2022–2023

Annual Report


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RACV
Home & Roadside
Assistance

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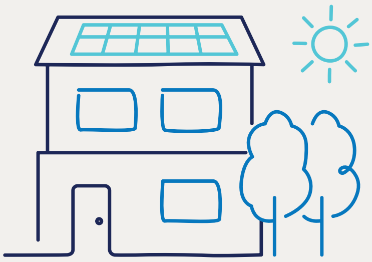
President and Chairman's Report

Geoffrey O Cosgriff

On behalf of the RACV Board of Directors, I am pleased to present the Chairman's Report for the 2022-2023 financial year.



As with most organisations, the last financial year has had its challenges, but RACV has once again achieved much and made good progress in our chosen strategic areas of Motoring and Mobility, Home and Energy and Leisure.

Financial

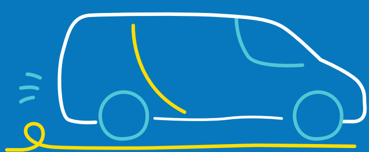
RACV reported a profit of $53.6 million, which once again enables RACV to strengthen our balance sheet to help cater for natural peril events impacting our Members.

During FY23 we serviced over 167,000 insurance claims valued at over $1.1 billion for Members, including those impacted by major flood events during the year.

The key drivers of our financial results in FY23 were:

1. A strong recovery for our Leisure business with revenue from Club and Resorts up by $69 million, representing a 58% year-on-year increase. It was also pleasing to see policies grow in Motor and Home Insurance products by 4% and 5% respectively and Emergency Home Assistance product subscriptions were up by 3%.
2. Income of $84.6 million from our associate investments which includes our share of profit from our insurance joint venture Insurance Manufacturers of Australia (IMA), Club Assist, Repairhub and Australian Motoring Services (AMS).
3. Rebounding global equities and bond markets led to higher earnings from our investment portfolio of $37.3 million, representing 9.3% growth.
4. Higher interest rates led to a softening of capitalisation, and discount rates resulted in a $13.8 million profit and loss impact on property assets.

As outlined later in this report, and in the Managing Director and CEO's report, the organisation has delivered good growth across many business areas whilst continuing to spend time and effort on building businesses to service Members and customers for the future, notably in Home and Energy.



During this year, our Emergency Roadside Assistance teams assisted Members with more than

825,000

call outs in Victoria.

President and Chairman's Report continued...

Motoring and Mobility

During this year, our Emergency Roadside Assistance teams assisted Members with more than 825,000 call outs in Victoria.

Motor Insurance had another good year with over 293,000 new policies sold. Our Nationwide towing business continued to expand its footprint into other states, notably New South Wales, where we now have 57 vehicles providing services to NRMA, Repairhub and a growing number of other customers. It was pleasing to see an easing of the labour market in the second half of the year, enabling us to start to employ and train the number of drivers we need to support the growth of Nationwide.

We continued to service the growth of EVs through increasing our investment in JET Charge and by continuing to support Chargefox's growth, which is now a wholly owned subsidiary of AMS. We anticipate opportunities to further support their growth over the long term.

The arevo mobility app continued to be enhanced and now has 313,472 downloads and 28,569 active monthly users. An RACV app is currently under development for release during calendar year 2024.

Home and Energy

This year more than 55,972 home emergencies were attended by our Emergency Home Assist Team.

We launched our non-emergency Trades product which saw very encouraging demand with 489 jobs done in the first two months through our early test and learn process. We expect this Trades business to grow rapidly over the next few years, and to support its expansion, Home Trades Hub is now a 100% owned RACV company. Home Insurance had a very good year with over 139,000 new policies sold.

Our Solar business was affected by the rise in interest rates causing a slowdown in residential demand. Commercial demand was and remains good. Despite the challenges of the market, which are likely to continue in FY24, we remain the biggest premium solar installer in Victoria and are growing in other states with 30% of the business done outside of Victoria in FY23. RACV Solar remains a core part of our, and Australia's, electrification journey.

Leisure

The Leisure business had a great year and was able to operate at close to capacity by the end of FY23. Capacity was restricted in the first half, as like all businesses we struggled to get enough people to run the assets, but the second half saw us heading back to where we want to be.

Member and customer feedback across all properties was strong, with Net Promoter Score at 59.3, up 1.4 points, when compared to the prior year. RACV Royal Pines Resort saw significant upgrades, re-positioning our biggest asset for the next few years. Our Travel Insurance product had a record year with 108,781 policies sold, as Australians once again started to visit the rest of the world.

The RACV City Club is now the only property still seeing lower demand than before COVID-19, due to the changing demand patterns of the CBD. We have continued to run a large number of member events to help stimulate demand.

The Melbourne CBD feels more vibrant compared to previous COVID-affected years, but like all major cities around the world is operating differently. RACV's view remains that cities and offices are very important to the social fabric of all our lives, and working in offices is an important part of what we expect from our staff.

A small example is that STREAT can only do its great work if CBD employees come to offices and buy their excellent coffee and food.

President and Chairman's Report continued...

Supporting Victorians

Over the last 12 months RACV invested in and supported a number of initiatives.

- We continued our partnership with GIVIT which focused on supporting flood-affected areas, and we will continue this relationship in FY24 and beyond.
- We funded a new three-year partnership with Yalari to provide secondary education scholarships for First Nations children and help address the systemic disadvantages experienced by First Nations communities across Australia. This new initiative sees RACV Royal Pines Resort as a hub for Yalari events and we hope to not only support them today but could see career pathways, notably in hospitality, become available for many of their graduates. We are also assisting with driving lessons as driving is critical in regional areas.
- We invested in Live4Life's mental health education and youth suicide prevention model in Ballarat, designed specifically for rural and regional communities. We funded support for 12 secondary schools in the region.
- We funded the Play Netball program for migrants and refugees which is part of our ongoing relationship with Netball Victoria, via The Vixens.
- We relaunched RACV's Workplace Giving program, "*the beehive*" to provide staff choice with what amounts they give, how, when and to whom. This also links into staff volunteering and we had nearly 400 staff complete volunteer days.

We had nearly

400 staff

complete volunteer days.

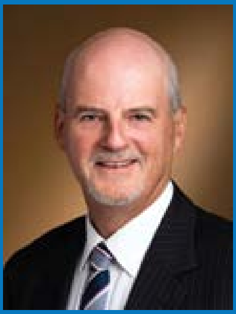
Member Engagement and Benefits

RACV is very aware that the rising cost of living is affecting some of our Members and customers.

As I outlined last year, we have established a clear set of processes and a dedicated webpage, so that any Member who needs financial support can ask us for it. For details of RACV's financial hardship support, please refer to the website.

The first half of FY23 saw unusually high natural perils and when combined with global inflation has once again seen us have to increase insurance premiums. We continue to try and keep these as manageable as we can for Members by making sure that we remain competitive in the market. The next 12 months is likely to see the market be quite unsettled until a new equilibrium is reached. Through our Heart and Save programs we provide Members with choices to help them manage costs. The first half of the year saw a huge influx of claims driven by the weather events which did see us struggle at times to offer the level of service we aspire to, but our service levels are now much improved as much of the backlog has been worked through.

We remain focussed on growing and enhancing the services that are valued by all our Members and customers. During the year, RACV provided Members with benefits valued at an estimated $412 million including Years of Membership Benefits, Multi Policy Discounts and discounts at resorts. This is an increase of more than 50% of what we provided five years ago, reflecting the ongoing growth of our organisation and our continued focus on balancing growth with value for Members.



Conclusion

The last 12 months were on balance a good year for RACV, and I am confident that despite the ongoing inflationary and cost of living issues, RACV can and will achieve much in the coming period. We have some excellent businesses across our areas of strategic intent, all of which are growing and have great growth potential. As always, I recognise that none of RACV's success can be achieved without the work of all our staff. I thank them all for their work over the last 12 months and for the ongoing work to continue to take the organisation forward. I thank all our Members and customers for your continued support of RACV.

I also wish to thank all Members of the Board, Neil Taylor and his Leadership Team, all employees of RACV and our Members for allowing me the opportunity to continue to serve you as President and Chairman of RACV.

Geoffrey O Cosgriff
President and Chairman

Managing Director and CEO's Report

Neil Taylor

As Geoff has outlined, the last financial year was a much better one for RACV, as we were able to operate all our businesses for a full 12 months for the first time since FY19.

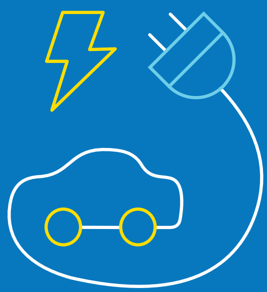
The challenges in the first half of the year were very much around staffing in a very constrained labour market, which has now eased, and in managing issues around all the weather events. The second half of the year saw the inflation challenge come to the fore for all of us and this will likely run for all of FY24.

At RACV, price increases have been necessary on all products. This has been driven by general inflation and in Insurance by the global repricing of risk, particularly in reinsurance as well as supply chain issues, notably in parts. The latter has started to ease. We have a strong productivity and efficiency drive at RACV to help moderate the issues for our Members and customers, as best we can. The value of our four-year investment in Repairhub is a good example as this business continues to grow and do more car repairs for RACV. Our ownership of Nationwide is allowing us to operate at scale and manage service and costs effectively in Motor Insurance and Emergency Roadside Assistance (ERA).

Making sure RACV remains focused on being efficient as we go through this inflationary period is a core objective for us. Our prior and ongoing investments in high quality systems and associated business processes leave us well placed to accelerate our efforts in this space. A good example of what has been achieved is that in June 2023 we had our best ever digital sales percentage performance across Motor Insurance, Home Insurance and ERA, and our best ever absolute digital sales (number of products sold) across Motor and Home Insurance and close to our best in ERA .

Digital Sales Performance (percentage of online sales) in June 2023:

- Motor Insurance – 39% (compared to 13% in 2019)
- Home Insurance – 30% (compared to 7% in 2019)
- ERA – 25% (compared to 12% in 2019).



Making sure RACV remains focused on being efficient as we go through this inflationary period is a core objective for us.

Managing Director and CEO’s Report continued...

Cleaner Energy

Cleaner Energy is now a significant part of RACV.

It has great growth potential, most of which will emerge over the medium to long term. The global move to electrification has only just started, and I am confident that some of the choices we have made - notably our investments in Chargefox, RACV Solar, JET Charge and our ongoing retail energy trial, Arcline by RACV, position us well at the starting line.

And of course, the provision of electricity to all RACV owned sites is from cleaner energy. The next page has a view of all the energy saving initiatives we have delivered over the last few years.

Motor and Home

We have continued to invest in our Motoring portfolio and the Repairhub business.

Repairhub had another good year, now employing over 500 people with revenues over $100 million and heading towards 1,500 repairs a week. This business continues to deliver great service to Members whilst helping us manage supply chain costs and we will expand it further in FY24. We continued to grow our Motor Insurance business which now has over 1.1 million paid Motor Insurance policies, representing growth of 9% over three years (2021-2023). Nationwide will do over 441,000 tows in the coming financial year and has grown by 27% since 2019 when we made our initial investment. ERA subscriptions remain stable.

The Home business continued to grow, and we now have over 759,000 Members holding Home products; this increased by 29,991 over FY23. We now have over 879,000 Home Insurance policies on issue. Home Trades Hub Australia (HTHA), which as Geoff mentioned is now under full RACV ownership, continued to consolidate and is our key delivery partner for our new non-emergency Trades product. HTHA also invested in two new businesses, Before You Bid and Proptech Labs. The former is a home inspections business whilst the latter offers a range of services to property managers, landlords and tenants with over 300,000 properties using their technology.

Energy Efficiency Program FY2019-23

PROGRAM DURATION UPDATE FY2019 TO FY2023

Reduction of energy consumption across the property portfolio

7,344 MWh
aggregate savings

25%
energy reduction across property portfolio

$1.5M
energy savings per annum

ON-SITE SOLAR GENERATION

2.1 MWh
PV system size

2,700
solar panels installed

2
battery storage at Torquay and Inverloch

7,648 MWh
solar generated to date

RENEWABLE GREEN ENERGY SUPPLY

100%
energy supplied from renewable sources across the whole RACV group

8,076 tCO_2
greenhouse gas emissions offset

104,130
equivalent to carbon sequestered by number of trees

ENERGY EFFICIENT PLANT AND EQUIPMENT

+20,000
light fittings replaced with LEDs

90%
of LEDs completed

3,700 MWh
saved

EV CHARGING NETWORK

1,320 days
17 hours
charging time produced

42
EV charging stations across the portfolio

Managing Director and CEO's Report continued...

Leisure

As outlined earlier by Geoff, the Leisure Division came roaring back in FY23. All properties, except the RACV City Club, had record or close to record years and it was terrific to see our newly re-launched Travel Insurance do so well.

As per last year, our digital investments continue to pay off with increasing demand for holiday packages, ancillary products such as cinema tickets and new partnerships on major shows and events. The latter saw us offer a number of innovative packages around key sporting events, including the Women's World Cup.

The business continues to expand with the addition of extra capacity across a number of our facilities and given the land we have available to us at many of our sites we have plenty of years of growth in capacity across our existing asset base. Leisure also won a number of awards, which is a great testament to the service offered by our staff. RACV Noosa Resort won three awards - Best Accommodation at the People's Choice Awards for the fourth time, Best Self-Contained Accommodation in Queensland, and another Hall of Fame win in the Sunshine Coast Business Awards. The Cape Restaurant at RACV Cape Schanck Resort was awarded Silver in the National Awards for Excellence - Premium Dining category, as well as receiving a Chef's Hat in this year's Good Food Guide Awards by The Age.

Across all our Clubs and Resorts, the average occupancy rate for FY23 was 62%, up from 46% in FY22, which represents an increase of almost 100,000 nights enjoyed by our Members and customers. In addition, the Leisure team hosted over 280,000 conferences and event guests, holding 3,623 events, and completing over 280,000 RACV Travel and Experiences Member transactions.

These positive outcomes prove that Member and customer engagement with our Leisure business is strong, compared to our competitors.

Looking forward

I thank all staff, Members, customers, and everyone we work with, across all our businesses, locally and overseas.

We are now into another financial year which will have its known challenges, notably managing the pressures of an uncertain economy. As outlined earlier, RACV is focused on balancing growth with productivity and efficiency. The latter is a core aim for all my direct reports. By being productive and efficient we will be able to deliver great products and services which are competitively priced, provide value and are consistent with our Brand Promise aspirations.

We want to be **A good company that's famous for not letting people down**. As I said in last year's review this does not mean we can do everything everyone would like or want from us, and we make mistakes, but it does mean that what we choose to do we seek to do well. This promise links back to our purpose:

RACV exists to improve lives in the areas of Home, Cleaner Energy, Motoring and Mobility and Leisure.

We have also had a small refresh of our values in the last 12 months, adding 'Care', which is what all our frontline staff seek to do every day for all who interact with us.

Our values

Innovation
We seek a better way

Accountability
We own it and see it through

Care
We deliver great service

Team
We are in it together

I thank all staff for their work over the last 12 months and I look forward to seeing how all parts of the business meet the challenges and opportunities over the next financial year.

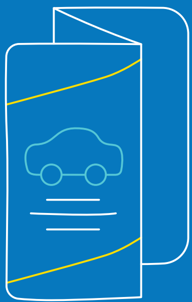
I extend my thanks to the Board and Leadership Team colleagues for their continued support over the past 12 months. And to over 2.2 million Members and over 534,000 customers, thank you for your continued support of RACV.

