020: 7.88%) which has been determined using a weighted average cost of capital calculation.

(c) Impairment recognised

At 30 June 2021, an impairment of \$1.86m in relation to Computer Software has been recognised for the year (2020: \$9.7m). The impairment loss represents the write-down of prior period Digital Development functionality to the recoverable amount as a result of technological obsolescence.

(d) Change in an accounting estimate

On 1 July 2020 the Group reassessed the useful life of specific Computer Software. This change in accounting estimate resulted in a \$192,288 expense in the current year which is contained within amortisation/impairment of Computer Software in the above table.

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
16. GOODWILL		
Opening net book amount	<u>61,199</u>	<u>61,199</u>
Closing net book amount	<u>61,199</u>	<u>61,199</u>

(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.

(b) Impairment losses recognised

At 30 June 2021, no impairment has been recognised for the year (2020: nil).

(c) Impairment tests for cash generating units containing goodwill

For the purpose of assessing impairment, goodwill is allocated to the RAA Insurance 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 2021 covering a three 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 insurance policy growth will continue at an average of 3% per year, based on the past performance and future expectations of RAA Insurance Limited. The discount rate used is 7.65% (2020:7.88%) which has been determined using a weighted average cost of capital calculation. For the year ended 30 June 2021 no impairment loss has been recognised for the RAA Insurance CGU (2020: nil). Sensitivity analysis has been performed around the key assumptions, this analysis indicated that no reasonably possible change in key assumption would cause the CGU's carrying amount to exceed its recoverable amount.

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
17. TRADE AND OTHER PAYABLES		
Current		
Trade payables	3,183	2,371
Security deposit (i)	924	1,073
GST and Stamp Duty	32,654	29,023
Other payables and accruals	<u>17,663</u>	<u>17,404</u>
	<u>54,424</u>	<u>49,871</u>

Liabilities are recognised for goods and services received but not yet paid and then subsequently measured based on amortised cost.

(i) *Security Deposit*

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

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
18. UNEARNED INCOME		
Contract liability - road service premiums	39,018	36,836
Unearned insurance premiums	<u>189,746</u>	<u>169,224</u>
	<u>228,764</u>	<u>206,060</u>

19. INTEREST BEARING LIABILITIES

Current

Lease liabilities	<u>1,114</u>	<u>1,402</u>
	<u>1,114</u>	<u>1,402</u>

Non-Current

Lease liabilities	<u>7,189</u>	<u>6,728</u>
	<u>7,189</u>	<u>6,728</u>

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
20. PROVISIONS		
Current		
Employee benefits (i)	15,368	15,696
Workers' compensation (ii)	230	300
	<u>15,598</u>	<u>15,996</u>
Non-current		
Employee benefits (i)	1,083	967
Workers' compensation (ii)	827	677
	<u>1,910</u>	<u>1,644</u>
(a) Movement in provisions		
Movement in the workers' compensation provision during the financial year is set out below:		
Balance at beginning of financial year	973	947
Re-measurement of the estimated future liability	88	26
	<u>1,061</u>	<u>973</u>

(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 2021, net of recoveries.

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
21. RETAINED EARNINGS		
Balance at beginning of the financial year	211,914	205,445
Net profit / (loss) after tax	12,920	6,625
Actuarial gains / (loss) from defined benefit superannuation scheme	310	(156)
	<hr/>	<hr/>
Balance at end of financial year	225,144	211,914
	<hr/>	<hr/>
22. RESERVES		
Asset Revaluation Reserve	17,985	13,023
Unrealised Capital Reserve on RAA Insurance Acquisitions	34,473	34,473
	<hr/>	<hr/>
Balance at end of financial year	52,458	47,496
	<hr/>	<hr/>

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 value at 30 June 2021 supports this value.

