

2003 marks the RAA's Centenary year

Personal membership grew to 554,761

More than 2.3 million telephone calls managed

99,149 country area breakdowns attended

500,379 road service callouts performed

Consolidated net assets of \$51,564,234

Consolidated operating surplus of \$3,393,652

# Financial Report for the Financial Year Ended 30 June 2003

## Statement of Financial Performance for the Year Ended 30 June 2003

	Note	RAA of SA		Consolidated	
		2003 \$	2002 \$	2003 \$	2002 \$
Revenue from ordinary activities	2	68,041,386	56,779,291	64,886,059	55,530,436
Share of net profits of associate accounted for using the equity method	9	-	-	3,209,179	2,801,566
Employee benefits expense		(30,562,652)	(28,416,110)	(30,562,652)	(28,416,110)
Payments to contractors for roadside assistance		(8,400,956)	(7,835,004)	(8,400,956)	(7,835,004)
Depreciation and amortisation expenses		(3,385,358)	(3,313,650)	(3,385,358)	(3,313,650)
Other expenses from ordinary activities	2	(22,352,208)	(16,931,383)	(22,352,620)	(16,931,796)
Profit from ordinary activities before income tax		3,340,212	283,144	3,393,652	1,835,442
Income tax benefit/(expense) relating to ordinary activities	3	-	-	-	-
Net profit		3,340,212	283,144	3,393,652	1,835,442
Adjustment to opening retained profits on initial adoption of AASB 1028 "Employee Benefits"		(946,489)	-	(946,489)	-
Decrease in asset revaluation reserve arising on revaluation of non-current assets	14	(120,897)	-	(120,897)	-
Total revenue, expense and valuation adjustments attributable to members recognised directly in equity		(1,067,386)	-	(1,067,386)	-
Total changes in equity other than those resulting from transactions with owners as owners		2,272,826	283,144	2,326,266	1,835,442

The Statement of Financial Performance is to be read in conjunction with the Notes to the Financial Statements set out on pages 5 to 21.

## Statement of Financial Position as at 30 June 2003

	Note	RAA of SA		Consolidated	
		2003 \$	2002 \$	2003 \$	2002 \$
<b>Current Assets</b>					
Cash assets	4	6,815,792	2,475,790	7,536,171	2,527,006
Receivables	5	2,493,270	2,795,680	2,465,808	2,766,420
Other financial assets	6	25,258,596	25,662,219	25,258,596	25,662,219
Other current assets	7	642,707	588,530	642,707	588,530
Inventories	10	648,643	748,290	648,643	748,290
Deposits in trust accounts	11	452,830	566,510	452,830	566,510
<b>Total Current Assets</b>		<b>36,311,838</b>	<b>32,837,019</b>	<b>37,004,755</b>	<b>32,858,975</b>
<b>Non-Current Assets</b>					
Receivables	5	6,412,230	200	6,624,330	200
Other financial assets	6	10,401,870	10,401,870	670,001	648,824
Investments accounted for using the equity method	8	-	-	9,554,326	10,405,147
Property, plant and equipment	12	29,623,957	33,848,086	29,623,957	33,848,086
Intangibles	13	1,095,273	1,232,182	1,095,273	1,232,182
<b>Total Non-Current Assets</b>		<b>47,533,330</b>	<b>45,482,338</b>	<b>47,567,887</b>	<b>46,134,439</b>
<b>Total Assets</b>		<b>83,845,168</b>	<b>78,319,357</b>	<b>84,572,642</b>	<b>78,993,414</b>
<b>Current Liabilities</b>					
Subscriptions in advance		18,472,821	17,992,747	18,472,821	17,992,747
Unearned income		930,405	1,027,355	930,405	1,027,355
Payables	16	6,929,564	4,581,687	6,929,563	4,581,709
Provisions	17	3,332,088	2,580,471	3,332,088	2,580,471
Deposits in trust accounts	11	452,830	566,510	452,830	566,510
<b>Total Current Liabilities</b>		<b>30,117,708</b>	<b>26,748,770</b>	<b>30,117,707</b>	<b>26,748,792</b>
<b>Non-Current Liabilities</b>					
Subscriptions in advance		-	573,902	-	573,902
Provisions	17	2,890,701	2,432,752	2,890,701	2,432,752
<b>Total Non-Current Liabilities</b>		<b>2,890,701</b>	<b>3,006,654</b>	<b>2,890,701</b>	<b>3,006,654</b>
<b>Total Liabilities</b>		<b>33,008,409</b>	<b>29,755,424</b>	<b>33,008,408</b>	<b>29,755,446</b>
<b>Net Assets</b>		<b>50,836,759</b>	<b>48,563,933</b>	<b>51,564,234</b>	<b>49,237,968</b>
<b>Equity</b>					
Retained profits	15	44,202,376	41,808,653	44,929,851	42,482,688
Reserves	14	6,634,383	6,755,280	6,634,383	6,755,280
<b>Total Equity</b>		<b>50,836,759</b>	<b>48,563,933</b>	<b>51,564,234</b>	<b>49,237,968</b>

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements set out on pages 5 to 21.