Neil Taylor
Managing Director and Chief Executive Officer

Year at a glance

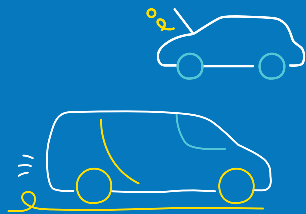
2022-2023

MOTORING AND MOBILITY



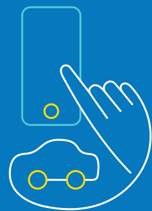
1.1 million

Motor Insurance policies



1.6 million

vehicles covered by Emergency Roadside Assist



825,000

call outs responded to by Emergency Roadside Assist

313,472

downloads of the arevo by RACV app

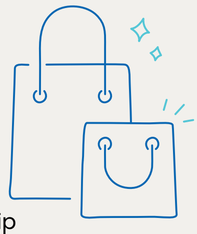
63,964

repairs completed nationally at **20** Repairhub sites

IMPROVING LIVES

542,179

goods donated to individuals and communities impacted by natural disasters through our GIVIT partnership



18,808

students at 221 schools were delivered home and road safety programs

45,654

Victorians educated in home and community safety through our partnership with Neighbourhood Watch

104

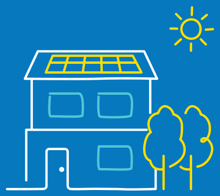
education and leadership opportunities for First Nations children from regional and remote communities, through our partnership with Yalari

HOME

879,278
Home Insurance policies on issue

55,972
home emergencies attended by Emergency Home Assist

99,228
homes with Emergency Home subscriptions



28,160
solar panels installed by RACV Solar

LEISURE

281,241
conference and events guests across RACV Club and Resorts

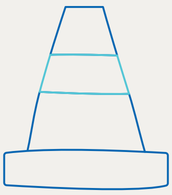
351,191
nights stayed across RACV Club and Resorts

SAFETY, PEOPLE AND CULTURE

67,345
employee learning hours

6.8
Lost Time Injury Frequency Rate

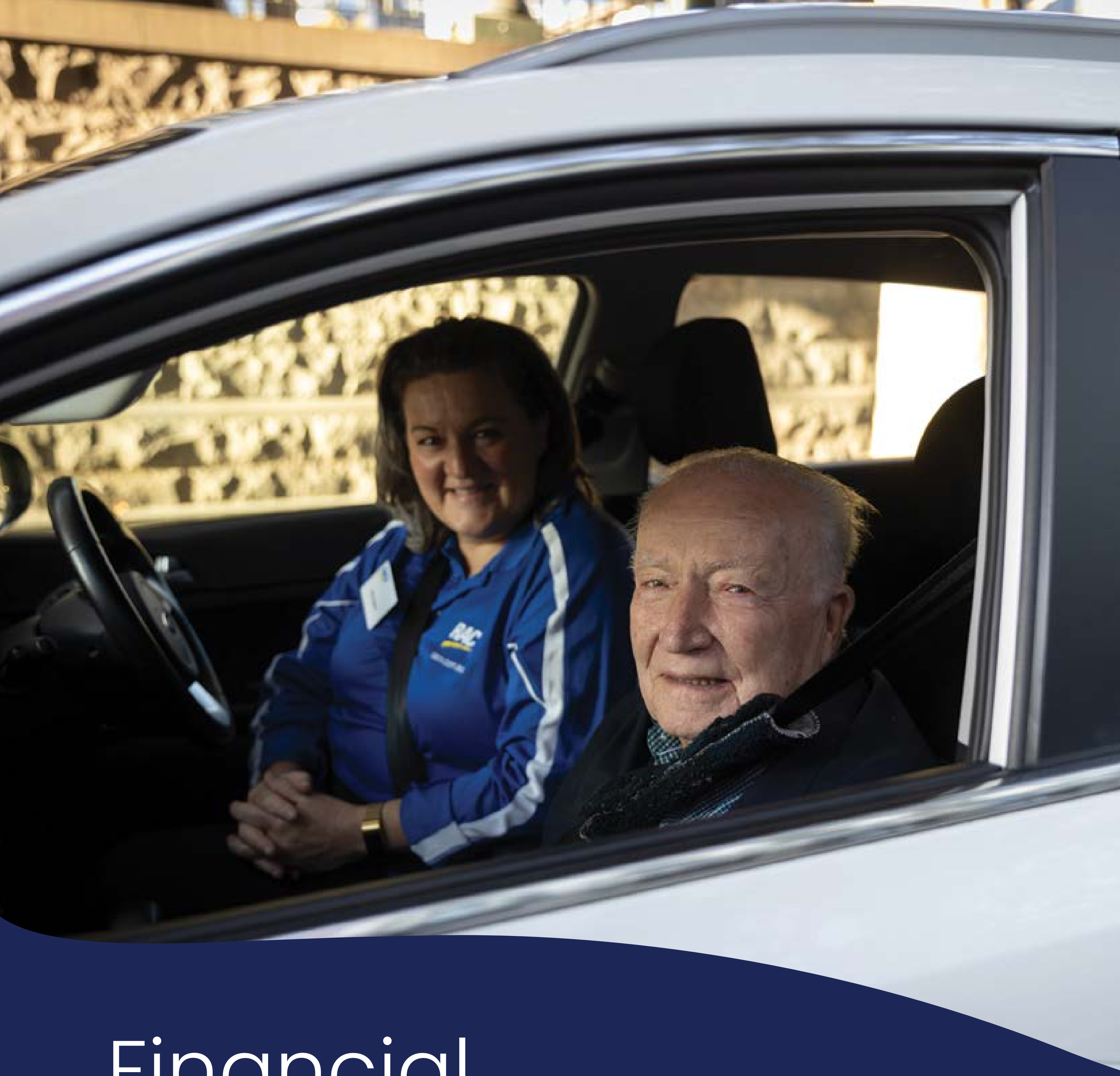
14%
Total Recordable Injury Frequency Rate reduced



MEMBERS

2,222,000
total number of Members

$412 million
estimated member benefits including Years of Membership Benefits, Multi Policy Discounts and discounts at resorts.



Financial Statements

This financial report covers the consolidated entity consisting of Royal Automobile Club of Victoria (RACV) and its subsidiaries.

Royal Automobile Club of Victoria (RACV) is a company limited by guarantee, incorporated and domiciled in Australia. Its principal place of business is:

Level 7
485 Bourke Street
Melbourne
Victoria 3000

The financial report was authorised for issue by the directors on 30 August 2023. The Company has the power to amend and reissue the Financial Report.

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Directors' Report

The directors of the Royal Automobile Club of Victoria (RACV) (the parent entity) present their report together with the financial report of the consolidated entity (the Group), being the parent entity and its subsidiaries, for the year ended 30 June 2023.

Directors in office

The following persons were directors of RACV during the whole of the financial year and up to the date of this report:

- Mr G O Cosgriff (Chairman)
- Mr G J Robinson
- Mr N Taylor
- Ms J K Green
- Mr S J McDowell
- Ms D M Pitt
- Ms S J Reeves
- Mr J M S Slattery
- Ms J M Stanley
- Mr G D Willis

Ms P M Kelly resigned as director of the parent entity on 22 November 2022.

Ms E Collins was appointed as director of the parent entity on 23 November 2022 and continues in office to the date of this report.

The qualifications, experience, special responsibilities and other details of the directors in office at the date of this report are set out on pages 22-24.

The number of RACV board and committee meetings held during the financial year, and each RACV director's attendance at those meetings, are set out on page 25.

Principal activities and objectives

The principal activities of the Group during the financial year were roadside assistance, towing services, social club and resort operations, financial services, travel and tourism, telematics programs and digital traffic services, advocacy, home services, solar services and the distribution of general insurance.

RACV's objectives are to deliver valued benefits to its Members and their communities by informing and advising them, representing Members' interests and providing them with assistance when in need by delivering excellent products and services in our fields of motoring, mobility, leisure, assurance, financial services, social wellbeing and the home.

Review of results and operations

The Group's consolidated result for the year ended 30 June 2023 is an after-tax profit of $53.6 million, an increase of $41.4 million compared with the prior year of $12.2 million. The profit improvement is due to a combination of increased returns from RACV's investment portfolio and favourable associate results.

Total operating revenue increased by $123.6 million (17.7%) over the prior year to $822.3 million. This was mainly due to strong recovery in Leisure across RACV's Club and resort locations ($69.0 million increase (58%)), supported by growth in Motor and Home insurance products and Emergency Assistance product subscriptions.

In an inflationary environment, expenses from ordinary activities increased by $149.3 million (20%) to $878.6 million reflecting higher activity in Leisure, Home Services and higher ERA claims.

The Group has associate investments in a number of companies with an equity accounting result from these investments totalling $84.6 million, an increase of $38.7 million compared to the prior year.

The result also includes a gain from investments totalling $37.3 million compared to a loss of $55.2 million in the prior year, primarily reflecting rebounding global equities and bond markets.

Fair value adjustments to assets of $13.8 million reflect a decrease in property valuations mostly driven by softening of capitalisation and discount rates. In FY22 the valuations benefited from post COVID-19 recovery reporting a valuation uplift of $55.2 million.

Dividends

In compliance with the Constitution of RACV, no dividend was declared nor paid during the financial year.

Subsequent events

On 9 August 2023, IMA declared the final dividend relating to the year ended 30 June 2023. RACV has received its share of this dividend totalling $13.5 million. The dividend has no impact on the financial statements for the year ended 30 June 2023.

In the opinion of the directors, there are no other matters or circumstances which have arisen between 30 June 2023 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial years.

Environmental regulation and performance

The Group has in place procedures to identify and comply with particular and significant environmental regulations. Except as set out below, the operations of the Group are not subject to any particular and significant environmental regulation under a law of the Commonwealth of Australia or any of its states or territories and has not incurred any significant liabilities under any environmental legislation.

The *National Greenhouse and Energy Reporting Act 2007* makes registration and reporting mandatory for corporations whose energy production, energy use, or greenhouse gas emissions trigger the specified corporate or facility threshold. RACV has reached the corporate threshold defined within this legislation and is required to submit its annual report by 31 October 2023.

Board of Directors

The Board currently comprises ten Non-Executive Directors and one Executive Director who is appointed as Managing Director and Chief Executive Officer.

Non-Executive Directors are elected by Members in accordance with Rule 40 of the RACV Constitution.

The maximum annual aggregate directors' fee pool limit is $2,000,000 which was approved by Members at the Annual General Meeting on 12 November 2013 in accordance with Rule 49(a) of the RACV Constitution. The total amount of fees paid to non-executive directors during the financial year was $1,369,087 (2022: $1,328,653).

Geoffrey O Cosgriff

BAppSc (Elec), FAICD, FIE Australia, Dip.CD, WCLP

Experience
Independent non-executive director appointed in November 2012. Extensive business experience as an executive manager and director in information technology, transport and infrastructure companies. Former Chairman of UXC Ltd, Leadership Victoria and a former director of Logica Australia and Transurban. Actively engaged in coaching and mentoring executive managers and directors of companies in a diverse range of industry sectors. Appointed non-executive director of IMA Ltd in July 2019 and former director of Intelematics Australia Pty Limited. Appointed President of the Australian Automotive Association in 2020.

Special responsibilities
President and Chairman

Gregory J Robinson

Bsc (Hon), MBA (Columbia), MAICD

Experience
Independent non-executive director appointed in April 2018. Over 30 years' experience in strategy, operations management, finance, accounting, risk management and resources both in Australia and overseas. Currently a non-executive director of Incitec Pivot Ltd and Rex Minerals Ltd. Previously CEO of Newcrest Mining and Lattice Energy, Finance Director Newcrest Mining, CFO/CDO BHP's Energy Division (member group Executive Committee) and Director Merrill Lynch Investment Banking. Previous board member at St Vincent's Institute of Medical Research.

Special responsibilities
Deputy Chairman and Chairman of the Club and Membership Committee

Neil Taylor

BA (Geog) (Hons)

Experience
Managing Director and Chief Executive Officer of RACV and its associated entities, appointed in March 2016. Over 30 years' experience in the corporate sector, both in Australia and overseas. Neil sits on several subsidiary company Boards including Insurance Manufacturers of Australia, Home Trades Hub Australia (HTHA), RepairHub, JET Charge, Australian Automotive Association and is the Chairman of Home Trades Hub and Australian Motoring Services. Neil has completed courses at both Wharton and Harvard Business Schools in the United States of America.

Special responsibilities
Managing Director and Chief Executive Officer

Elaine Collins

B.Sc (Hons), M.Ec, FIAA, FAICD

Experience

Independent non-executive director appointed in November 2022. A qualified actuary, with extensive general insurance industry experience in an executive career, including regulatory actuarial appointments in Australia and overseas. Currently, a board member of ANZLMI, a wholly owned subsidiary of ANZ Bank, the Australian Reinsurance Pool Corporation and a Professor of Practice at the University of New South Wales Business School. Former non-executive director of MAIB, RACTI, RT Health and Zurich Insurance.

Julie K Green

FCA, FAICD, WCLP

Experience

Independent non-executive director appointed in November 2013. Director of Bendigo Health, Greening Australia, BLP Australia, Advisory Board Member for Redgrid and Symphony 7 and ClimateWise Associations. Formerly director in aged care and innovation. Executive career in professional services, infrastructure, transport, utilities and healthcare in the public and private sectors. A business consultant in strategy, governance and change management.

Simon McDowell

BA., M.Comm (Marketing)

Experience

Independent non-executive director appointed in October 2020. Extensive business experience in the Retail, Consumer Products and Media and Entertainment sectors. Broad geographic experience working in Australia, Asia, Europe and USA. Formerly Chief Operating Officer of Bunnings and held Managing Director, Chief Customer Officer and Chief Marketing Officer roles at Dairy Farm International, Coles Group, Sony and The Coca-Cola Company. Holds a Bachelor of Arts and a Masters of Commerce (Marketing).

Denice Pitt

MBM, GAICD

Experience

Independent non-executive director appointed in November 2019. Chief Executive Officer of Online Education Services (OES) since July 2011. Over 25 years' leadership experience in the telecommunications, technology and outsourcing industries. Currently a non-executive director of Firbank Grammar, Studiosity Pty Ltd, Proversity Ltd Interactive Design Institute (UK), LINC Education Services Pte. Ltd, and Gradability Pty Ltd. Formerly non-executive director of Good Shepherd Microfinance. Holds a Masters of Business Management and is a Graduate of the Australian Institute of Company Directors.

Special responsibilities

Chairman of Appointments and Remuneration Committee

Stephanie Reeves

B.Comm, LLB, GDip Sports Law, GDip Applied Law (Wills and Estates), GAICD

Experience

Independent non-executive director appointed in 2020. Co-principal of an aged care and elder law consultancy business. Formerly a senior in-house commercial law practitioner with extensive experience in the resources sector. Significant corporate governance, risk management and strategic planning experience. Currently a non-executive director (formerly chair) of the Australian Centre for the Prevention of Cervical Cancer. Formerly a member of the Melbourne Cricket Ground Trust, Council of Royal Melbourne Golf Club, non-executive director/chair of Crime Stoppers Victoria Ltd, member of the Advisory Board of Lexvoco Pty Ltd, and a member of the committees of management of various local community organisations.

John M S Slattery

B.Comm, LLB (Hons)

Experience

Independent non-executive director appointed in June 2011. Former corporate law partner in the national legal firm of Corrs Chambers Westgarth for 27 years, and former partner in charge of the Melbourne office, Chairman of the International Division of Corrs, and member of the Corrs national executive between 1999 and 2009.

Julie Stanley

B.Comm, CA, GAICD

Experience

Independent non-executive director appointed in October 2020. Over 25 years' experience in finance, accounting, risk management and assurance both in Australia and overseas. Chartered Accountant and Graduate of the Australian Institute of Company Directors. Independent non-executive director of TransGrid (chair of Audit and Risk Committee) and South East Water Corporation. Former Assurance and Advisory partner at Deloitte. Former non-executive director of Regional Arts Victoria.

Special responsibilities

Chairman of Audit and Compliance Committee

Graeme Willis

SF Fin, FAICD, FCIBS, FGIA

Experience

Independent non-executive director appointed in April 2012. Completed a Management Development program at the Harvard Business School and Fellow of Governance Institute of Australia and AICD. A career of over 40 years in banking and finance and held many senior Board and executive management positions with major European and Australian banks. Independent non-executive director and Chair of Australian Settlements Ltd. An independent non-executive director and Deputy Chairman of Bank First.