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 (RAAI Insurance) 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 2021 \$'000	RAA Insurance 2020 \$'000
Net earned premium		
Direct premium revenue *	346,006	315,658
Outwards reinsurance premium expense	<u>(44,487)</u>	<u>(45,344)</u>
Total net earned premium	<u>301,519</u>	<u>270,314</u>
Net incurred claims		
Claims expense (i)	(278,345)	(266,549)
Reinsurance recoveries revenue	20,473	35,580
Other recoveries revenue	<u>39,050</u>	<u>32,671</u>
Total net incurred claims	<u>(218,822)</u>	<u>(198,298)</u>
Underwriting expenses		
Commissions	(32,620)	(29,757)
Acquisition costs	(13,762)	(12,690)
Other underwriting expenses	<u>(8,680)</u>	<u>(9,056)</u>
Total underwriting expenses	<u>(55,062)</u>	<u>(51,503)</u>
Underwriting result	<u>27,635</u>	<u>20,513</u>
Net investment income on technical reserves	<u>670</u>	<u>1,254</u>
Insurance trading result	<u>28,305</u>	<u>21,767</u>
Net investment income on shareholders' funds	<u>1,283</u>	<u>1,958</u>
Contribution to profit before tax	<u>29,588</u>	<u>23,725</u>
<i>(i) Insurance claims expense reconciliation</i>		
Claims expense	(278,345)	(266,549)
Transfer to:		
- Employee benefits	5,493	4,883
- Other expenditure	<u>7,573</u>	<u>8,043</u>
Insurance claims expense	<u>(265,279)</u>	<u>(253,623)</u>

* This amount may differ from the Insurance premium revenue (refer Note 3) due to elimination of transactions within the Group.

23. INSURANCE DISCLOSURES (continued)**(b) Net incurred claims**

Details of net incurred claims are as follows:

	2021			2020		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Direct Business						
<i>Gross claims incurred and related expenses</i>						
Undiscounted	283,044	(4,563)	278,481	263,653	2,812	266,465
Discount and discount movement	(65)	(71)	(136)	(16)	100	84
	<u>282,979</u>	<u>(4,634)</u>	<u>278,345</u>	<u>263,637</u>	<u>2,912</u>	<u>266,549</u>
<i>Reinsurance and other recoveries</i>						
Undiscounted	(60,121)	550	(59,571)	(64,315)	(3,839)	(68,154)
Discount and discount movement	47	1	48	78	(175)	(97)
	<u>(60,074)</u>	<u>551</u>	<u>(59,523)</u>	<u>(64,237)</u>	<u>(4,014)</u>	<u>(68,251)</u>
Total net claims incurred	<u>222,905</u>	<u>(4,083)</u>	<u>218,823</u>	<u>199,400</u>	<u>(1,102)</u>	<u>198,298</u>

Claims expense represents claim payments plus the movement in the outstanding claims liability. Reinsurance and other recoveries are recognised as revenue for claims incurred.

(c) Deferred Acquisition Costs

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

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Balance at beginning of the financial year	7,084	6,064
Acquisition costs deferred	13,425	14,359
Amortisation charged to income	<u>(13,350)</u>	<u>(13,339)</u>
Balance at end of financial year	<u>7,159</u>	<u>7,084</u>

(d) Outstanding Claims Liability

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

	2021 \$'000	2020 \$'000
Current	108,433	83,332
Non-Current	<u>6,884</u>	<u>4,174</u>
	<u>115,317</u>	<u>87,506</u>

23. INSURANCE DISCLOSURES (continued)**(e) 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) and the cost of claims incurred but not enough reported (IBNER).

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected reinsurance and other recoveries. The Company 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 recognised.

In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analysis of historical experience, which generally assumes that future development patterns will be consistent with past experience. An additional loading has been added to the risk margins to allow for the uncertainty associated with future uncertainty relating to further development of the pandemic and social and environmental changes.

The outstanding claims liability comprises the elements described below.

- The central estimate of the present value of the expected future payments for claims incurred at the reporting date but not yet paid, claims incurred which have not yet been reported (IBNR) and claims incurred but not enough reported (IBNER) has been prepared in accordance with the fair value basis of accounting with certain exceptions as described in accounting policies in the following notes;
- Less an amount to reflect the discount to present value for home and pleasurecraft personal liability claims and time payer recoveries;
- Plus a risk margin added to reflect the inherent uncertainty in the central estimate;
- Plus claim handling costs that can be associated directly and indirectly with the outstanding claims.

(f) Liability adequacy test

At each reporting date the Company assesses the unearned premium liability to determine whether the amount provided is sufficient to pay future claims.