# Financial Report for the Financial Year Ended 30 June 2003

## Statement of Cash Flows for the Year Ended 30 June 2003

	Note	RAA of SA		Consolidated	
		2003 \$	2002 \$	2003 \$	2002 \$
<b>Cash flows from operating activities</b>					
Receipts from members and customers		65,292,579	62,304,298	65,262,729	62,272,883
Payments to suppliers and employees		(60,552,229)	(58,798,099)	(60,552,465)	(58,798,507)
Dividends received		3,167,612	1,240,200	4,075,300	1,013,950
Interest received		316,262	86,885	341,099	95,320
Rental income received		292,979	215,994	292,979	215,994
Income tax refund/(paid)		-	-	-	2,199
Net cash from operating activities	22	8,517,203	5,049,278	9,419,642	4,801,839
<b>Cash flows from investing activities</b>					
Payment for property, plant and equipment		(4,161,649)	(6,428,698)	(4,161,649)	(6,428,698)
Loan to other entity		(5,500)	(33,000)	(217,600)	(33,000)
Loan repayment from other entity		38,500	-	38,500	-
Proceeds from sale of property, plant and equipment		226,373	288,775	226,373	288,775
Payment for investment securities		-	(124,000)	(21,176)	(127,360)
Receipt from funds management		24,725,075	2,572,924	24,725,075	2,572,924
Payment to funds management		(25,000,000)	-	(25,000,000)	-
Proceeds from sale of investment in securities		-	174,000	-	-
Net cash used in investing activities		(4,177,201)	(3,549,999)	(4,410,477)	(3,727,359)
Net increase in cash		4,340,002	1,499,279	5,009,165	1,074,480
Cash at the beginning of the financial year		2,475,790	976,511	2,527,006	1,452,526
Cash at the end of the financial year		6,815,792	2,475,790	7,536,171	2,527,006

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 5 to 21.

## Notes to the Financial Report for the Year Ended 30 June 2003

### 1. Statement of Significant Accounting Policies

The significant accounting policies adopted by the economic entity comprising the Royal Automobile Association of South Australia Inc. (the chief entity) and its controlled entity are stated in order to assist in a general understanding of the financial report. These policies have been consistently applied, except where stated.

#### .1 Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the provisions of the applicable accounting standards and the Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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

#### .2 Categorisation of revenue and expenditure

The economic entity has elected to categorise revenue and expenditure on the basis of their nature.

#### .3 Property, plant and equipment - depreciation

Buildings, motor vehicles, plant and equipment are depreciated at various rates, using both the straight line and reducing balance methods, as appropriate to their estimated useful lives and leasehold improvements are amortised over the period of the lease using the straight line method, as follows:

- Buildings 2%
- Leasehold improvements 10% & 20%
- Plant and equipment 2.5-40%
- Motor Vehicles 15%

#### .4 Inventories

Inventories are valued at the lower of cost and net realisable value.

#### .5 Revenue recognition

Members' subscriptions are accounted for on an accrual basis. The portion of the annual subscription, which relates to a period of membership beyond the end of the financial year under consideration, is accounted for as prepaid income at balance date and is carried forward to the next financial year. The portion of subscription received, which relates to the period after balance date, is included in the financial statements under "Subscriptions in advance".

Sales revenue represents revenue earned from the sale of the chief entity's services and products. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Fee, interest and commission income is recognised as it accrues.

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated on the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Advertising revenue from SA Motor is recognised when the magazine is circulated and the service provided.

# Financial Report for the Financial Year Ended 30 June 2003

## .6 Other financial assets

In the chief entity, the investment in the controlled entity is recorded at cost. Dividends are taken to income on a receivable basis.

The investment portfolio of the chief entity is managed by Macquarie Private Portfolio Managers Pty Ltd in accordance with an investment strategy approved by directors and reviewed regularly by the investment committee. Investments under management are valued at market prices and the resultant movement is taken to account as income. As a result of the terms of the investment portfolio management contract, all investments under management are treated as current assets. Refer Note 6.

## .7 Investment in associated companies

The economic entity accounts for investments in associates in accordance with the accounting standard AAS14 "Accounting for Investments in Associates". The equity method of accounting for investments in associates has been applied in the consolidated financial statements and the cost method has been applied in the financial statements of the chief entity.

Investments in associated entities are carried at the lower of cost, and recoverable amount, being a directors' valuation based on market values at the time of the valuation or net assets, whichever is appropriate.

In the chief entity, the investment in the associated company, RAA Insurance Holdings Ltd, is recorded at its original cost, being \$6,406,909.

## .8 Receivables

In some areas of the chief entity's activities, sales are made on trade credit and are due in 30 days.

These sales are included in "Receivables" at the balance date, net of an allowance for amounts estimated to be uncollectible. The provision of trade credit is incidental to the chief entity's primary objectives and hence there is no concentration of risk associated with this activity.

## .9 Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the chief entity and are included in "Payables". Payables are normally settled within 30 days.

## .10 Workers' compensation

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

Outstanding claims have been discounted to present value.

Refer to Note 28 for contingent liability relating to bank guarantee provided as security for outstanding claims.

## .11 Goods and services tax

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

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

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

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

## .12 Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the economic entity, being the Royal Automobile Association of South Australia Inc and its controlled entity as defined in accounting standard AAS24 “Consolidated Financial Reports”. Details of the controlled entity appear in Note 24 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The financial statement of the controlled entity is included from the date control commences until the date control ceases. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the economic entity are eliminated in full.

## .13 Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of ten years.

## .14 Employee entitlements

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

Provisions made in respect of wages and salaries, annual and long service leave and related on-costs expected to be settled within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of wages and salaries, annual and long service leave and related on-costs which are not expected to be settled within twelve months, are measured at the present value of the estimated future cash outflows to be made by the economic entity in respect of services provided by employees up to the reporting date.