Special responsibilities

Chairman of Governance and Risk Management Committee

RACV Board and Committee meetings

Directors	Board Meetings		Appointments & Remuneration Committee		Audit & Compliance Committee		Club and Membership Committee		Governance & Risk Management Committee	
	A	B	A	B	A	B	A	B	A	B
Mr G O Cosgriff	9	9	8	8	-	-	-	-	-	-
Mr G J Robinson	9	8	4	2	2	2	-	-	2	1
Mr N Taylor	9	7	-	-	-	-	-	-	-	-
Ms E Collins	6	5	-	-	3	3	-	-	1	1
Ms J K Green	9	9	-	-	-	-	3	3	2	2
Ms P M Kelly	3	3	3	3	1	1	-	-	-	-
Mr S J McDowell	9	6	-	-	-	-	3	3	-	-
Ms D M Pitt	9	9	8	8	-	-	-	-	3	3
Ms S J Reeves	9	9	-	-	-	-	3	3	3	3
Mr J M S Slattery	9	8	8	7	-	-	3	3	-	-
Ms J M Stanley	9	9	-	-	5	5	-	-	-	-
Mr G D Willis	9	8	-	-	5	5	-	-	3	3

A = Number of meetings eligible to attend
B = Number of meetings attended

The President and Chairman is an ex officio member of all Committees, except for the Audit and Compliance and Governance and Risk Management Committee, which he attends by invitation.

The Managing Director and CEO attends all Committee Meetings by invitation.

Company Secretary

Ms M E Grogan, LLB (Hons), BA, GradDipAppFin, GAICD, FGIA was appointed to the position of Company Secretary in April 2018. Ms Grogan is admitted to practice as an Australian lawyer and has had over 30 years' commercial, governance and legal experience. Ms Grogan has responsibility for all Company and Board secretarial duties.

The alternate Company Secretaries are:

- Mr R C Tweddle, AGIA, BA, LLB who was appointed to the position of alternate Company Secretary in 2005. He has practised as a solicitor for 33 years.
- Mr P C Rich, AGIA, BCom, Grad.Dip.AppCorpGov who was appointed to the position of alternate Company Secretary in 2010.

Indemnification and insurance of directors and officers

To the extent permitted by law, the parent entity has indemnified each director, secretary and officer against liability arising from their role as directors and officers by paying premiums on an insurance contract. This insurance contract prohibits disclosure of the premium paid. No liabilities have arisen under these indemnities as at the date of this report.

Auditor's independence declaration

The Auditor's independence declaration is set out on page 26 and forms part of the Directors' report for the year ended 30 June 2023.

Rounding

The Group is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016 issued by the Australian Securities and Investments Commission. Amounts in this Directors' report and the consolidated Financial Statements, unless otherwise indicated, have been rounded to the nearest hundred thousand dollars or, in certain cases, to the nearest thousand dollars in accordance with that Instrument.

This Directors' report is signed in accordance with a resolution of the Board of directors.

Mr G O Cosgriff
Chairman

Mr N Taylor
Managing Director and Chief Executive Officer

Melbourne
30 August 2023

Auditor's Independence Declaration

As lead auditor for the audit of Royal Automobile Club of Victoria (RACV) Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Royal Automobile Club of Victoria (RACV) Limited and the entities it controlled during the period.

Sam Lobley
Partner
PricewaterhouseCoopers

Melbourne
30 August 2023

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $m	2022 $m
Revenue			
Subscription and entrance fee income		230.1	220.6
Commission income		177.4	145.6
Club and resorts trading income		186.9	117.9
Sale of goods		71.8	63.9
Other trading income		45.3	37.1
Traffic content income		13.0	14.5
Towing income		49.4	46.5
Interest on loans and leases		23.4	23.0
Trust distributions		15.7	25.6
Other investment income		9.3	4.0
Operating revenue		822.3	698.7
Profit on sale of plant and equipment		0.5	0.8
Other income		1.8	0.2
Total other income		2.3	1.0
Total income		**824.6**	**699.7**
Expenses			
Employee benefits expense		(362.6)	(293.1)
Contractors and other external fees		(117.4)	(111.4)
Computer and telecommunications expense		(76.4)	(77.7)
Depreciation and amortisation expense	4, 5, 6	(47.0)	(48.0)
Inventories recognised as expense		(76.1)	(62.5)
Consumables expense		(58.1)	(38.3)
Property expense		(31.9)	(27.0)
Interest expense and other finance costs		(34.2)	(18.9)
Advertising expense		(31.1)	(25.4)
Impairment of assets	4, 6	(20.1)	(5.4)
Other expenses		(23.7)	(21.6)
Total expenses		**(878.6)**	**(729.3)**
Share of net profit and impairment of equity accounted investments	20(b)	84.6	45.9
Profit before net gain on financial assets, fair value adjustment to assets and income tax		**30.6**	**16.3**

	Notes	2023 $m	2022 $m
Net gain/(loss) on financial assets and fair value adjustment to assets			
Net gain/(loss) on financial assets at fair value through profit or loss		37.3	(55.2)
Fair value adjustments to assets		(13.8)	50.8
Profit before income tax		**54.1**	**11.9**
Income tax (expense)/benefit	14	(0.5)	0.3
Profit after income tax		**53.6**	**12.2**

The above Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 $m	2022 $m
Profit after income tax		**53.6**	**12.2**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of land and buildings, net of tax	22(a)	10.0	38.9
Superannuation plan remeasurements, net of tax	22(c)	2.2	12.7
Change in associate retained earnings, net of tax	22(c)	1.5	(0.5)
Derecognised deferred tax	22(a), 22(c)	2.5	12.9
Other comprehensive income for the year, net of tax		**16.2**	**64.0**
Total comprehensive income for the year		**69.8**	**76.2**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2023

	Notes	2023 $m	2022 $m
ASSETS			
Current assets			
Cash and cash equivalents	1	67.5	62.9
Receivables	2	152.1	151.5
Financial assets at fair value through profit or loss	10	18.2	21.4
Inventories		9.5	8.0
Prepayments and accrued income		38.3	42.7
Finance lease receivables		3.5	0.7
Other current assets		1.7	1.2
Total current assets		**290.8**	**288.4**
Non-current assets			
Receivables	2	286.0	266.4
Financial assets at fair value through profit or loss	10	521.1	528.4
Investments accounted for using the equity method	20	491.5	418.7
Property, plant and equipment	4	997.6	987.6
Right-of-use assets	5	18.1	13.2
Intangible assets	6	44.7	53.6
Investment properties	7	100.8	91.3
Finance lease receivables		15.1	14.1
Superannuation benefits	17	6.3	2.1
Total non-current assets		**2,481.2**	**2,375.4**
Total assets		**2,772.0**	**2,663.8**
LIABILITIES			
Current liabilities			
Trade and other payables	3	115.6	104.0
Interest bearing liabilities	11	1.5	313.9
Lease liabilities	5	5.2	3.6
Provisions	8	79.2	61.6
Unearned income and contract liabilities	9	147.6	139.5
Total current liabilities		**349.1**	**622.6**

	Notes	**2023 $m**	2022 $m
Non-current liabilities			
Interest bearing liabilities	11	389.6	70.6
Lease liabilities	5	14.0	10.7
Provisions	8	6.2	6.7
Unearned income and contract liabilities	9	15.2	25.1
Total non-current liabilities		**425.0**	**113.1**
Total liabilities		**774.1**	**735.7**
Net assets		**1,997.9**	**1,928.1**
EQUITY			
Reserves	22(a)	263.7	252.1
Retained earnings	22(c)	1,734.2	1,676.0
Total equity		**1,997.9**	**1,928.1**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	**2023 $m**	2022 $m
Cash flows from operating activities			
Subscription and entrance fee income received		251.3	244.7
Club and resorts trading income received		207.2	129.9
Commission income received		191.7	160.6
Sale of goods		84.6	59.7
Other trading, traffic content and towing income received		118.4	93.5
Payments to suppliers and employees		(865.2)	(720.1)
Net cash (outflow)/inflow from loans and leases		(19.7)	9.2
Dividends received from equity accounted investments		51.2	49.6
Interest received		28.2	26.0
Interest paid		(14.8)	(5.4)
Income tax paid		-	(1.5)
Net cash inflow from operating activities	1	**32.9**	**46.2**
Cash flows from investing activities			
Trust distributions received		23.8	37.9
Proceeds from sale of property, plant and equipment		3.2	2.4
Proceeds from sale/maturity of financial assets at fair value through profit or loss		130.4	175.7
Purchase of financial assets at fair value through profit or loss		(89.0)	(222.8)
Purchase of property, plant and equipment		(63.9)	(46.7)
Purchase of investment property		(4.7)	(2.4)
Purchase of intangibles		(5.7)	(8.5)
Payment for acquisition of controlled entities		(16.5)	(8.1)
Payment for equity accounted investments		(19.8)	(33.9)
Net cash outflow from investing activities		**(42.2)**	**(106.4)**
Cash flows from financing activities			
Net repayment from issue of borrowings/secured notes		-	(148.1)
Net repayment from secured funding facility		(11.7)	(13.7)
Net (repayment)/proceeds from subscription agreement		(301.0)	125.0
Net proceeds/(repayment) from chattel mortgages		6.7	(0.1)
Net repayment of lease liabilities		(5.3)	(3.4)
Net proceeds of finance lease receivables		5.4	2.8
Net proceeds from securitised warehouse facility		312.8	-
Net cash inflow/(outflow) from financing activities		**6.9**	**(37.5)**

	Notes	2023 $m	2022 $m
Net decrease in cash and cash equivalents		**(2.4)**	**(97.7)**
Cash and cash equivalents at beginning of financial year		62.9	160.6
Cash acquired through business combination*		7.0	-
Cash and cash equivalents at end of financial year	1	**67.5**	**62.9**

*Cash acquired through business combinations includes $5.6 million acquired from Home Trades Hub Australia Pty Ltd and $1.4 million RACV Travel and Experiences Pty Ltd (refer to Note 19).

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 2021		**205.8**	**1,646.1**	**1,851.9**
Profit after income tax		-	12.2	12.2
Other comprehensive income		46.3	17.7	64.0
Total comprehensive income for the year		**46.3**	**29.9**	**76.2**
Balance at 30 June 2022	22	**252.1**	**1,676.0**	**1,928.1**
Profit after income tax		-	53.6	53.6
Other comprehensive income		11.6	4.6	16.2
Total comprehensive income for the year		**11.6**	**58.2**	**69.8**
Balance at 30 June 2023	22	**263.7**	**1,734.2**	**1,997.9**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

30 JUNE 2023

WORKING CAPITAL MANAGEMENT

1. CASH AND CASH EQUIVALENTS

	2023 $m	2022 $m
Cash at bank and on hand	67.5	62.9

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Group has a combined net bank overdraft facility of $5.5 million (2022: $6.0 million). After adjusting for cash balances and unpresented cheques the Group net bank overdraft amounted to $nil (2022: $nil).

Restricted Cash

Included in cash is an amount of $7.3 million (2022: $nil) held as part of the Group's funding arrangements that is not available to the Group. This cash is held within the securitised warehouses and as such is under the control of the external Trustees. Free cash is $60.2 million (2022: $62.9 million) as at 30 June 2023.

(a) Reconciliation of net cash inflow provided by operating activities to net profit after income tax

	2023 $m	2022 $m
Profit after income tax	**53.6**	**12.2**
Add/(less) items classified as investing/financing activities:		
Share of profit of equity accounted investments (net of dividends)	(35.5)	(16.1)
Net profit on sale of plant and equipment	(0.5)	(0.8)
Profit on disposal of owner driver leases	-	(0.2)
Trust distributions received	(15.7)	(25.6)
Unrealised (gain)/loss on financial assets at fair value through profit or loss	(37.3)	51.4
Interest expense on lease liabilities	0.6	0.5
Add non-cash items:		
Depreciation and amortisation	47.0	48.0
Provision for doubtful debts	1.7	1.1
Amortisation of loan and lease receivables	2.3	2.4
Superannuation – defined benefit expense	-	0.1
Fair value adjustments to assets	13.8	(47.1)
Impairment of assets (net of reversal)	20.1	21.0
Asset write offs	-	4.0
Tax expense relating to items in other comprehensive income	0.5	0.5
Changes in operating assets and liabilities:		
Increase in receivables	(22.9)	(5.1)
Increase in inventories	(1.5)	(3.4)
Increase in prepayments and accrued income	(4.3)	(4.0)

	2023 $m	2022 $m
(Decrease)/increase in payables	(2.7)	13.1
Decrease in unearned income and contract liabilities	(3.3)	(9.1)
Increase in provisions	17.0	4.8
Increase in current tax payable	-	(1.5)
Net cash provided by operating activities	**32.9**	**46.2**

(b) Changes in liabilities arising from financing activities

	Subscription agreements $m	Secured notes $m	Chattel mortgages $m	Secured funding facility $m	Securitised warehouse facility $m	Total $m
Opening balance 1 July 2022	301.0	-	17.2	66.3	-	384.5
Cash flows	(301.0)	-	6.5	(11.7)	312.8	6.6
Non-cash items	-	-	-	-	-	-
Closing balance 30 June 2023	-	-	**23.7**	**54.6**	**312.8**	**391.1**
Opening balance 1 July 2021	176.1	148.1	16.3	80.0	-	420.5
Cash flows	125.0	(148.1)	(0.1)	(13.7)	-	(36.9)
Non-cash items	(0.1)	-	1.0	-	-	0.9
Closing balance 30 June 2022	**301.0**	**-**	**17.2**	**66.3**	**-**	**384.5**

2. RECEIVABLES

	2023 $m	2022 $m
Current		
Loan receivables	103.8	104.7
Lease receivables	-	1.2
Trade receivables	41.3	35.8
	145.1	141.7
Provision for doubtful debts	(1.9)	(1.1)
	143.2	140.6
Other receivables	8.9	10.9
	152.1	**151.5**
Non-current		
Loan receivables	287.3	267.7
Provision for doubtful debts	(1.3)	(1.3)
	286.0	**266.4**

Loans are granted at a fixed rate for periods between 12 and 84 months with most loans secured by a goods mortgage over a motor vehicle. The mortgaged property must be insured for its full insurable value. Loans can be repaid before their full term, however early termination fees may apply.

Loan receivables with a carrying amount of $391.1 million have a fair value of $365.0 million as at 30 June 2023 (2022: carrying amount of $373.7 million have a fair value of $366.5 million).

2. RECEIVABLES (CONTINUED)

(a) Movement in provision for doubtful debts

	Loan and lease receivables $m	Trade receivables $m	Total $m
2023			
Opening balance	1.8	0.6	2.4
Provision raised during the year	-	1.7	1.7
Bad debts written off during the year	(0.1)	(0.8)	(0.9)
Closing balance	**1.7**	**1.5**	**3.2**
2022			
Opening balance	1.8	0.5	2.3
Provision raised during the year	0.8	0.3	1.1
Bad debts written off during the year	(0.8)	(0.2)	(1.0)
Closing balance	**1.8**	**0.6**	**2.4**

(b) Accounting estimates, assumptions and judgements: Provision for impairment of loan, lease receivables

Loan and lease receivables are carried at amortised cost less a provision for impairment. The provision for impairment is measured based on an expected credit loss model as outlined in note 12(a). In calculating the provision for impairment, the Group has made assumptions about the indicators of credit risk deterioration and write off rates. Expected credit losses are reviewed at each reporting period and sensitivity analysis is performed over key assumptions to address estimation uncertainty. The analysis at 30 June 2023 indicates that reasonable possible change in key assumptions would have a minimal impact on the provision for impairment. In addition, all loans and leases are subject to regular management review.