The adequacy of the unearned premium liability for the portfolio is assessed by considering current estimates of the present value of the expected future cash flows relating to future claims arising from current insurance contracts. If the present value, plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability, less related intangible assets and related deferred acquisition costs, the unearned premium liability is deemed deficient. If deficient, the entire deficiency is recognised in the statement of profit or loss and other comprehensive income. First the related intangible assets are written down and then related deferred acquisition costs, with any excess being recognised in the statement of financial position as an unexpired risk liability.

The probability of adequacy (POA) for outstanding claims liabilities is set at a level that is appropriate and sustainable to cover the Company'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 of APRA - 75%.

23. INSURANCE DISCLOSURES (continued)

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Liability adequacy test		
Gross Unearned premium	189,747	169,224
Less: Allowance for Quota Share reinsurance arrangement	(13,503)	(12,222)
Less: Related deferred acquisition costs	(25,049)	(23,039)
Less: Future costs of reinsurance	(11,818)	(10,990)
	<hr/> 139,377 <hr/>	<hr/> 122,973 <hr/>
Total provision available		
Central estimate of PV of expected future cash flows arising from future claims	128,133	114,824
Risk margin (at 75% POA)	5,985	5,595
	<hr/> 134,118 <hr/>	<hr/> 120,419 <hr/>
Total actuarial estimate of future liabilities		
Net Surplus	5,259	2,554
Deficiency recognised in the Statement of Profit or Loss	Nil	Nil
Write down of deferred acquisition costs	Nil	Nil
Risk margin applied		
Personal Insurance (at 75% POA)	5.6%	4.9%

(g) General Insurance Risk Management

The Board has overall responsibility for the establishment and oversight of the Governance and Risk Management Framework (GRMF).

Insurance risk refers to the inherent risk in any insurance contract that an insured event may occur and the uncertainty of the amount of the resulting claim. The Company manages this risk through the GRMF, and the terms and conditions of its insurance contracts.

Key aspects of the GRMF that aim to mitigate insurance risk include:

Underwriting operations are managed in accordance with documented underwriting guidelines, with management oversight, regular quality assessments and monitoring of operations conducted;

Claims operations are managed in accordance with documented claims guidelines, with management oversight, regular performance assessment and monitoring of operations conducted;

Treatment plans and business improvements are implemented where required; and

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.

Concentration risk

The Company is a domestic insurer that only operates in South Australia and Broken Hill. As a result, a concentration risk exists due to the nature and location of the business. The Company has identified a potential insurance concentration risk related to geographic location which could impact the Company should there be a catastrophe. This risk is noted in the Company's risk appetite and has been mitigated through the Company's reinsurance arrangements.

The Company'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).

23. INSURANCE DISCLOSURES (continued)

<u>Risk</u>	<u>Source of concentration</u>	<u>Risk management measures</u>
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	- South Australia	The Company utilises risk address level natural perils models.
- Bushfire	- Broken Hill	
- Flood		
- Storms		

Based on the probable maximum loss (PML) per the models, the Company purchases catastrophe reinsurance cover to limit exposure to any single

The Company has a Quota share Reinsurance Arrangement whereby 25% of the Home - Building and Contents Premium is ceded to reinsurers. This limits the Company's exposure.

The largest potential loss faced by the Company is earthquake.

(i) Actuarial assumptions and methods

Actuarial Assumptions

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

	2021	2020
Average weighted term to settlement from reporting date	< 1 yr	< 1 yr
Average claim frequency (claims per policy)	2.1%-16.0%	2.6% - 15.2%
Claims handling expense rate	4.50%-4.75%	3.8% - 5.0%
Discount rate	0.78%-0.80%	0.4%-0.57%
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:

Claims handling expense rate

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

Discount rate (where applicable)

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 however it is implicit in the development assumptions.

Reinsurance and non-reinsurance recoveries

Estimates of reinsurance recoveries are based on assessment of individual large claims, whereas estimates of non-reinsurance recoveries (for Motor Comprehensive) are based on analysis of historical recovery patterns split between salvage, third party and other recoveries.