## .15 Recoverable amount of non-current assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

## .16 Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

## .17 Change in accounting policy

In accordance with Accounting Standard AASB 1028 “Employee Benefits”, on 1 July 2002 the chief entity changed its policy for recognising provisions for employee entitlements. Previously the policy for recognising provisions for employee entitlements was in accordance with the requirements of AAS 30 “Accounting for Employee Entitlements”, however, as at 1 July 2002, this standard was superseded by AASB 1028 “Employee Benefits”. The following table illustrates the information that would have been disclosed in the prior financial reporting period had the new policy always been applied:

	RAA of SA	Consolidated
Statement of Financial Performance		
Employee benefits expenses	\$28,639,534	\$28,639,534
Profit from ordinary activities before income tax	\$59,720	\$1,612,018
Total changes in equity other than those resulting from transactions with owners as owners	\$59,720	\$1,612,018
Statement of Financial Position		
Current provisions	\$3,312,955	\$3,312,955
Non-current provisions	\$2,646,757	\$2,646,757
Net assets	\$47,617,444	\$48,291,479
Retained profits	\$40,862,164	\$41,536,199

The total adjustment of \$946,489 comprises \$223,424 relating to 2001/02 and the adjustment relating to financial years prior to those presented in the financial report was \$723,065.

# Financial Report for the Financial Year Ended 30 June 2003

	RAA of SA		Consolidated	
	2003 \$	2002 \$	2003 \$	2002 \$
<b>2. Revenue And Other Expenses</b>				
a) Revenue from ordinary activities:				
<b>Operating revenue</b>				
Subscriptions and entrance fees	34,205,502	32,259,941	34,205,502	32,259,941
Revenue from sundry income	2,617,253	4,233,563	2,587,957	4,203,913
Commission	1,776,917	1,685,467	1,776,917	1,685,467
RAA Insurance distribution fee	6,221,244	5,685,578	6,221,244	5,685,578
Sales revenue				
Sales of goods	6,590,915	6,179,086	6,590,915	6,179,086
Rendering of services	6,008,936	5,194,697	6,008,936	5,194,697
Advertising revenue from SA Motor	743,833	716,603	743,833	716,603
Rental income	292,979	215,994	292,979	215,994
Other revenue				
Investment revenue				
Dividends - related entities	3,167,612	1,240,200	-	-
Dividends - other entities	-	-	15,300	13,950
Interest - other entities	325,459	92,985	351,740	100,030
Net movement in the market value of managed funds	(430,946)	(1,013,598)	(430,946)	(1,013,598)
Investment fund distributions/ realised gains/(losses)	(114,801)	-	(114,801)	-
<b>Non-operating revenue</b>				
Proceeds from sales of non-current assets:				
Hindmarsh Square property	6,410,110	-	6,410,110	-
Plant and equipment	226,373	288,775	226,373	288,775
	<u>68,041,386</u>	<u>56,779,291</u>	<u>64,886,059</u>	<u>55,530,436</u>
b) Other expenditure from ordinary activities:				
Bad debts written off, net of recoveries	135,183	129,318	135,183	129,318
Banking and credit card charges	738,154	619,208	738,366	619,420
Allowance for doubtful debts	(7,083)	5,199	(7,083)	5,199
Commission paid to agents	892,289	892,240	892,289	892,240
Fleet expenses	732,172	758,742	732,172	758,742
Office and computer supplies	955,233	991,789	955,233	991,789
Rates, insurance and utility expenses	1,087,384	901,372	1,087,384	901,372
Rent paid on operating leases	467,021	590,658	467,021	590,658
SA Motor production costs	858,321	891,108	858,321	891,108
Auditors' remuneration:				
Amounts received or due and receivable by the auditors of the Association for:				
Audit services	32,500	30,950	32,500	30,950
Other services	42,100	39,550	42,100	39,550
Cost of sales	4,370,581	4,084,709	4,370,581	4,084,709
Postages and freight	1,131,781	1,121,809	1,131,781	1,121,809
Promotional and public issues	1,236,133	1,152,860	1,236,133	1,152,861
Telephone charges	1,193,824	974,183	1,193,824	974,183
Value of depreciated assets written back on disposal:				
Hindmarsh Square property	4,904,700	-	4,904,700	-
Plant and equipment	273,008	318,070	273,008	318,070
Other expenditure	3,308,907	3,429,618	3,309,107	3,429,818
	<u>22,352,208</u>	<u>16,931,383</u>	<u>22,352,620</u>	<u>16,931,796</u>



	RAA of SA		Consolidated	
	2003 \$	2002 \$	2003 \$	2002 \$
c) Gain/(Loss) on disposal of non-current assets:				
Hindmarsh Square property	1,505,410	-	1,505,410	-
Plant and equipment	(46,635)	(29,295)	(46,635)	(29,295)
d) Amortisation of goodwill	(136,909)	(136,909)	(136,909)	(136,909)
e) Depreciation of property, plant & equipment	(3,248,449)	(3,176,741)	(3,248,449)	(3,176,741)

### 3. Income Tax

The assessable income of the chief entity for income tax purposes comprises only certain income deemed to be derived from non-member activities. Allowable deductions for income tax purposes are limited to certain expenses and statutory deductions.