3. TRADE AND OTHER PAYABLES

	2023 $m	2022 $m
Current		
Trade payables	93.9	81.8
Other payables	21.7	22.2
	115.6	**104.0**

OTHER ASSETS AND LIABILITIES

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and improvements $m	Buildings $m	Plant and equipment $m	In course of construction $m	Total $m
2023					
Year ended 30 June 2023					
Opening net book amount	287.4	636.7	48.7	14.8	987.6
Assets from business combinations	-	-	0.2	-	0.2
Additions	1.6	5.2	23.7	33.7	64.2
Disposals	-	-	(2.9)	-	(2.9)
Transfers	(9.6)	3.7	5.9	(10.8)	(10.8)
Vehicles refinanced	-	-	(5.0)	-	(5.0)
Revaluation surplus	20.0	(16.4)	-	-	3.6
Impairment	-	-	(0.6)	-	(0.6)
Depreciation charge	(1.3)	(27.7)	(9.7)	-	(38.7)
Closing net book amount	**298.1**	**601.5**	**60.3**	**37.7**	**997.6**
At 30 June 2023					
Cost or fair value	309.0	770.3	207.5	38.1	1,324.9
Accumulated depreciation and impairment	(10.9)	(168.8)	(147.2)	(0.4)	(327.3)
Net book amount	**298.1**	**601.5**	**60.3**	**37.7**	**997.6**
2022					
Year ended 30 June 2022					
Opening net book amount	276.3	555.4	49.1	8.6	889.4
Additions	0.5	2.7	14.7	28.0	45.9
Disposals	-	(0.1)	(1.4)	-	(1.5)
Transfers	1.5	13.3	3.8	(21.8)	(3.2)
Vehicles refinanced	-	-	(3.0)	-	(3.0)
Revaluation surplus	10.4	87.3	-	-	97.7
Impairment	-	-	(1.5)	-	(1.5)
Depreciation charge	(1.3)	(21.9)	(13.0)	-	(36.2)
Closing net book amount	**287.4**	**636.7**	**48.7**	**14.8**	**987.6**
At 30 June 2022					
Cost or fair value	297.0	777.8	185.6	15.2	1,275.6
Accumulated depreciation and impairment	(9.6)	(141.1)	(136.9)	(0.4)	(288.0)
Net book amount	**287.4**	**636.7**	**48.7**	**14.8**	**987.6**

(a) Valuations of land and buildings

The basis of the valuation of land and buildings is fair value, being the price for which the properties could be sold in an orderly transaction between market participants at the measurement date. Information about the valuation of land and buildings is provided in note 13(b).

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2023 $m	2022 $m
Freehold land and improvements		
Cost	168.9	169.1
Accumulated depreciation and impairment	(24.0)	(21.5)
Net book amount	**144.9**	**147.6**
Buildings		
Cost	663.3	657.0
Accumulated depreciation and impairment	(248.6)	(226.8)
Net book amount	**414.7**	**430.2**

5. LEASES

This note provides information for leases where the Group is a lessee. The Group leases various retail shops, office space and warehouses.

(a) Amounts recognised in the Consolidated Balance Sheet

	Buildings $m	Total $m
Right-of-use assets		
2023		
As at 1 July 2022	13.2	13.2
Assets from business combination	0.8	0.8
Additions	0.5	0.5
Disposals	(0.7)	(0.7)
Lease modifications	8.6	8.6
Depreciation	(4.3)	(4.3)
As at 30 June 2023	**18.1**	**18.1**
2022		
As at 1 July 2021	14.0	14.0
Assets from business combination	0.6	0.6
Lease modifications	3.1	3.1
Depreciation	(4.5)	(4.5)
As at 30 June 2022	**13.2**	**13.2**

	2023 $m	2022 $m
Lease liabilities		
Current	5.2	3.6
Non-current	14.0	10.7
	19.2	**14.3**

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2023 $m	2022 $m
Depreciation charge on right-of-use assets - Buildings	4.3	4.5
Interest expense (included in finance cost)	0.6	0.5
Total amount recognised in profit or loss	**4.9**	**5.0**

The total cash outflow for leases in 2023 was $4.7 million (2022 was $4.8 million).

6. INTANGIBLE ASSETS

	Goodwill $m	Customer contracts $m	Software $m	Software in development $m	Total $m
2023					
Year ended 30 June 2023					
Opening net book amount	32.3	5.9	6.9	8.5	53.6
Assets from business acquisitions	8.3	-	0.8	-	9.1
Additions	-	-	0.5	5.2	5.7
Disposal	-	-	(0.2)	-	(0.2)
Transfers	-	-	13.2	(13.2)	-
Impairment	(19.3)	(0.2)	-	-	(19.5)
Amortisation	-	(0.6)	(3.4)	-	(4.0)
Closing net book amount	**21.3**	**5.1**	**17.8**	**0.5**	**44.7**
At 30 June 2023					
Cost	47.6	9.6	225.4	1.6	284.2
Accumulated amortisation and impairment	(26.3)	(4.5)	(207.6)	(1.1)	(239.5)
Net book amount	**21.3**	**5.1**	**17.8**	**0.5**	**44.7**
2022					
Year ended 30 June 2022					
Opening net book amount	26.0	6.4	14.4	0.4	47.2
Assets from business acquisitions	6.3	0.1	-	-	6.4
Additions	-	-	0.5	7.7	8.2
Disposal	-	-	(0.1)	-	(0.1)
Transfers	-	-	2.7	0.4	3.1
Impairment	-	-	(3.9)	-	(3.9)
Amortisation	-	(0.6)	(6.7)	-	(7.3)
Closing net book amount	**32.3**	**5.9**	**6.9**	**8.5**	**53.6**

6. INTANGIBLE ASSETS (CONTINUED)

	Goodwill $m	Customer contracts $m	Software $m	Software in development $m	Total $m
At 30 June 2022					
Cost	39.3	9.6	211.1	9.6	269.6
Accumulated amortisation and impairment	(7.0)	(3.7)	(204.2)	(1.1)	(216.0)
Net book amount	**32.3**	**5.9**	**6.9**	**8.5**	**53.6**

Impairment tests for goodwill

A cash-generating unit (CGU) to which goodwill is allocated is identified according to business units and tested for impairment annually. The amount of goodwill attributed to the Nationwide business unit is $20.6 million (2022: $20.6 million). Goodwill attributed to the RACV Solar business unit was fully impaired as at 30 June 2023 (2022: Goodwill value of $11.7 million). Goodwill of $7.6 million recognised on acquisition of Home Trades Hub Australia was also fully impaired as at 30 June 2023.

The recoverable amount for Nationwide business unit is as follows:

	2023 $m	2022 $m
Nationwide - recoverable amount	84.1	142.1

The recoverable amount of each CGU is determined based on value in use calculations. The value in use calculations use cash flow projections based on financial forecasts prepared by management covering a one to five year period (2022: one to five year period).

The key assumptions used in the Nationwide goodwill calculation are as follows:

	Nationwide %
2023	
Discount rate (post-tax)	11.3
Average revenue growth rate	8.2
EBITDA margin	11.5-14.4
Terminal growth rate	2.5
2022	
Discount rate (post-tax)	10.4
Average revenue growth rate	7.3
EBITDA margin	13.3-18.2
Terminal growth rate	2.5

Management has determined the values assigned to each of the above assumptions as follows:

Assumption	**Approach used to determining values**
Discount rate (post-tax)	Reflects specific risks relating to the relevant CGU
Revenue growth rate	Annual growth rate over the five-year forecasted period based on past performance, management's expectations of market developments.
EBITDA margin	Based on past performance and management's expectations for the future
Terminal growth rate	This is the growth rate used to calculate the terminal value. The rate is in line with long term inflation targets.

Determining the recoverable amount requires management to make certain estimates and assumptions as to future events and circumstances. These calculations also take into account market conditions, investment market returns and where available public data. Whenever the CGU is impaired, the carrying amount of goodwill is written down to its recoverable amount.

7. INVESTMENT PROPERTIES

	2023 $m	2022 $m
Opening balance	91.3	93.2
Additions	4.7	2.4
Disposal	(0.1)	-
Transfer	10.8	-
Net loss from fair value adjustment	(5.9)	(4.3)
Net book amount	**100.8**	**91.3**

(a) Amounts recognised in the consolidated Statement of Profit or Loss for investment properties

	2023 $m	2022 $m
Rental income	4.7	3.6
Direct operating expenses from property that generated rental income	(1.8)	(1.6)
Fair value loss	(5.9)	(4.3)
	(3.0)	**(2.3)**

(b) Valuation basis

The basis of the valuation of investment properties is fair value, being the price for which the properties could be sold in an orderly transaction between market participants at the measurement date. Information about the valuation of investment properties is provided in note 13(b).

8. PROVISIONS

2023	Notes	Employee benefits $m	Other $m	Total $m
Opening balance		47.5	20.8	68.3
Provisions assumed through business combination	19	1.1	3.0	4.1
Additional provisions recognised		13.8	9.6	23.4
Payments of economic benefits		(8.1)	(2.3)	(10.4)
Closing balance		**54.3**	**31.1**	**85.4**
Current 2023		48.1	31.1	79.2
Non-current 2023		6.2	-	6.2
		54.3	**31.1**	**85.4**
Current 2022		40.8	20.8	61.6
Non-current 2022		6.7	-	6.7
		47.5	**20.8**	**68.3**

9. UNEARNED INCOME AND CONTRACT LIABILITIES

	2023 $m	2022 $m
Current		
Unearned income	115.3	108.7
Contract liabilities	32.3	30.8
	147.6	**139.5**
Non-current		
Contract liabilities	15.2	25.1
	15.2	**25.1**
	162.8	**164.6**

Contract liabilities

Contracts for traffic content revenue provide customers with a right to access a licence, with revenue recognised over the contract term. The portion of monies received, which relate to performance obligations which are discharged after the reporting date, is included in contract liabilities. Revenue recognised in the reporting period that was included in the balance of contract liabilities at the beginning of the period was $11.3 million (2022: $11.0 million).

The following table outlines the traffic content revenue on existing contracts expected to be recognised in the future which relates to performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period:

	2023 $m	2022 $m
Year in which transaction price is expected to be realised		
Within one year	9.9	11.3
Later than one year but not later than five years	12.0	20.3
Later than five years	0.1	0.1
Total	**22.0**	**31.7**

Remaining contract liabilities relate to AASB 15 adjustments for subscription and entrance fee income.

The Group applies the practical expedient in AASB 15 and does not disclose information about the remaining performance obligation on contracts that have an original expected duration of one year or less or where the Group has the right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance to date.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 $m	2022 $m
Current		
Unit trusts - unlisted	14.0	12.0
Other	4.2	9.4
	18.2	**21.4**
Non-current		
Unit trusts - unlisted	514.0	528.4
Other	7.1	-
	521.1	**528.4**

During the year $35.0 million (2022: $15.0 million) of cash and equivalent investments were redeemed to fund the Group's investments and operating activities.

The Group enters into interest rate swaps to fix the interest rate on the warehouse funding balance and therefore remove the fixed/floating interest rate mismatch between the Group's receivables and the Group's funding balance. This instrument is an amortising swap whose cash flow profile is modelled on the expected repayment profile of the receivables (which mirrors the funding balance) and is regularly reset.

Derivatives, included in other financial assets at fair value through profit or loss, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The changes in fair value from derivatives is recognised in the consolidated statement of profit or loss as net gain/(loss) on financial assets at fair value through profit or loss.

11. INTEREST BEARING LIABILITIES

	2023 $m	2022 $m
Current		
Subscription agreement	-	301.0
Secured funding facility	-	11.7
Chattel mortgages	1.5	1.2
	1.5	**313.9**
Non-current		
Securitised warehouse facility	312.8	-
Secured funding facility	54.6	54.6
Chattel mortgages	22.2	16.0
	389.6	**70.6**

(a) Securitised warehouse facility

R.A.C.V. Finance Limited is financed by securitised warehouse facility ("the warehouses") with senior notes held by an international bank and a major Australian Bank, and seller notes held by R.A.C.V. Finance Limited.

The warehouses are secured by loan payments and is non-recourse to the Group, which means that R.A.C.V. Finance Limited's liability is limited to its seller notes unless it is liable in damages for breach of the documents or it is required to buy back an ineligible receivable.

11. INTEREST BEARING LIABILITIES (CONTINUED)

(a) Securitised warehouse facility (continued)

RACVF Warehouse Trust No. 1 has $200.0 million in committed financing, $189.8 million of which has been utilised. RACVF Warehouse Trust No. 2 has $155.0 million in committed financing, $123.0 million of which has been utilised. The facilities are secured against the loan receivables they fund respectively. The warehouses consist of two classes of notes with R.A.C.V. Finance Limited as the holder of the Seller note. The availability period of both facilities is until July 2024.

Interest on the warehouses is charged at floating one month BBSW rate plus a margin.

R.A.C.V. Finance Limited has a commitment to maintain its ownership of seller notes at 10% and 26% of total securitised warehouse facility with RBC and NAB respectively.

(b) Subscription agreement

The subscription agreement was a secured borrowing facility carried at amortised cost and bore interest at market rates. The Tranche B facility established with National Australia Bank Limited ("NAB") had been repaid on 31 August 2022 and replaced with a securitised warehouse facility.

As at 30 June 2022, $301.0 million of the $400.0 million facility was drawn. This facility was secured by secured notes. The individual drawdown amounts bore fixed interest rates with rollover dates and interest rates as shown below:

	Principal amount $m	Interest rate (payable at rollover) % p.a.	Rollover date
June 2022			
	17.0	1.13	14 July 2022
	9.0	1.51	28 July 2022
	18.0	1.93	31 August 2022
	166.0	1.93	31 August 2022
	2.0	2.04	31 August 2022
	26.0	2.86	15 September 2022
	36.0	3.01	21 September 2022
	27.0	2.96	30 September 2022

Under the NAB subscription agreement which ceased on 31 August 2022, R.A.C.V. Finance Limited had a financial undertaking to ensure that its gearing ratio was less than or equal to 0.85 times. This ratio was calculated as interest bearing liabilities divided by total tangible assets. The gearing ratio as at 30 June 2022 was 0.80 times.

(c) Secured funding facility

On 1 September 2021, an amendment to the existing facility was executed with Australia and New Zealand Banking Group Limited ("ANZ") consisting of Facility A of $75.0 million and Facility B of $100.0 million. Both facilities expire on 1 September 2024. The facilities bear interest at market rates.

As at 30 June 2023, $54.6 million of the $175.0 million facility was drawn (2022: $66.3 million of the $175.0 million facility was drawn). The facility has been secured by a guarantee from certain Group entities and mortgages over two properties.

Under the facility agreement, the guarantors are required to meet the following financial undertakings:

(i) Interest cover ratio is not less than 5.00:1.00. This ratio is calculated as EBITDA divided by interest expense;

(ii) Leverage ratio is not greater than 2.50:1.00. This ratio is calculated as total financial indebtedness divided by EBITDA;

(iii) Gearing ratio is not greater than 30%. This ratio is calculated as total liabilities divided by total tangible assets; and

(iv) Total equity is not less than $1,000,000,000.

The interest cover ratio as at 30 June 2023 was 28.32:1.00 (2022: 61.77:1.00). The leverage ratio as at 30 June 2023 was 1.15:1.00 (2022: 1.28:1.00). The gearing ratio as at 30 June 2023 was 2.52% (2022: 3.18%). Total equity as at 30 June 2023 was $1,885.2 million (2022: $1,811.0 million).

(d) Chattel mortgages

Chattel mortgages are secured by the underlying assets. These mortgages have varying terms and renewal rights.

	2023 $m	2022 $m
Commitments in relation to chattel mortgages are payable as follows:		
Due not later than one year	1.5	1.2
Due later than one year but not later than five years	6.3	11.6
Due later than five years	19.3	5.3
	27.1	**18.1**
The present value of chattel mortgages is as follows:		
Due not later than one year	1.5	1.2
Due later than one year but not later than five years	6.0	11.0
Due later than five years	16.2	5.0
	23.7	**17.2**

12. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks such as credit risk, liquidity risk and market risk. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the Group's management under policies approved by the Board of Directors. The Group uses different methods to measure different types of risk to which it is exposed. These methods include monthly cash flow projections for liquidity risk and ageing analysis for credit risk.

(a) Credit risk

Credit risk arises from cash and cash equivalents, counterparty credit risk on derivative financial instruments, as well as receivables and committed transactions. The maximum exposure to credit risk on financial assets of the Group is the carrying amount of those assets as indicated in the Consolidated Balance Sheet. Cash and cash equivalents and derivative financial instruments are held with independently rated banks with a minimum rating of 'BBB+' (2022: 'BBB+') and do not expose the Group to significant credit risk.

Credit risk also arises in relation to financial guarantees given to certain parties (refer note 12(a)(iv)). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval. Trade and other receivables are well diversified across a large number of customers and do not expose the Group to significant credit risk. Credit risk exposures relating to loans, leases and financial guarantees are disclosed below in more detail.