23. INSURANCE DISCLOSURES (continued)
Sensitivity analysis

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 is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.

Impact of changes in key variables	Net Profit / (Loss)			
	Movement in Variable	Gross of Reinsurance \$'000	Net of Reinsurance \$'000	Equity \$'000
Average claim size	+10%	(4,553)	(4,334)	(4,334)
	-10%	4,553	4,334	4,334
Claim frequency - most recent accident quarter	+10%	(4,553)	(4,334)	(4,334)
	-10%	4,553	4,334	4,334
Expense rate	+10%	(442)	(442)	(442)
	-10%	442	442	442

24. RELATED PARTY DISCLOSURE**(a) Ultimate parent**

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

(b) Subsidiaries

The consolidated financial statements include the financial statements of the Royal Automotive Association of SA Inc. and the listed subsidiaries below;

Name		Equity interest		Investment	
		2021 %	2020 %	2021 \$	2020 \$
RAA Insurance Holdings Limited	Subsidiary	100%	100%	<u>103,497,581</u>	<u>103,497,581</u>
				<u>103,497,581</u>	<u>103,497,581</u>

(c) Related Parties

Where the Association has transacted with a entity with which an Association Board member also holds position, the details are provided below;

RAA Insurance Holdings Limited	Subsidiary	Australian Institute of Company Directors (i)	Related Entity
Motoring Club Finance Pty Ltd	Joint Venture	Australasian College of Road Safety (ii)	Related Entity
RAA Auto Glass Pty Ltd	Joint Venture		
Australian Club Consortium Pty Ltd	Associate		
Club Consortium Pty Ltd	Associate		

- (i) Australian Institute of Company Directors is a not-for-profit membership organisation for Directors.
- (ii) Australasian College of Road Safety is a membership association for road safety professionals and advocates. This entity became a related party on 25 November 2019.

24. RELATED PARTY DISCLOSURE (continued)**(d) Transactions with related parties**

The following tables provide the total amount of transactions of the Parent that were entered into with related parties for the relevant financial year. This section has been broken up into two categories; Service Contracts, and Subsidiaries, Joint Ventures and Associates.

<u>Service Contracts</u>		RAA of SA 2021	RAA of SA 2020
Related party	Transaction Type	\$	\$
Australian Institute of Company Directors	Service Contracts	<u>(9,760)</u>	<u>(10,160)</u>
Australasian College of Road Safety Inc	Service Contracts	<u>(595)</u>	<u>(6,160)</u>

Service Contracts with related parties are made on normal commercial terms and equivalent to those that prevail in arm's length transactions. No directors were involved in negotiations relating to any such transactions.

<u>Subsidiaries, Joint Ventures and Associates</u>		RAA of SA 2021	RAA of SA 2020
Related party	Transaction Type	\$	\$
RAA Insurance Holdings Limited	Dividend revenue	4,500,000	6,000,000
	Distribution services	34,554,211	31,012,725
	Rent and administration	11,543,217	14,002,804
	Insurance Premiums	<u>4,295</u>	<u>17,017</u>
		<u>50,601,723</u>	<u>51,032,546</u>
Motoring Club Finance Pty Ltd	Distribution services	<u>232,646</u>	<u>279,768</u>
Club Consortium Pty Ltd	Dividend revenue	<u>1,437,750</u>	<u>319,500</u>

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.

24. RELATED PARTY DISCLOSURE (continued)**(e) Outstanding balances with related parties**

The following table provides the total outstanding balances of the Parent with related parties at the end of the relevant financial year.

Related party	Balance Type	RAA of SA	RAA of SA
		2021	2020
		\$	\$
RAA Insurance Holdings Limited	Income tax related	1,357,680	722,580
	Related party receivable	<u>7,258,059</u>	<u>10,028,716</u>
		<u>8,615,739</u>	<u>10,751,296</u>
RAA Auto Glass Pty Ltd	Loan receivable	<u>-</u>	<u>124,000</u>
Australian Club Consortium Pty Ltd	Loan receivable	<u>6,808,294</u>	<u>7,381,605</u>
		<u>15,424,033</u>	<u>18,256,901</u>

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.