The prima facie tax on the pre-tax accounting profit differs from the income tax provided in the financial statements as follows:

	RAA of SA		Consolidated	
	2003 \$	2002 \$	2003 \$	2002 \$
Profit from ordinary activities	3,340,212	283,144	3,393,652	1,835,442
The prima facie tax on the profit from ordinary activities before tax @ 30% (2002: 30%)	1,002,064	84,943	1,018,096	550,633
Tax effect of permanent differences:				
Profit attributable to activities for the mutual benefit of members and creditable dividends	(1,025,563)	(187,372)	714,437	(187,372)
Non-deductible depreciation and amortisation	73,415	95,344	73,415	95,344
Franking credits	407,264	-	1,967	-
Rebateable dividends	-	-	-	(4,602)
Equity share of associates' profits	-	-	(962,754)	(461,505)
Other items	-	7,085	(433)	7,502
Tax offsets	(457,180)	-	(844,728)	-
Income tax benefit/(expense) relating to ordinary activities	-	-	-	-

### 4. Cash Assets

Cash on hand and deposits at call	6,815,792	2,475,790	7,536,171	2,527,006
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### 5. Receivables

a) Current				
Trade receivables	2,496,612	2,805,751	2,498,446	2,806,141
Allowance for doubtful debts	(32,638)	(39,721)	(32,638)	(39,721)
	2,463,974	2,766,030	2,465,808	2,766,420
Receivables - controlled entity	29,296	29,650	-	-
	2,493,270	2,795,680	2,465,808	2,766,420

# Financial Report for the Financial Year Ended 30 June 2003

	RAA of SA		Consolidated	
	2003 \$	2002 \$	2003 \$	2002 \$
b) <b>Non Current</b>				
Deferred settlement	6,410,110	-	6,410,110	-
Receivables - other	2,120	200	214,220	200
	<u>6,412,230</u>	<u>200</u>	<u>6,624,330</u>	<u>200</u>

During the financial period the Association sold the Hindmarsh Square property. The sale contract provides for a two year deferred settlement which is secured by a series of bank guarantees. The Association has a commitment to acquire two allotments in the Hindmarsh Square redevelopment. Refer to Note 21.

	Note	RAA of SA		Consolidated	
		2003 \$	2002 \$	2003 \$	2002 \$
<b>6. Other Financial Assets</b>					
a) <b>Current</b>					
At Market value					
Funds under Management		<u>25,258,596</u>	<u>25,662,219</u>	<u>25,258,596</u>	<u>25,662,219</u>
b) <b>Non-current</b>					
At Cost					
Shares in controlled entity		3,994,961	3,994,961	-	-
Shares in associated company		6,406,909	6,406,909	-	-
Shares in other companies		-	-	477,537	456,360
Shares in listed company (m.v. \$360,000)		-	-	192,464	192,464
		<u>10,401,870</u>	<u>10,401,870</u>	<u>670,001</u>	<u>648,824</u>
<b>7. Other Current Assets</b>					
Prepayments		<u>642,707</u>	<u>588,530</u>	<u>642,707</u>	<u>588,530</u>
<b>8. Investments Accounted for using the Equity Method</b>					
<b>Non-current</b>					
Equity accounted					
Shares in associated company	9	-	-	9,554,326	10,405,147
<b>9. Investments in Associated Company</b>					
		<b>Principal Activity</b>	<b>Ownership Interest</b>	<b>Carrying Amount</b>	
			2003	2002	
			\$	\$	
RAA Insurance Holdings Ltd		Personal Lines Ins.	50.0%	50.0%	<u>9,554,326</u> <u>10,405,147</u>

The chief entity holds 39.01% (39.01% in 2002) of the issued ordinary shares in RAA Insurance Holdings Ltd which, in turn, owns 100% of the issued ordinary capital of RAA Insurance Ltd. RAA Investments Pty Ltd which is wholly owned by the chief entity, holds 10.99% (10.99% in 2002) of the issued ordinary shares in RAA Insurance Holdings Ltd. In the financial statements of the chief entity the investment in RAA Insurance Holdings Ltd is at cost.

Information about the investments under the equity accounting method is set out below.

	2003 \$	2002 \$
<b>Equity accounted investment</b>		
Equity accounted amount of investment at the beginning of the financial year	10,405,147	8,603,581
Share of operating profit before income tax	4,392,654	3,996,042
Share of income tax	(1,183,475)	(1,194,476)
Share of dividend	(4,060,000)	(1,000,000)
Equity accounted amount of investment at the end of the financial year	<u>9,554,326</u>	<u>10,405,147</u>
<b>Summarised financial position of associate</b>		
Current assets	62,064,802	60,631,870
Current liabilities	(48,987,662)	(47,204,716)
Non-current assets	2,840,156	2,527,652
Non-current liabilities	(723,076)	(758,944)
Net Assets	<u>15,194,220</u>	<u>15,195,862</u>
Net profit after income tax	<u>6,418,358</u>	<u>5,603,131</u>
<b>Share of retained profits attributable to associate</b>		
at the beginning of the financial year	3,225,624	1,424,058
at the end of the financial year	<u>2,374,803</u>	<u>3,225,624</u>

#### Capital Commitments

There are no capital commitments in relation to the associate.