The Group's material risks are disclosed below:

(i) Credit risk in relation to loan and lease receivables

Credit risk is managed by using a prudent risk assessment process for all customers with the intention of seeking minimum exposure at all times and assessing the borrower's capacity to repay the loan or lease. Credit risk is assessed similarly for each loan or lease based on the borrower's creditworthiness, credit history and the collateral being provided. Internal policies provide guidance on the acceptable mix of risk categories associated with the receivables portfolio.

Collateral held as security and other credit enhancements

Credit risk on loan and lease receivables is mitigated by obtaining security over the underlying asset. The majority of consumer loan receivables are secured with a motor vehicle and the security registered on the Personal Property Security Register. The vehicle can be repossessed if the counterparty is in default under the terms of agreement. Where there is a shortfall in security held over the motor vehicle, a caveat may be placed over real estate property of the borrower or treated as unsecured.

For novated lease agreements and business loans (goods mortgage and commercial hire purchase agreements), the motor vehicle remains the property of the Group until all payments and the residual are repaid.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Credit risk in relation to loan and lease receivables (continued)

Collateral held as security and other credit enhancements (continued)

The following table shows the extent to which mortgage over motor vehicles (for consumer loans) and ownership of property (for novated leases and business loans) mitigate credit risk:

	Maximum exposure to credit risk $m	Market value* of collateral held at reporting date $m	Secured %
30 June 2023			
Loan receivables	391.1	347.0	89
Lease receivables	-	-	-
30 June 2022			
Loan receivables	372.4	339.6	91
Lease receivables	1.2	1.3	108

* Value of motor vehicles as quoted in the Glass's Guide vehicle pricing guide.

All loans over 60 days in arrears are considered to be in default and are subject to the formal collection procedures which includes the issuance of an enforcement notice (under section 88 of the National Credit Code). Steps are taken to repossess the collateral if the overdue payment is not made within 35 days of the notice. Repossessed collateral is sold at a public auction. The carrying amount of repossessed vehicles as at 30 June 2023, representing the foreclosed collateral obtained through the enforcement of security was $2,500 (2022: $27,700). In certain circumstances, a default record may be listed on a customer's personal credit file.

Concentrations of credit risk in relation to loan and lease receivables

The Group minimises concentrations of credit risk in relation to loan receivables by diversification across a large number of customers. A prudent risk assessment process for all customers is used to manage the credit risk on loan receivables.

Concentration of risk on leases and commercial hire purchases is minimised by the spread of transactions with a large number of customers. Credit risk is minimised through prudent assessment policies and ensuring final balloon repayment amounts are in line with estimated asset values at the end of the repayment term.

The categories of credit risk exposure and the maximum exposure for each concentration are as follows:

	2023 %	2022 %	**2023 $m**	2022 $m
Category				
Secured loans	100	100	391.0	372.4
Unsecured loans	-	-	0.1	-
Leases	-	-	-	1.2
Total receivables	**100**	**100**	**391.1**	**373.6**

(ii) Impairment

The impairment requirements apply to financial assets measured at amortised cost and lease receivables. For trade receivables and lease receivables the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For loan receivables, the Group applies a three-stage approach to measuring the expected credit loss ("ECL") based on changes in the financial asset's underlying credit risk.

Stage 1: 12-months ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR), ECL is determined based on the probability of default (PD) over the next 12 months. Interest income is determined with reference to the financial asset's effective interest rate (EIR) and the financial asset's gross carrying amount.

Stage 2: Lifetime ECL - not credit impaired

When there has been a SICR, the ECL is determined with reference to the financial asset's lifetime PD and the lifetime losses associated with that PD. The Group assesses whether there has been a SICR since initial recognition based on qualitative and quantitative data. Interest income is determined with reference to the financial asset's EIR and the financial asset's gross carrying amount.

Stage 3: Lifetime ECL - credit impaired

Financial assets are classified as stage 3 where they are determined to be credit impaired, which is where loans are more than 60 days past due or flagged as 'At Risk'.

The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure. Interest income is determined with reference to the financial asset's EIR and the financial asset's amortised cost carrying value, being the exposure's gross carrying value after the ECL provision.

The Group uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Stage 1	• Loans without any impairment indicators	• 12 month expected losses • Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage 2	• Hardship/variation • 30 days in arrears 3 times	• Lifetime expected losses
Stage 3	• Loans flagged 'At Risk' • 60 days in arrears once	• Lifetime expected losses

Historical evidence demonstrates that loans '30 days in arrears' are often due to administrative matters or a genuine oversight on the customer's behalf, and there is no correlation between a once off '30 days in arrears' and a significant increase in risk of a default occurring. The Group considers where a loan is '30 days in arrears' three times to be more representative of the credit risk deterioration.

Indicators for loans flagged 'At Risk' include bankruptcy, deceased customers, fraud identified or legal action taken.

The Group considers its historical loss experience and adjusts this for current observable data. In addition, the Group monitors the macroeconomic conditions to ensure impacts are appropriately reflected when estimating the amount of an expected impairment loss. Management overlay as at 30 June 2022 includes an additional assessment of hardship applications with respect of receivables with balances more than 30 days past due, which is no longer included as at 30 June 2023 as we return to normal with no or minimal COVID-19 impact. Management overlay outlined below also includes an additional assessment to take into account volatility in the macroenvironment in both years.

Interest on consumer loans is calculated on the daily balance outstanding and is charged in arrears to a customer's account in accordance with the terms of the loan agreement.

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Management overlay

At 30 June 2023 approximately 0.08% (2022: 3.95%) of the Group's customers have requested a payment holiday. In the current ECL model, loan accounts with a payment holiday are moved from Stage 1 to Stage 2 despite no arrears trigger being present.

The domestic and global economic outlook remains uncertain given the significant volatility in recent periods which can be attributed to persistently high inflation, rising interest rates and supply chain disruptions. These macroeconomic conditions are expected to have a possible impact on the expected credit losses on the loan portfolio and thus an additional management overlay has been included.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Modification of financial assets

The Group sometimes modifies the terms of loans and leases provided to customers due to payment holidays. Restructuring policies and practices are based on indicators or criteria which, based on management's judgement, indicates that payment will most likely continue. These policies are kept under continuous review.

(iii) Credit quality

The level of risk associated with a loan or lease receivable is indicated by its credit quality which is evaluated using the Equifax score. The following table represents the credit quality of loan and lease receivables:

	Stage 1 - 12 month expected credit loss			Stage 2 - Lifetime expected credit loss	Stage 3 - Lifetime expected credit loss	Finance Lease	Total
	High Grade[1] $m	Medium Grade[1] $m	Low Grade[2] $m	$m	$m	$m	$m
30 June 2023							
Loan receivables	351.4	27.9	4.4	4.3	3.1	-	391.1
Lease receivables	-	-	-	-	-	-	-
	351.4	**27.9**	**4.4**	**4.3**	**3.1**	**-**	**391.1**
30 June 2022							
Loan receivables	302.7	49.0	9.0	7.6	4.1	-	372.4
Lease receivables	-	-	-	-	-	1.2	1.2
	302.7	**49.0**	**9.0**	**7.6**	**4.1**	**1.2**	**373.6**

The provision for impairment by category is as follows:

	Stage 1 - 12 month expected credit loss			Management Overlay	Stage 2 - Lifetime expected credit loss	Stage 3 - Lifetime expected credit loss	Finance Lease	Total
	High Grade[1] $m	Medium Grade[2] $m	Low Grade[3] $m	$m	$m	$m	$m	$m
30 June 2023								
Loan receivables	0.2	0.1	-	0.8	0.2	0.5	-	1.8
	0.2	**0.1**	**-**	**0.8**	**0.2**	**0.5**	**-**	**1.8**
30 June 2022								
Loan receivables	0.2	0.1	-	0.9	0.1	0.5	-	1.8
	0.2	**0.1**	**-**	**0.9**	**0.1**	**0.5**	**-**	**1.8**

[1] Equifax score above 500
[2] Equifax score between 0 to 500
[3] Equifax score below zero

(iv) Financial guarantees

Cross guarantees are given by RACV and each of its wholly owned subsidiaries within the Closed Group as described in note 24. No deficiencies of assets exist in the Closed Group. No liability was recognised by the Group in respect of these guarantees.

(b) Liquidity risk

Liquidity risk is the risk that the financial obligations of the Group cannot be met as and when they fall due without incurring significant costs. The Group manages liquidity risk by continuously monitoring budget and actual cash flows and reporting liquidity projections to the Board. The Group monitors its liquidity position on a monthly basis with the aim of maintaining a liquidity target between 0.3 and 0.6 of one month's operating expenses. The average liquidity position for the Group was 0.3 months (2022: 0.5 months). Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available. While part of the Financial Assets at Fair Value Through Profit or Loss are classified as non-current based on their expected redemption profile, these investments are redeemable on demand and are therefore also available to meet the Group's liquidity needs if required.

Financing arrangements

The Group had access to the following net undrawn borrowing facilities at the reporting date:

	2023 $m	2022 $m
Floating rate		
Expiring within 1 year (bank overdraft)	5.5	6.0
Expiring within 1 year (subscription agreement)	-	99.0
Expiring within 2 years (secured funding facility)	100.0	-
Expiring within 2 years (securitised warehouse facility)*	42.2	-
Expiring within 3 years (secured funding facility)	-	100.0
	147.7	**205.0**

*Warehouse facility can only be used for the purpose of issuance of class A notes.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month $m	**1 year or less $m**	**Over 1 to 5 years $m**	**Over 5 years $m**	**Total contractual cash flows $m**	**Carrying amount $m**
June 2023						
Non-interest bearing	115.5	-	-	-	115.5	115.5
Fixed interest rate	-	1.5	6.3	19.3	27.1	23.7
Floating interest rate	-	-	367.4	-	367.4	367.4
Lease liabilities	-	5.2	14.7	-	19.9	19.2
	115.5	**6.7**	**388.4**	**19.3**	**529.9**	**525.8**
June 2022						
Non-interest bearing	104.0	-	-	-	104.0	104.0
Floating interest rate	-	314.3	71.6	-	385.9	384.5
Lease liabilities	-	4.3	11.3	-	15.6	14.3
	104.0	**318.6**	**82.9**	**-**	**505.5**	**502.8**

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

(i) Price risk

The Group is exposed to unit trust price risk. This arises from investments held by the Group and classified as financial assets at fair value through profit or loss. The Group diversifies its portfolio to manage its price risk arising from investments in unit trusts. Diversification of the portfolio is done in accordance with the limits set by the Group.

The fair values of the investments are based on current exit price. Subsequent changes in fair value are recognised in the Statement of Profit or Loss.

The reasonable possible changes in market value of the Group's investments have been assessed to range from +/- 4.1% to 7.9% (2022: +/- 3.9% to 7.5%). This range is predominately based on Australian equity (7.5%) and Global equity (7.3%). The impact of these changes on the pre-tax profit would be +/- $30.6 million (2022: +/- $31.8 million). The analysis is based on the assumption that the market price of all investments have moved by their respective percentages with all other variables held constant.

(ii) Interest rate risk

Interest rate risk is the risk to the Group's earnings and capital arising from changes in market interest rates. The Group's interest rate risk exposure results primarily from repricing risk or differences in the repricing characteristics of its financial assets and liabilities.

The Group's financial assets consist primarily of cash, financial assets at fair value through profit or loss, fixed rate loan receivables with maturities ranging from 12 to 84 months.

The financial liabilities funding these receivables consist primarily of floating rate borrowings on the securitised warehouse facility and the secured funding facility. The secured funding facility has a maturity of 26 months expiring on 1 September 2024 and the securitised warehouse facility matures in July 2024 in line with the term of the Trust Deeds.

Due to the mismatch in the maturities of its receivables and the financial liabilities funding these receivables, the Group is exposed to repricing risk. The risk is managed by the Group using interest rate swap contracts to convert the floating rate exposure on the Warehouse trust borrowings to fixed interest rates. The impact on equity and pre-tax profit of reasonable possible changes in the interest rate over the next 12 months between -/+ 0 and 100 basis points (2022: between -/+ 0 and 100 basis points), with all other variables held constant is -/+ $1.3 million (2022: -/+ $1.5 million). The Group's net exposure to interest rate risk at the end of the reporting period is $127.5 million (2022: $150.5 million).

From October 2017, the Group made a decision to cease the provision of loans in respect of novated leases. Remaining leases were fully repaid by customers as at March 2023.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the cash flow exposures on the variable rate borrowings.

Swaps currently in place cover approximately 69.9% of the warehouse funding balance. The fixed interest rates of the swaps range between 3.57% and 3.60% and the variable rates of the loans are at 1 month bank bill swap rate which at the end of the reporting period was 4.07%. Refer to note 10.

The swap contracts require settlement of net interest receivable or payable every month. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

13. FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its assets and liabilities into levels of the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Recognised fair value measurements

The following table presents the Group's assets measured and recognised at fair value at 30 June 2023:

	Notes	Level 2 $m	Level 3 $m	Total $m
30 June 2023				
Assets				
Unit trusts – unlisted	10	438.5	89.5	528.0
Interest rate swaps		2.7	-	2.7
Land and buildings	4	-	899.6	899.6
Investment properties	7	-	100.8	100.8
		441.2	**1,089.9**	**1,531.1**
30 June 2022				
Assets				
Unit trusts – unlisted	10	458.7	81.7	540.4
Land and buildings	4	-	924.1	924.1
Investment properties	7	-	91.3	91.3
		458.7	**1,097.1**	**1,555.8**

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Disclosed fair values

The Group also has the following assets and liabilities which are not measured at fair value but for which fair values are disclosed in the notes:

- the carrying amount of securitised warehouse facility, subscription agreement, secured funding facility and chattel mortgages approximates their fair value as the impact of discounting is not significant;
- the carrying amount of trade payables approximates their fair value due to their short term nature.

(b) Valuation techniques and inputs used to derive level 2 and level 3 fair values

The fair value of unlisted unit trusts is based on exit price which is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices of the underlying instruments are used to estimate fair value of majority (approx. 83%) (2022: approx. 85%) of the unlisted unit trusts. The fair value of the remaining unlisted unit trusts is based on independent valuations of the underlying instruments.

As the underlying Fund's interest in these investments are not actively traded in a public market, the valuation provided by the external investment manager is considered unobservable and is therefore classified as a level 3 investment. The Fund reviews the valuation methodology adopted by the relevant investment manager and makes further enquiries, as appropriate, relating to valuation methodology and key inputs used to determine valuations.

The fair value of interest rate swaps is classified as a level 2 instrument as they are not traded in an active market and are determined using valuation techniques. These valuation techniques calculate the present value of the estimated future cash flows using observable yield curves in the market.

The fair value of land and buildings and investment properties are based on independent assessments made by Members of the Australian Property Institute. The Group obtains independent valuations for its investment properties and for its freehold land and buildings at least annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's fair value within a range of reasonable fair value estimates.

The discount rate applied is based on investors' current return expectations. The resulting valuations are compared to current sales prices in an active market for similar properties in the same location and condition.

13. FAIR VALUE MEASUREMENT (CONTINUED)

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents changes in level 3 recurring fair value measurements:

	Unit trusts - unlisted $m	Land and buildings $m	Investment properties $m	Total $m
June 2023				
Opening balance 1 July 2022	81.7	924.1	91.3	1,097.1
Additions	3.9	6.8	4.7	15.4
Disposals	(4.3)	-	(0.1)	(4.4)
Transfers	-	(5.9)	10.8	4.9
Depreciation and impairment	-	(29.0)	-	(29.0)
Revaluation increment/(decrement)	8.2	3.6	(5.9)	5.9
Closing balance 30 June 2023	**89.5**	**899.6**	**100.8**	**1,089.9**
Total gain/(loss) for the period recognised in the consolidated Statement of Profit or Loss	8.2	(8.0)	(5.9)	(5.7)
Total gain for the period recognised in the consolidated Statement of Comprehensive Income	-	11.6	-	11.6
June 2022				
Opening balance 1 July 2021	28.4	831.7	93.2	953.3
Additions	52.5	3.2	2.4	58.1
Disposals	(0.8)	(0.1)	-	(0.9)
Transfers	-	14.8	-	14.8
Depreciation and impairment	-	(23.2)	-	(23.2)
Revaluation increment/(decrement)	1.6	97.7	(4.3)	95.0
Closing balance 30 June 2022	**81.7**	**924.1**	**91.3**	**1,097.1**
Total gain/(loss) for the period recognised in the consolidated Statement of Profit or Loss	1.6	51.4	(4.3)	48.7
Total gain for the period recognised in the consolidated Statement of Comprehensive Income	-	46.3	-	46.3

(d) Valuation inputs and relationships to fair value (level 3)

The following table presents quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. Refer (b) for the valuation techniques adopted.