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 for 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:

- PR Siebels (President)
- KJ Gramp (Vice President)
- IH Stone (Association Managing Director)
- VM Angove
- DA Cross (resigned 17 December 2020)
- ED Perry
- RG Grigg (resigned 25 August 2020)
- SR Starick
- KN Thomas (resigned 2 October 2020)
- M Small
- J McGill
- S Holmes (appointed 17 December 2020)
- D Osborn (appointed 14 October 2020)

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 2021 \$	Consolidated 2020 \$
Short-term employee benefits	444,444	475,726
Post-employment benefits	41,650	44,423
	<u>486,094</u>	<u>520,149</u>

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 \$161,124 (2020: \$185,078).

(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
- TB Griffiths Group Chief Financial, Membership and Brand Officer/Insurance Chief Executive
- DA Jacob General Manager Automotive Services
- GM Norman General Manger Travel/General Manager Travel and Distribution
- D Parr General Manager Product, Marketing and Distribution/General Manager Marketing, Digital and Business Development
- B Vivian General Manager People and Environment
- MA Walters General Manager Information Services
- DA Russell Insurance Chief Executive/General Manager Services (retired 26 February 2021)
- S Warner Acting General Manager Government and Public Policy (15 February to 9 November 2020)
- E Perry General Manager Community and Corporate Affairs (appointed 9 November 2020)
- S Pafumi Group Chief Financial Officer (appointed 15 February 2021)
- K Davis Acting Group Chief Financial Officer (1 September 2020 to 15 February 2021)
- K Bolton Acting Membership and Brand Officer (1 September 2020 to 15 February 2021)

25. KEY MANAGEMENT PERSONNEL (continued)

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

	Consolidated 2021 \$	Consolidated 2020 \$ Restated
Short-term employee benefits (i)	3,845,887	3,649,269
Long-term employee benefits	46,707	(3,237)
Post-employment benefits	259,090	217,046
	<u>4,151,684</u>	<u>3,863,078</u>

(i) Short-term employee benefits include termination payments made throughout the year

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 2021 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 2021 \$'000	Consolidated 2020 \$'000
Opening defined benefit obligation	2,753	3,031
Service cost	135	133
Net Interest	32	61
Contributions by scheme participants	29	35
Actuarial losses	254	106
Benefits paid	(239)	(535)
Contributions to accumulation section	(12)	(11)
Taxes, premiums and expenses paid	(78)	(67)
	<hr/>	<hr/>
Closing defined benefit obligation	2,874	2,753

Reconciliation of the fair value of scheme assets

Opening fair value of fund assets	3,562	4,177
Interest income	40	80
Actual return on fund assets less interest income	697	(117)
Contributions by scheme participants	29	35
Benefits paid	(239)	(535)
Contributions to accumulation section	(12)	(11)
Taxes, premiums and expenses paid	(78)	(67)
	<hr/>	<hr/>
Closing fair value of fund assets	3,999	3,562

26. DEFINED BENEFIT PENSION PLAN (continued)
Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Defined benefit obligation *	(2,874)	(2,753)
Fair value of scheme assets	<u>3,999</u>	<u>3,562</u>
Net superannuation asset	<u>1,125</u>	<u>809</u>

Amounts recognised in the Statement of Comprehensive Income

Actuarial (gains) / losses - liability experience	259	50
Actuarial (gains) / losses - change in financial assumptions*	<u>(5)</u>	<u>56</u>
Total actuarial (gains) / losses	<u>254</u>	<u>106</u>

** includes contributions tax provision*
Expense recognised in the Statement of Profit or Loss

Service cost **	135	133
Interest cost	32	61
Interest income	<u>(40)</u>	<u>(80)</u>
Superannuation expense	<u>127</u>	<u>114</u>

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

Expected benefit payments for the financial year ending;		
30 June 2022	291	858
30 June 2023	335	161
30 June 2024	727	186
30 June 2025	492	211
30 June 2026	247	408
Following 5 years	1,042	896
The weighted average duration of the defined benefit obligation was	5 years	5 years