	RAA of SA		Consolidated	
	2003 \$	2002 \$	2003 \$	2002 \$
<b>10. Inventories</b>				
Finished goods at cost	648,643	748,290	648,643	748,290
<b>11. Deposits In Trust Accounts</b>				
<b>a) Current Assets</b>				
RAA Travel trust bank balance	384,669	501,573	384,669	501,573
Jumpstart trust bank balance	68,161	64,937	68,161	64,937
	<u>452,830</u>	<u>566,510</u>	<u>452,830</u>	<u>566,510</u>
<b>b) Current Liabilities</b>				
RAA Travel trust liabilities	384,669	501,573	384,669	501,573
Jumpstart trust liabilities	68,161	64,937	68,161	64,937
	<u>452,830</u>	<u>566,510</u>	<u>452,830</u>	<u>566,510</u>

Cash balances held in trust accounts are not available for use by the Royal Automobile Association of SA Inc. Cash in the RAA Travel trust account represents funds held on behalf of travel clients and payable to travel service providers, while the cash in the Jumpstart trust account represents donations received from members to fund the RAA's youth employment scheme.

# Financial Report for the Financial Year Ended 30 June 2003

## 12. Property, Plant And Equipment

Amounts disclosed relate to both the economic entity and the chief entity.

	Gross Carrying Amount	Accumulated Depreciation/ Amortisation	Net Carrying Amount
Freehold land at fair value			
Balance at 30 June, 2002	7,032,966	-	7,032,966
Additions	-	-	-
Disposals	(2,009,600)	-	(2,009,600)
Net revaluation increment	157,384	-	157,384
Balance at 30 June, 2003	5,180,750	-	5,180,750
Buildings at fair value			
Balance at 30 June, 2002	15,908,203	(299,578)	15,608,625
Additions	1,136,063	-	1,136,063
Disposals	(3,014,989)	119,889	(2,895,100)
Depreciation	-	(337,041)	(337,041)
Net revaluation decrement	(278,281)	-	(278,281)
Balance at 30 June, 2003	13,750,996	(516,730)	13,234,266
Leasehold Improvements at cost			
Balance at 30 June, 2002	446,528	(380,731)	65,797
Additions	683,354	-	683,354
Disposals	(323,971)	323,971	-
Amortisation	-	(31,416)	(31,416)
Balance at 30 June, 2003	805,911	(88,176)	717,735
Vehicles, Plant and Equipment at cost			
Balance at 30 June, 2002	27,239,323	(16,098,625)	11,140,698
Additions	2,503,508	-	2,503,508
Disposals	(1,735,006)	1,461,998	(273,008)
Depreciation	-	(2,879,992)	(2,879,992)
Balance at 30 June, 2003	28,007,825	(17,516,619)	10,491,206
Opening net carrying amount			33,848,086
Closing net carrying amount			29,623,957

The chief entity's policy is to carry freehold land and buildings at fair value. The directors of the chief entity reviewed the fair value of the freehold land and buildings in July 2003 on the basis of an assessment of valuations for similar use properties in the various locations. Independent advice was obtained to assist with the valuation of the Manchester Street, Mile End property where the use had changed during the financial period.

In confirming the value of freehold land and buildings, the directors have not taken into account the potential impact of capital gains tax on the grounds that such assets are an integral part of the economic entity's operations.

The total depreciation allocated during the year is recognised as an expense and disclosed on the face of the Statement of Financial Performance.

	RAA of SA		Consolidated	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>13. Intangibles</b>				
Goodwill – at cost	1,369,091	1,369,091	1,369,091	1,369,091
Accumulated amortisation	(273,818)	(136,909)	(273,818)	(136,909)
	<u>1,095,273</u>	<u>1,232,182</u>	<u>1,095,273</u>	<u>1,232,182</u>

The total amortisation allocated during the year is recognised as an expense and disclosed on the face of the Statement of Financial Performance.

#### 14. Reserves

<b>Asset revaluation reserve</b>				
Balance at beginning of the financial year	6,755,280	6,755,280	6,755,280	6,755,280
Revaluation of non-current assets	(120,897)	-	(120,897)	-
Balance at end of the financial year	<u>6,634,383</u>	<u>6,755,280</u>	<u>6,634,383</u>	<u>6,755,280</u>

#### 15. Retained Profits

Balance at beginning of the financial year	41,808,653	41,525,509	42,482,688	40,647,246
Adjustment to opening retained profits on initial adoption of AASB 1028 'Employee Benefits'	(946,489)	-	(946,489)	-
Net profit	3,340,212	283,144	3,393,652	1,835,442
Balance at end of the financial year	<u>44,202,376</u>	<u>41,808,653</u>	<u>44,929,851</u>	<u>42,482,688</u>

#### 16. Payables

Trade payables	1,306,705	1,107,914	1,306,705	1,107,914
Security deposit	1,309,422	-	1,309,422	-
Other payables and accruals	4,313,437	3,473,773	4,313,436	3,473,795
	<u>6,929,564</u>	<u>4,581,687</u>	<u>6,929,563</u>	<u>4,581,709</u>

During the financial period the Association entered into a Services Agreement for the provision of roadside assistance services to Assist Australia Pty Ltd. A security deposit has been received from Assist Australia Pty Ltd to secure the performance of the services to be provided under the Services Agreement and to secure Assist Australia Pty Ltd's obligation to pay for those services. As a consequence, unearned membership income relating to national assistance program membership, received under a previous service agreement, was returned to Assist Australia Pty Ltd.