Description	Valuation Technique	Unobservable Inputs	Range of inputs 2023	Range of inputs 2022	Relationship of unobservable inputs to fair value
Land and buildings	Capitalisation	Capitalisation rate:	5.25% - 9.00%	5.75% - 8.50%	The higher the capitalisation rate, the lower the fair value. If the capitalisation rate changed by +0.5%, the financial impact would be +/- $79.5m.
	Discounted cash flow	Average daily rate (ADR):	$155 - $495	$160 - $480	The higher the ADR, the higher the fair value.
		Occupancy rate:	60% - 85%	60% - 85%	The higher the occupancy rate, the higher the fair value.
		Discount rate:	6.50% - 10.25%	6.75% - 9.75%	The higher the discount rateand terminal capitalisation rate, the lower the fair value. If the discount changed by +0.75%, the financial impact would be +/-$23.8m.
		Terminal capitalisation rate:	6.00% - 9.25%	6.00% - 8.75%	
Investment property	Capitalisation	Core capitalisation rate:	4.25% - 6.25%	5.00% - 6.00%	The higher the capitalisation rate, the lower the fair value.
		Net face rental value:	$257/m2 - $700/m2	$80/m2 - $900/m2	The higher the net face rental value, the higher the fair value.
	Discounted cash flow	Discount rate:	5.00% - 6.50%	6.00% - 6.75%	The higher the discount rate and terminal capitalisation rate, the lower the fair value.
		Terminal capitalisation rate:	4.50% - 6.25%	5.50% - 6.50%	
	Direct comparison	Sales price per square metre	$600/m2 - $9,500/m2	$2,500/m2 - $10,500/m2	The higher the sales price per square metre, the higher the fair value.

There is no direct correlation between unobservable inputs.

(e) Valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties and land and buildings. Information about the valuation of land and buildings and investment properties are provided in note 13(b). Valuation outcomes are reported to the Audit and Compliance Committee at least annually.

TAXATION

14. INCOME TAX BENEFIT/(EXPENSE)

	2023 $m	2022 $m
Deferred tax expense (refer note 15)	(0.5)	(0.4)
Over provided in prior years	-	0.7
Income tax (expense)/benefit	**(0.5)**	**0.3**

(a) Reconciliation of prima facie income tax

The assessable income of RACV for income tax purposes comprises only certain income deemed to be derived from non-member activities. Conversely, allowable deductions for income tax purposes are limited to certain expense and statutory deductions.

The prima facie tax on operating profit differs from the income tax provided in the accounts as follows:

	2023 $m	2022 $m
Profit before income tax	54.1	11.9
The prima facie tax expense on operating profit before income tax @ 30%	(16.2)	(3.6)
Tax effect of amounts which are not taxable/(deductible) in calculating income tax:		
Over provision for tax from previous year	-	0.7
Profit attributable to activities for the mutual benefit of Members	9.1	15.2
Share of net profit of equity accounted investments	33.2	21.1
Current year tax losses derecognised	(30.9)	(22.2)
Deferred tax derecognised	12.7	(9.2)
Impairment of investments	(5.8)	(6.4)
Sundry items	(2.6)	4.7
Income tax (expense)/benefit attributable to operating profit	**(0.5)**	**0.3**

(b) Tax expense relating to items of other comprehensive income

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to other comprehensive income:

	2023 $m	2022 $m
Net deferred tax debited directly to other comprehensive income (refer to note 15)	(2.5)	(12.9)
Derecognised deferred tax credited to other comprehensive income	2.5	12.9
	-	**-**

(c) Tax consolidation

RACV and its wholly owned subsidiaries are parties to a tax sharing agreement and a tax funding agreement. The tax sharing agreement, in the opinion of the directors, limits the joint and several liability of the wholly owned subsidiaries in the case of default by RACV.

Under the tax funding agreement, the wholly owned subsidiaries fully compensate RACV for any current tax payable assumed and are compensated by RACV for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to RACV under the tax consolidation legislation. The funding amounts will be determined by reference to the amounts recognised in the wholly owned subsidiaries' financial statements.

(d) Income tax contributions

RACV continues to contribute significantly to Australia's tax base across all applicable federal and state taxes. With respect to income tax, a major component of RACV's profit comes from its investments in associates where the dividend income is received on a fully franked basis meaning income tax is paid at source. The amount of income tax paid on RACV's dividend component was $23.2 million during the financial year (2022: $24.1 million).

15. DEFERRED TAX ASSETS

	2023 $m	2022 $m
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Property, plant and equipment	(3.4)	(1.9)
Employee benefits	9.4	8.6
Superannuation plan	(0.8)	(0.5)
Borrowing costs	0.3	0.1
Accrued income and prepayments	(0.7)	(0.6)
Provisions and accruals	8.1	5.3
Unearned income and contract liabilities	14.1	16.3
Financial assets	(0.7)	10.8
Intangible assets	8.1	13.7
Derecognition of deferred tax	(35.8)	(54.1)
Other	1.4	2.3
	-	-
Amounts recognised directly in other comprehensive income		
Revaluation of property	(1.6)	(7.4)
Superannuation plan	(0.9)	(5.5)
Derecognition of deferred tax	2.5	12.9
	-	-
Net deferred tax assets	**-**	**-**
Movements in temporary differences during the year:		
Opening balance	-	-
Debited to the consolidated Statement of Profit or Loss	(17.6)	8.8
Derecognition of deferred tax (others)	16.0	(9.2)
Other	1.6	0.4
Closing balance	**-**	**-**

15. DEFERRED TAX ASSETS (CONTINUED)

(a) Accounting estimates, assumptions and judgements: Income taxes

The Group assesses the recoverability of deferred tax assets based on detailed financial forecasts. When assessing the recoverability of the deferred tax assets, the directors consider the expected profitability of non-mutual activities, prevailing economic conditions and investment return rates.

The Group recognises deferred tax assets relating to carried forward tax to the extent it is probable that future tax liabilities will be available against which the deferred tax assets may be utilised or there are taxable temporary differences (deferred tax liabilities) relating to the same taxation authority. The Group assessed that there was insufficient future tax liabilities and taxable temporary differences as at 30 June 2023 and derecognised $35.8 million of deferred tax assets relating to tax losses, reduced by $22.9 million relating to a reversal of other taxable temporary differences and recognised an income tax expense for current year deferred tax assets derecognised of $14.6 million (2022: $29.7 million). The unrecognised deferred tax asset as at 30 June 2023 is $168.1 million (2022: $189.9 million).

REMUNERATION AND BENEFITS

16. KEY MANAGEMENT PERSONNEL

Key management personnel compensation comprises:

	2023 $'000	2022 $'000
Short-term benefits	7,301	7,212
Post-employment benefits	351	327
Long-term benefits	998	950
Termination benefits	291	-
	8,941	**8,489**

Key management personnel of the Group

The key management personnel of the Group comprise all directors of RACV and the executives having authority and responsibility for planning, directing and controlling the activities of the Group. At 30 June 2023, in addition to the eleven directors, nine executives were included as key management personnel (30 June 2022: ten directors, eight executives).

Transactions with key management personnel of the wholly owned Group

The key management personnel of RACV have normal business transactions with various controlled entities including the use of various facilities available to them as Members and reimbursement of travelling expenses. These transactions include insurance, secured note investments and finance loans and leases with the wholly owned Group's Finance Company and minor sales of products and services. All these transactions are conducted on a commercial basis on conditions no more beneficial than those available to Members or employees.

17. SUPERANNUATION BENEFITS

Upon joining the Group, new employees are able to choose whether to join the defined contribution section of the RACV Superannuation Fund (Plan) or an alternative fund. All Members of the Plan are entitled to benefits on resignation, retirement, ill health, disability or death.

The Plan has both a defined benefit section and a defined contribution section. The defined benefit section provides defined benefits based on years of membership and final average salary for those Members employed prior to 1 March 1998 and who elected to remain defined benefit Members. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions for this section of the Plan.

Plan assets are held in trust which is subject to supervision by the prudential regulator. Funding levels are reviewed regularly. Where assets are less than vested benefits, being those payable upon exit, a management plan must be formed to restore the coverage to at least 100%.

Responsibility for governance of the Plan, including investment decisions and plan rules rests with the Board of Trustees of the Plan. Contribution levels are also the responsibility of the trustee, although these are usually set in consultation with the employer. Disclosures for the Plan are shown below:

	2023 $m	2022 $m
Fair value of superannuation Plan assets	177.4	176.1
Present value of the defined benefit obligation	(48.1)	(50.6)
Present value of the defined contribution obligation	(123.0)	(123.4)
Superannuation plan asset in the Consolidated Balance Sheet	**6.3**	**2.1**

(a) Reconciliations

Movement in the present value of the defined benefit obligation:

	2023 $m	2022 $m
Opening present value	50.6	72.6
Current service cost	0.5	1.0
Interest expense	2.6	1.9
Actuarial gain arising from changes in financial assumptions	(1.6)	(20.3)
Contributions by Plan participants	0.1	0.1
Benefits, administrative costs and tax paid	(4.1)	(4.7)
Closing present value	**48.1**	**50.6**

Movement in the fair value of Plan assets (including defined contribution plan):

Opening fair value	176.1	176.3
Interest income	2.7	1.4
Actual return on Plan assets, less interest income	1.5	(2.0)
Contributions by employer	1.5	1.3
Contributions by Plan participants	0.1	0.1
Benefits, administrative costs and tax paid	(4.1)	(4.7)
Movement in vested benefits in respect of defined contribution Members	(0.4)	3.7
Closing fair value	**177.4**	**176.1**

The closing fair value of plan assets includes $54.3 million defined benefit plan assets that are valued using significant observable inputs and are classified within Level 2 of the fair value hierarchy (2022: $52.7 million at Level 2). The fair value of Plan assets includes no amounts relating to RACV's own financial instruments or any property occupied by or other assets used by the Group.

(b) Amounts recognised in the Consolidated Statement of Profit or Loss

	2023 $m	2022 $m
Current service cost	0.5	1.0
Net interest expense	(0.1)	0.4
Total included in employee benefits expense	**0.4**	**1.4**

17. SUPERANNUATION BENEFITS (CONTINUED)

(c) Amounts recognised in the Consolidated Statement of Comprehensive Income

Remeasurements:

	2023 $m	2022 $m
Actual return on Plan assets, less interest income	1.5	(2.0)
Actuarial gain incurred during the year	1.6	20.2
Total amount recognised in the Consolidated Statement of Comprehensive Income	**3.1**	**18.2**

(d) Actuarial assumptions and sensitivity

	2023 % p.a.	2022 % p.a.
Discount rate - active Members	5.4	3.3
Discount rate - pensioners	5.3	2.8
Future salary increases	3.0	3.5

The sensitivity of the defined benefit obligation to changes in the significant assumptions is presented below:

	Base Case	**Change in discount rate % p.a.**		**Change in salary increase rate % p.a.**		**Change in pension take-up rate % p.a.**	
	%	**-0.5%**	**+0.5%**	**-0.5%**	**+0.5%**	**-20.0%**	**+20.0%**
June 2023							
Discount rate - active Members	5.7	5.2	6.2	5.7	5.7	5.7	5.7
Discount rate - pensioners	5.6	5.1	6.1	5.6	5.6	5.6	5.6
Salary increase	3.0	3.0	30.0	2.5	3.5	3.0	3.0
Pension take-up rate	80.0	80.0	80.0	80.0	80.0	60.0	100.0
Defined benefit obligation ($m)	48.2	51.3	45.2	47.9	48.3	46.7	49.5
	%	**-0.5%**	**+0.5%**	**-0.5%**	**+0.5%**	**-20.0%**	**+20.0%**
June 2022							
Discount rate - active Members	5.4	4.9	5.9	5.4	5.4	5.4	5.4
Discount rate - pensioners	5.3	4.8	5.8	5.3	5.3	5.3	5.3
Salary increase	3.0	3.0	3.0	2.5	3.5	3.0	3.0
Pension take-up rate	80.0	80.0	80.0	80.0	80.0	60.0	100.0
Defined benefit obligation ($m)	50.6	54.0	47.5	50.4	50.9	49.0	52.3

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet.

(e) Plan funding arrangements and maturity profile of the defined benefit liability

Plan funding levels are monitored on an annual basis and the current agreed contribution rate is 10% of salaries until 31 December 2024. The Group considers that the contribution rate is sufficient to ensure that the assets will cover vested benefits and that regular contributions will not increase significantly.

Expected contributions to the Plan for the next annual reporting period (year ending 30 June 2024) is $0.2 million.

The weighted average duration of the defined benefit obligation as at 30 June 2023 for active Members is 14 years (2022: 14 years) and for pensioners is 10 years (2022: 10 years). The maturity profile of the undiscounted payments over the next 10 years is as follows:

	2023 $m	2022 $m
Defined benefit payments		
Less than 1 year	3.1	3.1
1 to 2 years	3.4	3.1
2 to 5 years	10.2	10.1
5 to 10 years	18.0	17.6
	34.7	**33.9**

The carrying amount of payables approximates fair value as the impact of discounting is not significant.

GROUP STRUCTURE

18. SUBSIDIARIES

	Equity interest held for the consolidated entity	
	2023 %	2022 %
Royal Automobile Club of Victoria (RACV) Ltd.[1]		
- Arevo Pty Ltd	100	100
- Property Safe Investments Pty Limited	-	100
- Nationwide Group Pty Ltd & Controlled Entities	100	100
- Home Trades Hub Australia Pty Ltd & Controlled Entities[1]	100	-
- RACV Travel and Experiences Pty Ltd	100	-
- RACV Holdings Pty. Ltd.	100	100
- R.A.C.V. Finance Limited[1]	100	100
- RACVF Warehouse Trust No.1[1]	100	-
- RACVF Warehouse Trust No.2[1]	100	-
- RACV Insurance Services Pty. Ltd.[1]	100	100
- Intelematics Australia Pty Limited	100	100
- RACV Investment Holdings Pty. Ltd.	100	100
- Club Tasmania Holdings Pty Ltd	100	100
- RACV Solar Pty Ltd & Controlled Entities	100	100

[1] These controlled entities have not been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission (ASIC).

19. BUSINESS COMBINATIONS

Acquisitions in 2023

(a) Summary of acquisition

On 31 March 2023, Royal Automobile Club of Victoria (RACV) acquired the remaining 50% shares of Home Trades Hub Australia Pty Ltd, resulting in a business combination for total consideration of $16.5 million.

The acquired business contributed revenue of $6.3 million and operating loss of $2.5 million during the 2023 financial year. If the acquisition had occurred on 1 July 2022, the consolidated revenue and loss for the year ended 30 June 2023 would have been $30.7 million and $22.6 million, respectively. These amounts have been calculated using the Group's accounting policies.

On 25 May 2023, RACV acquired the remaining 50% of RACV Travel and Experiences Pty Ltd, resulting in a business combination. Cash of $1.4 million was acquired and goodwill recognised on business combination was $0.7 million. No other material assets were acquired or liabilities assumed.

Details of the fair value of the net assets acquired and goodwill on business acquisition are as follows:

	Home Trades Hub Australia $m
Purchase consideration	
Cash paid	16.5
Total purchase consideration	**16.5**
Less: Fair value of net identifiable assets acquired	8.9
Goodwill on business acquisition[1]	7.6

[1] Goodwill recognised on acquisition of Home Trades Hub Australia was impaired to $nil as at 30 June 2023, refer to note 6.

(b) Purchase consideration

	Home Trades Hub Australia $m
Outflow of cash on purchase of business:	
Cash consideration	16.5
Outflow of cash	**16.5**

Acquisition related costs

Acquisition related costs of $0.1 million were included in other expenses in the Consolidated Statement of Profit and Loss and in payments to suppliers and employees in the Consolidated Statement of Cash Flows.