26. DEFINED BENEFIT PENSION PLAN (continued)
Fair value of fund assets

Asset Category	Total \$'000	Quoted prices		Observable	Unobservable
		Level 1 \$'000	Level 2 \$'000	inputs Level 2 \$'000	inputs Level 3 \$'000
Equity	-	-	-	-	-
Debt	-	-	-	-	-
Investment Funds - Balanced	3,999	-	3,999	-	-
Real Estate	-	-	-	-	-
Total	3,999	-	3,999	-	-

Scheme assets

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

	2021	2020
Australian Equity	24%	26%
International Equity	32%	33%
Fixed Income	16%	21%
Property	11%	5%
Alternatives / Other	12%	13%
Cash	5%	2%

Actual return on scheme assets

Actual return on scheme assets	737	(37)
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Principal actuarial assumptions at the reporting date relating to Defined Benefit obligation

Expected salary increase rate	2.5% pa	2.5% pa
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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.

26. DEFINED BENEFIT PENSION PLAN (continued)*Sensitivity Analysis*

	Base	Discount Rate Sensitivity		Salary Rate Sensitivity	
Discount rate	1.40%	0.90%	1.90%	1.40%	1.40%
Salary increase rate	2.50%	2.50%	2.50%	2.00%	3.00%
Defined Benefit obligation	2,874	2,906	2,863	2,864	2,901

Expected contributions

	2021	2020
	\$'000	\$'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. LEASES**Group as a lessee**

The Group has lease contracts for commercial properties used in its operations. These leases have lease terms between 2 to 7 years. There are several lease contracts that include extension and termination options and variable lease payments. The Group also has leases of office equipment.

The Group has applied the low value and short term leases exemptions where available.

Set out below are the carrying amounts of right-to-use assets recognised and the movements during the period:

	Commercial Property	Office Equipment	Total
	\$'000	\$'000	\$'000
At 1 July 2020	7,207	350	7,557
Additions	1,562	-	1,562
Depreciation expense	(1,603)	(88)	(1,691)
At 30 June 2021	7,166	262	7,428

Set out below are the carrying amounts of lease liabilities (included under interest-bearing liabilities) and the movements during the period:

27. LEASES (continued)

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
As at 1 July	8,130	9,121
Additions	1,562	-
Accretion of interest	242	237
Payments	(1,630)	(1,228)
	<hr/>	<hr/>
As at 30 June	8,304	8,130
	<hr/>	<hr/>
Current	1,114	1,402
Non-current	7,189	6,728

The following are the amounts recognised in profit or loss:

Depreciation expense of right-of-use assets	1,691	1,564
Interest expense on lease liabilities	242	237
	<hr/>	<hr/>
Total amount recognised in profit or loss	1,933	1,801
	<hr/>	<hr/>

The Group had total cash outflows for leases of \$1.6m in 2021 (2020: \$1.3m).

28. CONTINGENT LIABILITY

The Group has provided the following guarantees:

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Bank guarantees provided as security for :		
- outstanding workers' compensation claims	900	880
- leasing of retail property at Elizabeth Shopping Centre, Elizabeth	11	11
- leasing of retail property at Colonnades Shopping Centre, Noarlunga	46	46
	<hr/>	<hr/>
	957	937
	<hr/>	<hr/>

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 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 the Group's commitments.

The 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. 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 investment in debt securities and long-term borrowings with floating interest rates.

The Group's approach to minimising interest rate risk associated with debt securities 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. Interest rate risk associated with long-term borrowings is mitigated with 50% of the interest exposure being fixed.

The Group's sensitivity to movements in interest rates in relation to the value of cash, interest bearing debt securities, derivatives and other financial liabilities is shown on the following page on table 1:

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)*Interest rate risk (continued)***Table 1 - Sensitivity to movements in interest rates**

	Exposure at 30 June \$'000	Net Profit / (Loss)		Equity	
		100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
2021					
Cash	26,849	188	(188)	188	(188)
Deposits in trust account	1,136	8	(8)	8	(8)
Deposits in trust account	(1,136)	(8)	8	(8)	8
	26,849	188	(188)	188	(188)
2020					
Cash	23,903	167	(167)	167	(167)
Deposits in trust account	262	2	(2)	2	(2)
Deposits in trust account	(262)	(2)	2	(2)	2
	23,903	167	(167)	167	(167)

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 Group manages the equity price risk through diversification of equity instruments.