	Note	RAA of SA		Consolidated	
		2003	2002	2003	2002
		\$	\$	\$	\$
<b>17. Provisions</b>					
<b>a) Current</b>					
Employee entitlements	18	3,325,788	2,501,521	3,325,788	2,501,521
Workers' compensation		6,300	78,950	6,300	78,950
		<u>3,332,088</u>	<u>2,580,471</u>	<u>3,332,088</u>	<u>2,580,471</u>
<b>b) Non-current</b>					
Employee entitlements	18	2,715,001	2,257,702	2,715,001	2,257,702
Workers' compensation		175,700	175,050	175,700	175,050
		<u>2,890,701</u>	<u>2,432,752</u>	<u>2,890,701</u>	<u>2,432,752</u>

# Financial Report for the Financial Year Ended 30 June 2003

	Note	RAA of SA		Consolidated	
		2003 \$	2002 \$	2003 \$	2002 \$
c) <b>Movement in Provisions</b>					
Amounts disclosed relate to both the economic entity and the chief entity.					
Workers Compensation					
				254,000	
				(59,963)	
				(12,037)	
				<u>182,000</u>	

The provision for workers compensation represents the present value of a reasonable estimate of the liabilities for claims incurred up to and including 30 June 2003, net of recoveries.

## 18. Employee Entitlements

Aggregate employee entitlements, including on-costs

- Current	17	3,325,788	2,501,521	3,325,788	2,501,521
- Non Current	17	2,715,001	2,257,702	2,715,001	2,257,702
		<u>6,040,789</u>	<u>4,759,223</u>	<u>6,040,789</u>	<u>4,759,223</u>

As at the reporting date the Association had 536 (2002: 526) full time equivalent employees.

### Superannuation Commitments

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

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

The last actuarial assessment of the defined benefit scheme in the chief entity was made at 1 July 2002 by Mr Stuart Mules, F.I.A.A. Actuarial assessments are carried out each three years, the next assessment is due 1 July 2005.

The accrued benefits, scheme assets at net market value and vested benefits of the scheme are as set out below. This information is as at 30 June 2002, the date of the most recent financial report and actuarial review of the scheme. The conclusion of the actuarial assessment was that the funds within the scheme were considered adequate to satisfy all benefits payable in the event of termination of the scheme and voluntary or compulsory termination of employment of each employee.

	RAA Staff Superannuation Scheme \$000's
Scheme assets at net market value	37,487
Accrued benefits	<u>34,185</u>
Excess of Fund assets over accrued benefits	<u>3,302</u>
Vested benefits	<u>35,050</u>

Employer contributions to the scheme during the year were \$2,458,000 (2002: \$1,003,000).

Accrued benefits are benefits, which the scheme is presently obliged to pay at some future date, as a result of membership of that scheme.

Vested benefits are benefits, which are not conditional upon continued membership of the scheme (or any factor other than resignation from the scheme) and include benefits which members were entitled to receive had they terminated their membership at the year end.

## 19. Related Party Disclosures

### Directors

The names of each person holding the position of director of the chief entity during the financial year were:

JH Brown, RJ Byrne, DM Davidson, WS Greiner, LC Holmes,  
DA Hunt, IM Martens, RJ Payze, RN Robinson, JF Sangster, MS Shanahan, GD Walters.

No transactions have been entered into with director related entities.

During the financial year, directors purchased goods and services, which were domestic or trivial in nature, from the economic entity on the same terms and conditions available to customers and members.

Details of the remuneration of officers are set out in Note 20.

### Associated Entities

The chief entity received \$6,221,244 (2002 \$5,685,578) for insurance sales and management services provided on terms and conditions fixed under a distribution agreement with RAA Insurance Limited. The Statement of Financial Position includes outstanding trade receivables of \$1,169,196 (2002 - \$607,129).

The chief entity has included an amount in current liabilities of \$1,107,930 (2002 - \$402,996) relating to insurance premiums collected but not yet forwarded.

### Transactions within the wholly-owned group

During the financial year the chief entity provided accounting and administration services, at cost, to the other entity in the wholly-owned group.

## 20. Remuneration Of Officers

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

# Financial Report for the Financial Year Ended 30 June 2003

## a) Remuneration of Directors:

	RAA of SA		2003 No.	2002 No.
	2003 No.	2002 No.		
The number of directors of the chief entity whose income from the chief entity falls within each successive \$10,000 band of income:				
\$0 - \$9,999	-	2		
\$10,000 - \$19,999	12	11		
Total income paid, or payable, directly or indirectly by the chief entity to members of the Board of Directors of the chief entity.	<u>\$147,718</u>	<u>\$145,285</u>		
			<b>2003</b> \$	<b>2002</b> \$
Fees paid, or payable, by RAA Insurance Ltd being an associated entity, to two (2002: three) members of the Board of Directors who act as directors of that entity.			<u>\$28,613</u>	<u>\$28,350</u>
Total income paid or payable, directly or indirectly to all directors of each entity in the economic entity from the chief entity or any related party.			<u>\$176,331</u>	<u>\$173,635</u>
			<b>Consolidated</b>	
			<b>2003</b> No.	<b>2002</b> No.
The number of directors of the chief entity whose income from the chief entity and any related party falls within each successive \$10,000 band of income:				
\$0 - \$9,999	-	2		
\$10,000 - \$19,999	10	9		
\$20,000 - \$29,999	2	2		



b) Remuneration of Executives:

The number of executive officers whose income falls within the following bands:

	RAA of SA		Consolidated	
	2003 No.	2002 No.	2003 No.	2002 No.
\$100,000 - \$109,999	2	2	2	2
\$110,000 - \$119,999	4	2	4	2
\$120,000 - \$129,999	-	1	-	1
\$130,000 - \$139,999	1	1	1	1
\$140,000 - \$149,999	1	2	1	2
\$150,000 - \$159,999	1	-	1	-
\$160,000 - \$169,999	1	-	1	-
\$170,000 - \$179,999	-	1	-	1
\$260,000 - \$269,999	1	1	1	1
Total income received, or due and receivable, by the executive officers whose income exceeds \$100,000	<u>\$1,543,305</u>	<u>\$1,429,253</u>	<u>\$1,543,305</u>	<u>\$1,429,253</u>

21. Commitments

	RAA of SA		Consolidated	
	2003 \$	2002 \$	2003 \$	2002 \$
<b>Lease Commitments</b>				
Aggregated lease expenditure contracted for at balance date but not provided for in the financial statements:				
Not longer than one year	724,030	437,103	724,030	437,103
Longer than one year and not longer than five years	1,673,476	1,506,474	1,673,476	1,506,474
Longer than five years	770,516	979,430	770,516	979,430
	<u>3,168,022</u>	<u>2,923,007</u>	<u>3,168,022</u>	<u>2,923,007</u>

The consolidated entity leases property under non-cancellable operating leases expiring from one to twelve years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

**Capital Expenditure Commitments**

**Buildings**

Not longer than one year	5,300,000	-	5,300,000	-
Longer than one year and not longer than five years	3,000,000	-	3,000,000	-
	<u>8,300,000</u>	<u>-</u>	<u>8,300,000</u>	<u>-</u>

**Other Commitments**

During the financial year a controlled entity entered into a loan agreement with Australian Motoring Services Pty Ltd which provided a maximum facility of \$707,000. At balance date, only \$212,100 of this facility had been drawn down.

# Financial Report for the Financial Year Ended 30 June 2003

	RAA of SA		Consolidated	
	2003 \$	2002 \$	2003 \$	2002 \$
<b>22. Statement Of Cash Flows</b>				
<b>Reconciliation of net cash provided by operating activities to net profit</b>				
Net profit	3,340,212	283,144	3,393,652	1,835,442
Depreciation and amortisation of non-current assets	3,385,358	3,313,650	3,385,358	3,313,650
Loss/(Profit) on sale of non-current assets				
Hindmarsh Square property	(1,505,410)	-	(1,505,410)	-
Plant and equipment	46,635	29,295	46,635	29,295
Share of associates' profits (less dividends)	-	-	850,821	(1,801,566)
Movements in assets and liabilities:				
Unearned income	(190,778)	975,925	(190,778)	975,925
Receivables	6,433,134	(919,511)	6,431,690	(915,922)
Payables	841,857	(162,031)	841,479	(163,791)
Provisions	257,312	246,278	257,312	246,278
Income tax provisions	-	-	-	-
Inventories	98,687	(165,155)	98,687	(165,155)
Doubtful debts	(7,083)	5,199	(7,083)	5,199
Balances held on behalf of third parties	(4,861,269)	428,886	(4,861,269)	428,886
Non-cash movement in managed funds	678,548	1,013,598	678,548	1,013,598
<b>Net cash from operating activities</b>	<b>8,517,203</b>	<b>5,049,278</b>	<b>9,419,642</b>	<b>4,801,839</b>

## Non Cash Financing and Investing Activities

During the financial year, the consolidated entity disposed of property with an aggregate fair value of \$6,410,110 on the basis of a two year deferred settlement. Refer to Note 5. This disposal is not reflected in the Statement of Cash Flows.

## 23. Segment Information

### Information on Business Segments

The economic entity operates in two business segments:

- Member Services – the provision of a wide range of services to members, being predominantly roadside assistance.
  - Insurance – the provision of personal lines general insurance products through an associated entity, RAA Insurance Holdings Ltd.

Revenue and expenses in relation to the various activities associated with member services are disclosed in the following table, along with the entity's share of the net profit of the associated entity, RAA Insurance Holdings Ltd.

All assets and liabilities of the economic entity, other than the investment in the associated entity RAA Insurance Holdings Ltd (as disclosed in Note 6) are employed by/result from the operating activities relating to the provision of member services, as disclosed in the table following.

	<b>Member Services</b>	<b>Insurance</b>	<b>Total</b>	<b>Members Services</b>	<b>Insurance</b>	<b>Total</b>
	<b>2003</b>			<b>2002</b>		
	\$	\$	\$	\$	\$	\$
Revenue	64,886,059	3,209,179	68,095,238	55,530,436	2,801,566	58,332,002
Result	(1,320,937)	3,209,179	1,888,242	(966,124)	2,801,566	1,835,442
Gain on sale of property	1,505,410	-	1,505,410	-	-	-
Tax expense	-	-	-	-	-	-
Net profit	184,473	3,209,179	3,393,652	(966,124)	2,801,566	1,835,442
Assets	75,018,316	9,554,326	84,572,642	68,588,267	10,405,147	78,993,414
Liabilities	33,008,408	-	33,008,408	29,755,446	-	29,755,446

#### Information on Geographic Segments

The economic entity operates only in Australia.