(c) Assets and liabilities acquired

	Home Trades Hub Australia $m
Cash	5.6
Receivables	3.9
Inventory	0.3
Plant and equipment	0.2
Right-of-use assets	0.8
Intangibles	0.8
Other assets	0.3

	Home Trades Hub Australia $m
Investments accounted for using the equity method	6.3
Payables	(3.5)
Provisions	(4.1)
Unearned income	(0.8)
Lease liabilities	(0.9)
Fair value of net identifiable assets acquired	**8.9**

Acquisitions in 2022

There were no business acquisitions that occurred in the 2022 financial year.

20. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Carrying amounts

All associates and joint ventures are measured using the equity method and have a reporting date of 30 June. The country of incorporation is also their principal place of business. The proportion of ownership interest is the same as the proportion of voting rights held.

			Ownership interest		**Consolidated carrying amounts**	
Name of entity	**Principal activity**	**Place of Business**	**2023 %**	2022 %	**2023 $m**	2022 $m
Associates						
Insurance Manufacturers of Australia Pty Limited (IMA)	General insurance	Australia	30	30	387.0	332.2
Australian Motoring Services Pty Ltd (AMS)	Assistance services	Australia	24	24	6.6	7.6
Club Assets Pty Ltd (Club Assets)[1]	Assistance services	Australia	50	50	32.8	36.8
Vehicle Repairhub Pty Limited (Repairhub)	Vehicle repair services	Australia	27	27	7.7	6.7
iBuildNew Australia Pty Ltd	Property services	Australia	-	28	-	-
Deep Blue Company Pty Ltd	Conveyancing services	Australia	20	16	14.3	10.1
Designer Journeys Pty Ltd	Tourism	Australia	28	28	-	-
Real Estate Agent Select Limited	Property services	Australia	23	23	-	-
JET Charge Pty Ltd	Vehicle services	Australia	15	10	18.1	12.4
Before You Bid Pty Ltd	Property inspection services	Australia	15	-	4.0	-
Vendor Compare Pty Ltd trading as Bricks and Agent	Property Management	Australia	20	-	8.3	-
					478.8	**405.8**

20. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Carrying amounts (continued)

Name of entity	Principal activity	Place of Business	Ownership interest 2023 %	Ownership interest 2022 %	Consolidated carrying amounts 2023 $m	Consolidated carrying amounts 2022 $m
Joint ventures						
Home Trades Hub Australia Pty Ltd (HTHA)[2]	Home Services	Australia	-	50	-	-
RACV Travel and Experiences Pty Ltd[3]	Tourism	Australia	-	50	-	-
Landchecker Holdings Pty Ltd	Property services	Australia	51	51	12.7	12.9
					491.5	**418.7**

[1] For the purposes of this disclosure, the 50% ownership interest in Club Assets is equivalent to a beneficial 37.5% (2022: 37.5%) ownership interest in the net assets of the underlying investment.

[2] RACV acquired the remaining 50% of HTHA on 31 March 2023. On acquisition, RACV now controls 100% of HTHA. Refer to business combination note 19.

[3] RACV acquired the remaining 50% of RACV Travel and Experiences Pty Ltd on 25 May 2023. RACV now controls 100% of RACV Travel and Experiences Pty Ltd.

Associates and joint ventures are strategic investments for the Group and complement the services provided by the general insurance, emergency roadside assistance and home businesses.

(b) Movements in carrying amount of investments in associates and joint ventures

	2023 $m	2022 $m
Opening balance	418.7	385.9
Investment acquired in a business combination	6.3	-
Increase in investment in associates and joint ventures	29.4	39.2
Share of profits after income tax	84.6	65.6
Impairment	-	(19.7)
Dividend received/receivable	(49.0)	(51.8)
Changes to retained earnings	1.5	(0.5)
Closing balance	**491.5**	**418.7**

In the prior year, impairment indicators were identified for iBuildNew Australia Pty Ltd, Designer Journeys Pty Ltd, Real Estate Agent Select Limited and Home Trades Hub Australia Pty Limited. As a result the Group impaired $19.7 million in aggregate.

(c) Summarised financial information for associates and joint ventures

The table below presents summarised financial information for associates and joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates.

	IMA 2023 $m	IMA 2022 $m	Other associates[1] 2023 $m	Other associates[1] 2022 $m
Balance Sheet				
Total assets	6,345.8	5,763.0	426.1	372.1
Total liabilities	5,055.7	4,655.6	253.9	226.7
Net assets	**1,290.1**	**1,107.4**	**172.2**	**145.4**

	IMA		Other associates[1]	
	2023 $m	2022 $m	**2023 $m**	2022 $m
Reconciliation to carrying amounts				
Opening net assets 1 July	1,107.4	1,019.3	145.4	140.1
Increase in investment in associates and joint ventures	-	-	56.7	59.4
Profit/(loss) after tax for the period	314.5	256.4	(8.9)	(54.1)
Other comprehensive income	-	4.1	-	-
Dividends paid	(133.3)	(172.8)	(18.0)	-
Share of reserves movement charged to retained earnings	1.5	0.4	(3.0)	-
Closing net assets 30 June	**1,290.1**	**1,107.4**	**172.2**	**145.4**
Group's share of closing net assets 30 June	**387.0**	**332.2**	**48.5**	**45.6**
Statement of Comprehensive Income				
Revenue	4,599.0	3,815.8	614.1	498.6
Profit/(loss) after tax for the period	314.5	256.4	(8.9)	(25.9)
Other comprehensive income	1.5	4.1	-	0.1
Total comprehensive income 30 June	**316.0**	**260.5**	**(8.9)**	**(25.8)**

[1] Refer to note 20(a) for details of other associates

21. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for Royal Automobile Club of Victoria (RACV), the parent entity, show the following aggregate amounts:

	RACV	
	2023 $m	2022 $m
Loss for the year	**(106.5)**	**(58.7)**
Total comprehensive loss	**(90.6)**	**(15.4)**
Balance Sheet		
Current assets	479.7	491.6
Total assets	1,766.3	1,733.3
Current liabilities	1,592.1	1,528.6
Total liabilities	1,661.1	1,537.5
Equity		
Asset revaluation reserve	254.6	241.8
Retained earnings	(149.4)	(46.0)
Total equity	**105.2**	**195.8**

21. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

(b) Financial guarantees entered into by Royal Automobile Club of Victoria (RACV)

Cross guarantees are provided by RACV and each of its wholly owned subsidiaries within the Closed Group as described in note 24. No deficiencies of assets exist in the Closed Group.

R.A.C.V. Finance Limited has a commitment from RACV for an increase in its capital base by $25.0 million to support the funding of the securitised warehouses established on 19 July 2022. R.A.C.V. Finance Limited has a $20.0 million line of credit with RACV to support its short term funding needs. This remains undrawn at the reporting date.

No liability was recognised by the Group or RACV in respect of these guarantees.

(c) Contingent liabilities of Royal Automobile Club of Victoria (RACV)

RACV has agreed to support various Group subsidiaries to ensure their debts are paid as and when they fall due (refer to note 24).

(d) Contractual commitments for the acquisition of property, plant and equipment

As at 30 June 2023, Royal Automobile Club of Victoria (RACV) has contractual commitments for the acquisition of property, plant and equipment totalling $18.9 million (2022: $4.0 million). These commitments relate to property related works (2022: property related works).

FURTHER DETAILS

22. EQUITY

(a) Reserves

	2023 $m	2022 $m
Asset revaluation reserve	263.7	252.1
Movements:		
Opening balance	252.1	205.8
Revaluation – gross	11.6	46.3
Deferred tax	(1.6)	(7.4)
Derecognised deferred tax	1.6	7.4
Closing balance	**263.7**	**252.1**

(b) Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of properties as described in note 26(k).

(c) Retained earnings

	2023 $m	2022 $m
Opening balance	1,676.0	1,646.1
Net profit for the year	53.6	12.2
Superannuation plan remeasurements	3.1	18.2
Deferred tax on superannuation plan	(0.9)	(5.5)
Derecognised deferred tax	0.9	5.5
Change in associate retained earnings	1.5	(0.5)
Closing balance	**1,734.2**	**1,676.0**

(d) Capital risk management

The Group's objective when managing Members' equity (capital) is to protect the financial viability and sustainability of the Group and to ensure sufficient funds continue to be available to deliver member services and carry out business plans and initiatives. The Group's capital management is focused on monitoring balance sheet strength and flexibility using liquidity projections (refer to note 12(b)) and detailed budgeting processes.

(e) Membership

	Number of Members	
	2023 $m	2022 $m
Membership category		
Ordinary (Club)	25,213	25,106
Service	1,401,490	1,392,018
Total voting Members	1,426,703	1,417,124
Relationship Members	794,532	753,866
Associate Corporate and Honorary Club Members	4,318	4,225
Total Members	**2,225,553**	**2,175,215**

RACV operates as a company limited by guarantee with the liability of any member not exceeding $6.30. The number of voting Members represents the total number of Members who are entitled to a vote.

In accordance with the Constitution, Service Members and Ordinary (Club) Members are entitled to vote in a Service election whilst only Ordinary (Club) Members are entitled to vote in an Ordinary (Club) election. Associate Corporate and Honorary Club Members and Relationship Members are not entitled to a vote under the Constitution.

23. RELATED PARTY TRANSACTIONS

The Royal Automobile Club of Victoria (RACV) is the ultimate controlling entity.

(a) The following related party transactions occurred during the financial year:

Transactions with related parties within the wholly owned Group

Administrative and other service charges are made within the Group on commercial terms and conditions. All material transactions with associate companies are made on commercial terms and conditions.

Transactions with other related parties

	2023 $'000	2022 $'000
Commission and other revenue		
IMA	160,648	136,716
Club Assets	33,307	30,116
Subscription and other revenue		
AMS	2,528	7,095
Superannuation expenses		
RACV Superannuation Fund	11,342	7,912
Other expenses		
Club Assets	24,027	18,889
HTHA	6,906	9,764

23. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The following related party transactions occurred during the financial year (continued):

Transactions with other related parties (continued)

	2023 $'000	2022 $'000
Current receivables		
IMA	16,360	13,289
Club Assets	3,044	2,948
Non current receivables		
Deep Blue Company	4,431	-
Current payables		
IMA	7,024	4,879

(b) Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes:

(i) Subsidiaries - note 18
(ii) Associates and joint ventures - note 20

24. DEED OF CROSS GUARANTEE

RACV and each of its wholly owned subsidiaries indicated in note 18, excluding RACV Insurance Services Pty. Ltd., R.A.C.V. Finance Limited, Nationwide Group Pty Ltd, Homes Trades Hub Australia Pty Ltd and RACV Travel and Experiences Pty Ltd (2022: RACV Insurance Services Pty Ltd, R.A.C.V. Finance Limited and Nationwide Group Pty Ltd) are parties to a Deed of Cross Guarantee (Deed) under which each company guarantees the debts of the others. By entering into the Deed, these wholly owned subsidiaries have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

These companies represent a 'Closed Group' for the purposes of the Instrument and, as there are no other parties to the Deed that are controlled by RACV, they also represent the 'Extended Closed Group'. Set out below is a consolidated Statement of Profit or Loss, Statement of Comprehensive Income, summary of movements in retained earnings and a Balance Sheet of the Closed Group, after eliminating all transactions between parties to the Deed.

	Closed Group	
	2023 $m	2022 $m
Statement of Profit or Loss		
Revenue and other income	551.9	470.8
Other investment income	23.0	29.2
Expenses	(610.9)	(521.7)
Interest expense and other finance costs	(13.1)	(8.1)
Impairment of assets	(21.0)	(5.3)
Share of net profit and impairment of equity accounted investments	84.8	45.9
Net gain/(loss) on financial assets at fair value through profit or loss	34.6	(55.2)
Fair value adjustment to assets	(13.8)	50.8
Profit before income tax	35.5	6.4
Income tax benefit	21.8	20.9
Profit after income tax	**57.3**	**27.3**

	Closed Group	
	2023 $m	2022 $m
Statement of Comprehensive Income		
Profit after income tax	57.3	27.3
Items that will not be reclassified to profit or loss:		
Gain on revaluation of land and buildings, net of tax	10.0	38.9
Superannuation plan remeasurements, net of tax	2.2	12.7
Change in associate retained earnings, net of tax	1.5	(0.5)
Derecognised deferred tax	2.5	12.9
Total comprehensive income for the year	**73.5**	**91.3**
Movement in retained earnings		
Opening balance	1,558.9	1,513.9
Profit after income tax	57.3	27.3
Superannuation plan actuarial remeasurements, net of tax	3.1	18.2
Change in associate retained earnings	1.5	(0.5)
Acquisition of subsidiaries	0.7	-
Retained earnings at the end of the financial year	**1,621.5**	**1,558.9**

	Closed Group	
	2023 $m	2022 $m
Balance Sheet		
Current assets		
Cash and cash equivalents	17.8	18.3
Receivables	35.6	3.1
Inventories	8.9	7.7
Financial assets at fair value through profit or loss	22.6	12.4
Prepayments and accruals	32.2	38.1
Other current asset	1.7	1.2
Current tax assets	2.0	-
Other financial assets	-	21.4
Total current assets	**120.8**	**102.2**
Non-current assets		
Financial assets at fair value through profit or loss	514.1	537.5
Investments accounted for using the equity method	517.6	438.1
Property, plant and equipment	980.0	974.7
Right-of-use assets	10.4	7.5
Investment properties	100.8	91.3
Intangible assets	52.4	52.6
Superannuation benefits assets	6.3	2.1
Total non-current assets	**2,181.6**	**2,103.8**
Total assets	**2,302.4**	**2,206.0**

24. DEED OF CROSS GUARANTEE (CONTINUED)

	Closed Group	
	2023 $m	2022 $m
Current liabilities		
Trade and other payables	131.5	109.0
Interest bearing liabilities	0.8	11.7
Provisions	71.9	58.4
Unearned income and contract liabilities	123.9	120.0
Lease liabilities	3.0	2.1
Other financial liabilities	1.4	-
Total current liabilities	**332.5**	**301.2**
Non-current liabilities		
Interest bearing liabilities	55.9	56.8
Provisions	5.7	5.8
Unearned income and contract liabilities	15.2	25.1
Lease liabilities	7.9	6.1
Total non-current liabilities	**84.7**	**93.8**
Total liabilities	**417.2**	**395.0**
Net assets	**1,885.2**	**1,811.0**
Equity		
Reserves	263.7	252.1
Retained earnings	1,621.5	1,558.9
Total equity	**1,885.2**	**1,811.0**

25. AUDITORS REMUNERATION

During the year, the following fees were paid or payable to the auditors:

	2023 $'000	2022 $'000
PricewaterhouseCoopers		
Audit of consolidated financial reports of RACV and the financial reports of its subsidiaries	756	660
Other statutory assurance services	20	20
Other services	65	85
Total remuneration	**841**	**765**
Moore Australia		
Audit of financial reports of Nationwide Group and Home Trades Hub Australia	126	62
Total remuneration	**126**	**62**

It is RACV's policy to employ auditors on assignments additional to their statutory audit duties where their expertise and experience with RACV are important. These assignments are principally audit and other services, or where the auditor is awarded assignments on a competitive basis. Each service provided by the external auditor is assessed against the auditor independence requirements of applicable regulations and RACV internal policy to ensure independence is not impaired. It is RACV's policy to seek competitive tenders for all major consulting projects.

26. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the consolidated entity (the Group) consisting of Royal Automobile Club of Victoria (RACV) ("RACV") and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.* The Group is a for-profit entity for the purpose of preparing the financial statements.

Compliance with AASB

The consolidated Financial Statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These consolidated Financial Statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment, and investment property - measured at fair value or revalued amount
- defined benefit pension plans - plan assets measured at fair value.

Functional and presentation currency

The consolidated Financial Statements are presented in Australian dollars, which is the functional and presentation currency of the Group.