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 in table 2

Table 2 - Sensitivity to movements in equity prices

	Exposure at 30 June \$'000	Net Profit / (Loss)		Equity	
		10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
2021					
Unit Trusts	94,097	6,587	(6,587)	6,587	(6,587)
Bonds / Notes	167,296	11,711	(11,711)	11,711	(11,711)
	261,393	18,298	(18,298)	18,298	(18,298)
2020					
Unit Trusts	112,263	7,858	(7,858)	7,858	(7,858)
Bonds / Notes	118,858	8,320	(8,320)	8,320	(8,320)
	231,121	16,178	(16,178)	16,178	(16,178)

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

Credit risk is the risk that one party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, including trade and other receivables and recoveries, and from its financing activities and investments.

Receivables and Recoveries

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 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.

For Insurance, outstanding premiums on policies arise on those which are generally paid on a monthly instalment basis. Payment default will result in the termination of the insurance contract with the policy owner, as provided by law, eliminating both the credit risk and insurance risk for the unpaid balance.

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.

Financial Assets and Cash deposits

Credit risk relating to investments is reduced through active management by both the Group Investments Manager and Western Asset Management. For the Investment Mandate, Western Asset Management will apply default credit limits. Changes to these default credit limits are subject to approval by the Investment Committee.

The carrying amount of financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk relating to receivables, cash and cash equivalents and investments is shown in the table below.

The credit quality is assessed and monitored as follows:

Table 3 - Exposure to credit risk: Cash & Receivables

	AAA \$'000	AA \$'000	A \$'000	Below A \$'000	Not rated \$'000	Total \$'000
2021						
Current						
Cash and cash equivalents	-	26,849	-	-	-	26,849
Deposits in trust account	-	1,136	-	-	-	1,136
Trade and other receivables	-	8,027	12,703	238	195,635	216,603
Financial Assets	77,534	86,988	24,939	18,950	77,508	285,919
	77,534	123,000	37,642	19,188	273,143	530,507
Non Current						
Trade and other receivables	-	-	-	-	5,653	5,653
Financial Assets	-	-	-	-	5,819	5,819
	-	-	-	-	11,472	11,472
2020						
Current						
Cash and cash equivalents	-	23,897	-	-	-	23,897
Deposits in trust account	-	262	-	-	-	262
Trade and other receivables	-	8,348	13,629	-	167,367	189,344
Financial Assets	100,423	36,629	26,343	10,973	68,130	242,498
	100,423	69,136	39,972	10,973	235,497	456,001
Non Current						
Trade and other receivables	-	-	-	-	4,464	4,464
Financial Assets	-	-	-	-	6,673	6,673
	-	-	-	-	11,137	11,137

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

Liquidity risk arises from the financial liabilities of the Group and the Group's 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-off repayments and interest resulting from recognised financial liabilities as at 30 June 2020. 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.

Table 4 - Maturities (liquidity risk)

	1 year or less \$'000	1 to 5 yrs \$'000	Over 5 yrs \$'000	Total \$'000
2021				
Liquid Financial Assets				
Cash and cash equivalents	26,849	-	-	26,849
Trade and other receivables	210,950	5,653	-	216,603
Deposits in trust account	1,136	-	-	1,136
	238,935	5,653	-	244,588
Financial liabilities				
Trade and other payables	54,424	-	-	54,424
Outstanding claims liability	115,317	-	-	115,317
Lease Liabilities	1,323	4,493	3,413	9,229
Deposits in trust account	1,136	-	-	1,136
	172,200	4,493	3,413	180,106
Net inflow / (outflow)	66,735	1,160	(3,413)	64,482
2020				
Liquid Financial Assets				
Cash and cash equivalents	23,903	-	-	23,903
Trade and other receivables	184,880	4,464	-	189,344
Deposits in trust account	262	-	-	262
	209,045	4,464	-	213,509
Financial liabilities				
Trade and other payables	49,871	-	-	49,871
Outstanding claims liability	87,506	-	-	87,506
Lease Liabilities	1,598	4,319	3,117	9,034
Deposits in trust account	262	-	-	262
	139,237	4,319	3,117	146,673
Net inflow / (outflow)	69,808	145	(3,117)	66,836

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 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

The table below summarises the basis for the determination of the fair value of the Group's financial instruments at 30 June 2021 that are measured at fair value after initial recognition, other than those where the carrying value is a reasonable approximation of fair value. The carrying value of financial liabilities is considered to approximate fair value.

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

Table 5 - Fair Value

Classification	Fair Value Hierarchy	Pricing Inputs and Valuation Techniques				
Financial assets	2	Valued at redemption price as established by the Responsible Entity of the funds based on market value of underlying securities held by the fund managers at 30 June 2021.				
Property, plant and equipment	2	Valued at market value based on third party property valuation conducted 30 June 2021 using discounted cashflow model in a 10 year lease back scenario.				
Loans receivables and payable	3	The fair value is calculated by utilising discounted cash flow models, based on the maturity of the loans. The discount rates used represent the rate the market is willing to offer at arms-length for customers of similar credit quality. The net fair value of impaired loans is calculated by discounting expected cash flows using these rates.				
		Level 1	Level 2	Level 3	Total fair value	Total carrying value
2021		\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Financial assets at fair value through profit or loss		-	153,137	-	153,137	153,137
Property, Plant and Equipment revalued		-	40,017	-	40,017	14,978
Loans and receivables		-	-	6,518	6,518	6,809
		-	193,154	6,518	199,672	174,924
2020						
Assets						
Financial assets at fair value through profit or loss		-	147,600	-	147,600	147,600
Property, Plant and Equipment revalued		-	33,317	-	33,317	14,672
Loans and receivables		-	-	7,185	7,185	7,505
		-	180,917	7,185	188,102	169,777

30. AUDITORS REMUNERATION

The auditor of the Parent is Ernst & Young (Australia)

	RAA of SA 2021	RAA of SA 2020
	\$	\$
<i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i>		
• An audit or review of the financial report of the entity and any other entity in the consolidated group	105,048	97,608
• Other services in relation to the entity and any other entity in the consolidated group		
- Income tax compliance	45,907	22,248
- Other tax consulting	24,000	15,000
- Other services	-	163,517
	174,955	298,373

The auditor of RAA Insurance is KPMG

	RAA Insurance 2021	RAA Insurance 2020
	\$	\$
<i>Amounts received or due and receivable by KPMG for:</i>		
• An audit or review of the financial report of the entity	103,300	101,572
• Other services in relation to the entity		
- Auditing the APRA returns	41,765	41,065
- Other services	71,310	32,059
	216,375	174,696

31. EVENTS AFTER THE REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Group, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years.

ROYAL AUTOMOBILE ASSOCIATION OF SOUTH AUSTRALIA INC.

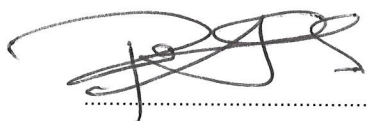
Directors' Declaration

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

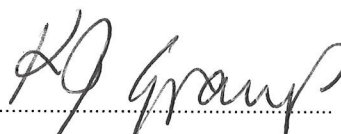
1. In the opinion of the Directors:
 - a) The financial statements and notes of the Association and of the consolidated entity are in accordance with the Associations Incorporation Act 1985, including:
 - (i) Giving a true and fair view of the Association's and consolidated entity's financial position as at 30 June 2021 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 2021;
 - (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;
 - i. *Ms KJ Gramp, Director of the Association is a Director of the Australian Institute of Company Directors which provided services to the Association during the year.*
 - ii. *Mr M Small, Director of the Association, is the President of the Australasian College of Road Safety, which provided services 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;
 - i. *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.*
 - ii. *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 2021.

On behalf of the board



P R Siebels
President



K J Gramp
Vice President

Adelaide, 23 August 2021



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working world**

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Independent Auditor's Report to the Members of Royal Automobile Association of South Australia Incorporated

Opinion

We have audited the financial report of Royal Automobile Association of South Australia Incorporated (the Association) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Australian Accounting Standards and the Associations Incorporation Act 1985 (South Australia).

Basis for Opinion

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material



misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, stylized font.

Ernst & Young
Adelaide
23 August 2021