Accounting estimates, assumptions and judgements

In preparing these consolidated Financial Statements management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated Financial Statements are disclosed in the following notes:

- Provision for impairment of loan receivables - note 2(b);
- Property valuation - note 4;
- Impairment of goodwill, customer contracts and software in development - note 6;
- Investment in unlisted unit trusts - note 13;
- Income taxes - note 15;
- Impairment of associates and joint ventures - note 20; and
- Fair value of Interest rate swap - note 10.

Reclassification of prior year amounts

Where material, comparative amounts have been reclassified to ensure consistency with the current reporting period.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments that are mandatory for the first time for the financial year beginning 1 July 2022:

- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020* and *Other Amendments [AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 & AASB 141]*

The adoption of these amendments did not have any material impact on the current period or any prior period and is not likely to affect future periods.

Early adoption of standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

26. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Early adoption of standards (continued)

- AASB 17 *Insurance Contracts* - The accounting standard for insurance contracts is effective 1 January 2023, and the first applicable reporting period for the Group is the year ending 30 June 2024, with the comparative period for the year ending 30 June 2023 restated on a AASB 17 basis. The standard introduces a new general measurement model for accounting for insurance contracts, with the application of a simplified approach (similar to AASB 1023) permitted in certain circumstances. The standard will have no impact on the financial statements of RACV other than indirectly via the RACV's equity accounted associate, Insurance Manufacturers of Australia (IMA). As at 30 June 2023, IMA have assessed the impact of AASB 17 adoption to have an impact of less than 2% on their net assets as at 30 June 2022. This impact is estimated to be within $0 million to $15 million increase in assets. This would translate to a $0 million to $5 million impact on RACV's investment in associates. The actual transactional impact (1 July 2023) is subject to finalisation of key assumptions.
- AASB 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction [AASB 112]*.

(b) Principles of consolidation

Subsidiaries

The consolidated Financial Statements incorporate the assets and liabilities of all subsidiaries of RACV as at 30 June 2023 and the results of all subsidiaries for the year then ended. RACV and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The entities controlled by RACV are set out in note 18. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer note 26(e)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Investments in subsidiaries are accounted for at cost in the individual statements of RACV.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Profit or Loss, consolidated Statement of Comprehensive Income, consolidated Balance Sheet and consolidated Statement of Changes in Equity respectively.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for in the relevant parent entity Financial Statements using the cost method and in the Group's Financial Statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of associates' post-acquisition profits or losses is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the relevant parent entity's statement of profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate is equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

Joint ventures

The interest in a joint venture partnership is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in profit or loss, and the share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the company's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(c) Revenue recognition

Revenue from contracts with customers comprise subscription and entrance fee income, commission income, club and resorts trading income, towing income, other trading income, traffic content income and sale of goods.

Revenue is recognised when control of goods or services is transferred to the customer and requires the identification of discrete performance obligations within a customer contract and an associated transaction price that is allocated to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services is transferred to the customer.

Revenue recognition from contracts with customers is outlined below:

Revenue stream	Contract deliverables	Timing of recognition
Subscription fee income	Provision of motoring, home and leisure services	Annual subscriptions are prepaid and recognised over time and on a straight-line basis as the customer receives the benefit of access to the services. The portion of subscriptions received, which relates to the period after the reporting date, are included in the consolidated Financial Statements as unearned income.
	Provision of traffic related services	Revenue is recognised over time and on a straight-line basis as the customer receives the benefit of access to the traffic services over the life of the contract.
	Provision of RACV member benefits	Customers of renewable subscription based services also become RACV Members and are granted access to a range of member benefits. RACV membership is valued on a standalone selling price and the related revenue portion is recognised over time and on a straight-line basis in line with the relevant service provided.
Entrance fee income	Right to future services and benefits under the scheme	Non-refundable entrance fees are received in advance and recognised over time and on a straight-line basis according to the expected membership renewal period or on cancellation of membership.
Commission income	Sale of insurance, motoring and travel products	Recognised at the point in time the customer has purchased the product, less an amount for expected refund obligations, based on historical policy cancellation trends.
	Provision of RACV member benefits	Customers of renewable insurance products also become RACV Members and are granted access to a range of member benefits. RACV membership is valued on a standalone selling price and the related revenue portion is recognised over time and on a straight-line basis in line with the relevant service provided.
Club and resorts trading income and other trading income	Sale of product or service provided	Recognised at the point in time the goods are transferred and the customer has control, or at the point in time the service is provided, net of any applicable returns and refunds.
Traffic content income	Provision of traffic content	Revenue is recognised over time and on a straight-line basis as the customer receives the benefit of access to the traffic content over the life of the contract.
Towing income	Provision of towing service	Recognised at the point in time the towing service has been provided and based on a fixed pricing structure.
Sale of goods	Sale of goods	Recognised at the point in time the goods are transferred and the customer has control, less an amount for expected returns.

Revenue streams paid in advance and recognised over time for services not performed at reporting date are recognised as a contract liability.

Other investment income

Other investment income comprises interest and rental income. All interest is recognised as the interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial instrument. Rental income is recognised on a straight-line basis over the lease term.

Trust distributions

Revenue from trust distributions is recognised when the right to receive the payment is established.

26. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Income tax

Income tax for the year comprises current and deferred tax. Current and deferred tax is recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

Current tax is the expected tax on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is not recognised for temporary differences relating to:

(i) initial recognition of goodwill
(ii) initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit
(iii) investment in subsidiaries, associates and jointly controlled entities where the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset and when the tax balances are related to taxes levied by the same tax authority and the Group intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

Tax consolidation

RACV and its wholly owned and controlled entities have implemented the tax consolidation legislation. The head entity, RACV and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. Each entity in the tax consolidated group measures these tax amounts using the Group allocation approach.

Under the Group allocation approach, the tax effect of intercompany transactions is recognised within each wholly owned and controlled entity.

Assets or liabilities arising under the tax funding agreement with RACV are recognised as amounts due to/from controlled entities. Any differences 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 (refer note 14).

(e) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition, except in business combinations where acquisition related costs are expensed as incurred. In business combinations, contingent payments are included in the purchase consideration at their fair value. Contingent payments classified as debt are subsequently remeasured through profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer note 26(n)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Profit or Loss, but only after a reassessment of the identification and measurement of the net assets acquired.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired and are carried at cost less accumulated impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and restricted cash. Bank overdrafts are presented in cash and cash equivalents when the entities are party to the Group's set-off agreement, otherwise they are shown within interest bearing liabilities in current liabilities on the Consolidated Balance Sheet. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Receivables and financial assets at fair value through profit or loss

Classification

The Group has classified its financial assets into receivables and financial assets at fair value through profit or loss. Classification is dependent on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Receivables

Receivables comprise principally consumer loans, leases and trade receivables.

Consumer loans and trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The initial direct transaction costs and fee revenue relating to consumer loans are included in the initial measurement of the loan.

Lease receivables are recorded at their recoverable amount, an amount equal to the net investment in the lease. The net investment in the lease is equal to the minimum lease payments receivable under the lease plus any unguaranteed residual accruing to the Group discounted at the interest rate implicit in the lease.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. Receivables are deemed to be uncollectable when certain characteristics are present. These include: arrears greater than 180 days with no payment within the last three months, total payments in the last six months lower than one contractual monthly repayment or customer under a Part IX Debt Agreement. A provision for impairment is established based on the expected credit loss model outlined in note 12(a).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise unit trust investments and derivative financial instruments. Unit trust investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Derivative financial assets are included in non-current assets.

Unit Trust Investments are initially recognised on trade date at fair value plus transaction costs and derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. The fair values of the investments are based on current exit price. Subsequent changes in fair value are recognised in the Statement of Profit or Loss.

Derivative Asset

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Changes in the fair value of the derivatives are recognised immediately in profit or loss. Hedge accounting is not applied.

(i) Inventories

Inventories comprising finished goods and supplies used in the provision of club and resorts services are stated at the lower of cost and net realisable value. Cost is determined on the basis of first in first out. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling costs.

(j) Other assets

Other assets are carried at nominal amounts due, less any provision for impairment. A provision for impairment is established based on the expected credit loss model. Other assets are generally settled within 30-day terms.

(k) Property, plant and equipment

Land and buildings (except for investment properties - refer note 26(m)) are shown at fair value, based on annual valuations by external independent valuers, less subsequent depreciation for buildings and freehold land improvements. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other plant and equipment, including assets in the course of construction, are stated at historical cost less depreciation and impairment losses where applicable. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

26. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment (continued)

Land and assets in the course of construction are not depreciated. Depreciation on other assets is calculated on a straight-line basis to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings and land improvements	15 to 40 years	(2022: 15 to 40 years)
Computer and communication equipment	2 to 10 years	(2022: 2 to 10 years)
Plant and equipment	2 to 25 years	(2022: 2 to 25 years)

Where carrying values exceed recoverable amount, assets are written down (refer note 26(f)). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the Statement of Profit or Loss. When revalued assets are sold, amounts included in the asset revaluation reserve in respect of the assets are transferred to retained earnings.

(l) Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

(m) Investment properties

Investment properties are held for long term rental yields and are not significantly occupied by the Group. If the portion occupied by the Group cannot be sold separately from the portion held for long term rental yields, the property is an investment property so long as the portion held for use in the production or supply of goods or services for administrative purposes is insignificant. Investment properties are carried at fair value, based on annual valuations determined by external independent valuers. Changes in fair value are recorded in the Statement of Profit or Loss.

(n) Intangible assets

Intangible assets include customer contracts, goodwill, software and software in development. These assets, except for software and customer contracts, are deemed to have an indefinite useful life and as a result are subject to impairment testing (refer to note 26(f)).

Customer contracts

Customer contracts are recognised where the legal rights attached to customer relationships can be reliably measured and are expected to provide future economic benefits to the Group as identified at the date of acquisition. These are measured at fair value at the date of acquisition. Subsequent to acquisition, customer contracts are stated at historical cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over 16 years. Where carrying values exceed recoverable amounts, customer contracts are written down to their recoverable amount. Gains and losses on the disposal of an entity include the carrying amount of customer contracts relating to the entity sold.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Software

Costs incurred in acquiring software and licenses that will contribute to future financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and services, and an appropriate portion of directly attributable employee costs and overheads. Software has a finite useful life and is stated at historical cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over periods generally ranging from 2 to 7 years (2022: 2 to 7 years). Where carrying values exceed recoverable amounts, assets are written down to their recoverable amount.

Costs incurred in configuring or customising Software as a Service (SaaS) arrangements can only be recognised as intangible assets if the implementation activities create an intangible asset that the Group controls and the intangible asset meets the recognition criteria. Those costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangements to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

Software development

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and services and an appropriate portion of directly attributable employee costs and overheads. Software in development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Costs incurred in configuring or customising SaaS arrangements can only be recognised as intangible assets if the implementation activities create an intangible asset that the Group controls and the intangible asset meets the recognition criteria. Those costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangements to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

(o) Employee benefits

Wages and salaries and sick leave

Liabilities for wages and salaries and accumulating sick leave that are expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured as the amount unpaid at the reporting date at expected pay rates in respect of employees' services up to that date.

Long service leave and annual leave

Liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised and included in the employee entitlements liability and are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Consolidated Balance Sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(o) Employee benefits (continued)

Incentive plans

A liability for incentive plans is recognised and included in employee entitlements liability when there is no realistic alternative but to settle the liability and at least one of the following conditions are met:

(i) there are formal terms in the plan for determining the amount of the benefit;

(ii) the amounts to be paid are determined before the time of completion of the financial report; or

(iii) past practice gives clear evidence of the amount of the obligation.

Liabilities for incentive plans are measured at the amounts expected to be paid when they are settled. Amounts payable under long term incentive plans are discounted using corporate bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Superannuation benefits

The RACV Superannuation Fund (Plan) exists to provide benefits to employees of the Group on resignation, retirement, disability or death. RACV operates one fund but with two superannuation sections, a defined contribution section and a defined benefit section.

RACV subsidiaries do not recognise a plan asset/liability or defined benefit costs in their Financial Statements. The superannuation plan asset/liability and costs are recognised in the Financial Statements of RACV, which is the principal employer of the Plan.

A liability or asset in respect of the defined benefit section is recognised in the Consolidated Balance Sheet and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated periodically by independent actuaries 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 currency that match, as closely as possible, the estimated future cash outflows.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Statement of Changes in Equity and in the Consolidated Balance Sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Contributions to the defined contribution section of the Group's superannuation fund and alternative defined contribution superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Further information on superannuation benefits can be found in note 17.

Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised at the earlier of the following dates:

(i) when the Group can no longer withdraw the offer of those benefits; and

(ii) when the Group recognises costs for a restructuring that is within the scope of AASB *137 Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits.

Other benefits

All permanent employees are entitled to free Roadside Care upon completion of a three-month qualifying period of employment. All employees are entitled to discounted insurance and those with more than one year's service with RACV are entitled to free membership of the RACV Club. Liabilities for other benefits are measured at the amounts expected to be paid when they are settled.

(p) Unearned income and contract liabilities

Members' subscriptions are paid annually in advance throughout the year and are allocated to revenue on an over time basis. The portion of subscriptions received, which relate to the period after the reporting date, are included in the consolidated Financial Statements as unearned income. Contract liabilities are disclosed in note 9 in line with the satisfaction of performance obligations as outlined in note 26(c).

(q) Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are normally settled within 30 days. Payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. The carrying amount of payables approximates fair value as the impact of discounting is not significant.

(r) Interest bearing liabilities

Securitised warehouse facility

The securitised warehouse facility is initially recorded at fair value of the consideration received, net of transaction costs and subsequently measured at amortised cost using the effective interest method. Details of the terms and conditions are set out in note 11(a).

Subscription agreement

The borrowings on the subscription agreement are recognised initially at fair value and subsequently measured at amortised cost. Details of the terms and conditions are set out in note 11(b).

Secured funding facility

The borrowings on the secured funding facility are recognised initially at fair value and subsequently measured at amortised cost. Details of the terms and conditions are set out in note 11(c).

Chattel mortgages

Refer to note 26(l) and 11(d).

(s) Provisions

A provision is recognised where there is a legal, equitable or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, the timing or amount of which is uncertain and the amount has been reliably estimated.

(t) Financial instrument transaction costs

Transaction costs are included in the carrying amounts of the financial instruments.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the taxation authority is included with other receivables or payables in the Consolidated Balance Sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(v) Rounding of amounts

The Group is of a kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Instrument to the nearest hundred thousand dollars, except where otherwise indicated.

(w) Parent entity financial information

The financial information for the parent entity, Royal Automobile Club of Victoria (RACV), disclosed in note 20 has been prepared on the same basis as the consolidated Financial Statements.

UNRECOGNISED ITEMS

27. COMMITMENTS AND CONTINGENCIES

(a) Estimated capital expenditure contracted at reporting date but not provided for

	2023 $m	2022 $m
Estimated capital expenditure contracted at reporting date but not provided for	18.9	4.0

The balance predominantly relates to contracts signed with regards to property related works (2022: property related works).

(b) Credit related commitments

	2023 $m	2022 $m
Credit related commitments	21.5	12.2

This relates to customer loans and leases approved by R.A.C.V. Finance Limited but not drawn at reporting date.

28. SUBSEQUENT EVENTS

On 9 August 2023, IMA declared the final dividend relating to the year ended 30 June 2023. RACV has received its share of this dividend totalling $13.5 million. The dividend has no impact on the financial statements for the year ended 30 June 2023.

In the opinion of the directors, there are no other matters or circumstances which have arisen between 30 June 2023 and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations and the state of affairs of the Group in subsequent financial years.

Directors' Declaration

30 JUNE 2023

In the directors' opinion:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance, for the year ended on that date; and

(b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

(c) at the date of the declaration, there are reasonable grounds to believe that the Members of the Closed Group identified in note 24 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note 24.

Note 26(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board

Mr G O Cosgriff
Chairman

Mr N Taylor
Managing Director and Chief Executive Officer

Melbourne
30 August 2023

Independent auditor's report

To the members of Royal Automobile Club of Victoria (RACV) Limited

Our opinion

In our opinion:

The accompanying financial report of Royal Automobile Club of Victoria (RACV) Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

Sam Lobley
Partner

Melbourne
30 August 2023

Level 7, 485 Bourke Street
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Royal Automobile Club of Victoria
(RACV) Limited
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