#### 24. Particulars In Relation To Controlled Entity

The chief entity's controlled entity, RAA Investments Pty Ltd, is incorporated in Australia and 100% owned.

#### 25. Outside Equity Interests

The chief entity has no controlling interest in economic entities where an outside equity interest exists.

#### 26. Additional Association Information

The Royal Automobile Association of South Australia Inc is an incorporated association operating under the Associations Incorporation Act in Australia.

##### Principal Registered Office and Place of Business

101 Richmond Rd  
Mile End South Australia 5031  
Tel: (08) 8202 4600

#### 27. Financial Instruments

##### a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

# Financial Report for the Financial Year Ended 30 June 2003

## b) Interest Rate Risk

The following table details the economic entity's exposures to interest rate risk at 30 June 2003.

	%	Variable Interest Rate \$	Maturing in Less than 1yr \$	Fixed Interest	Non Interest Bearing \$	Total \$
2003						
<b>Financial assets</b>						
Cash	4.5	5,536,171	2,000,000	-	-	7,536,171
Receivables		-	-	-	2,680,028	2,680,028
<b>Funds under management</b>						
Income securities	6.5	2,030,815	-	574,600	-	2,605,415
Convertible preference shares	6.6	-	-	1,429,178	-	1,429,178
Shares in listed companies		-	-	-	15,359,379	15,359,379
International managed funds		-	-	-	2,101,310	2,101,310
Cash	3.7	3,763,314	-	-	-	3,763,314
Shares in other companies		-	-	-	670,001	670,001
Deposits in trust accounts	4.5	452,830	-	-	-	452,830
Deferred settlement	4.5	-	-	6,410,110	-	6,410,110
		<u>11,783,130</u>	<u>2,000,000</u>	<u>8,413,888</u>	<u>20,810,718</u>	<u>43,007,736</u>

The "deferred settlement" relates to the consideration for the sale of the Hindmarsh Square property which is payable in two years. The consideration comprises the present value of the amount payable in two years discounted to a present value using the two year bond rate at the date of disposal of the property.

	%	Variable Interest Rate \$	Maturing in Less than 1yr \$	Fixed Interest	Non Interest Bearing \$	Total \$
2002						
<b>Financial assets</b>						
Cash	5.0	2,527,006	-	-	-	2,527,006
Receivables		-	-	-	2,766,620	2,766,620
<b>Funds under management</b>						
AMP Moderate Growth Fund		-	-	-	25,662,219	25,662,219
Shares in other companies		-	-	-	648,824	648,824
Deposits in trust accounts	5.0	566,510	-	-	-	566,510
		<u>3,093,516</u>	<u>-</u>	<u>-</u>	<u>29,077,663</u>	<u>32,171,179</u>

### Financial liabilities

The economic entity has no exposure to interest rate risk in relation to its financial liabilities.

#### c) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the economic entity which have been recognised on the Statement of Financial Position, is the carrying amount, net of any allowance for doubtful debts.

The economic entity does not have any off Statement of Financial Position financial instruments as at balance date.

The economic entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

#### d) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements is not materially different from their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

## 28. Contingent Liability

	RAA of SA		Consolidated	
	2003	2002	2003	2002
	\$	\$	\$	\$
Bank guarantee provided as security for outstanding workers' compensation claims	570,000	600,000	570,000	600,000

# Royal Automobile Association of South Australia Inc.

## Statement By The Directors

1 In the opinion of the directors

- a) the accompanying accounts present fairly the results of the operations of the Association and the RAA Group for the financial year ended 30th June, 2003 and the state of affairs of the Association and RAA Group as at that date.
- b) at the date of this statement the directors have reasonable grounds to believe that the Association will be able to pay its debts as and when they fall due.

The accounts of the Association and RAA Group are in accordance with applicable accounting standards and the Urgent Issues Group Consensus Views.

2 The following body corporate is a subsidiary of the Association within the meaning of Section 46 of the Corporations Act (2001):

*RAA Investments Pty Ltd (100% owned by the Association)*

The Association has assumed the role of Trustee in relation to monies held by the RAA Travel Service and by the Jumpstart youth employment fund, the amounts of which are disclosed in the accounts of the Association.

3 Indemnification and Insurance of Directors and Officers.

Current and former directors and former Council members are indemnified under Directors' and Officers' liability insurance contracts for liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage. The insurance premiums are paid by the respective entities within the RAA Group.

In addition, current and former directors and former Council members of the Association are indemnified for liabilities incurred in the discharge of their duties under Clause 46 of the Rules of the Association.

Signed this 5th day of September 2003 in accordance with a resolution of the Directors:



**GD Walters** President



**JH Brown** Vice President

# Independent Audit Report to the Members of the Royal Automobile Association of South Australia Inc.

## Scope

We have audited the financial report of the Royal Automobile Association of South Australia Inc. for the financial year ended 30 June 2003 as set out on pages 1 to 21. The financial report includes the consolidated financial statements of the consolidated entity comprising the Association and the entities it controlled at the year's end or from time to time during the financial year. The Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members.

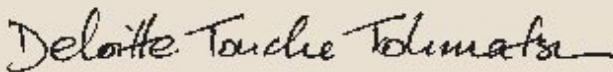
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the Association's and the consolidated entity's financial state, the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

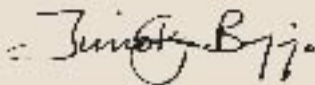
## Audit Opinion

In our opinion, the financial report of the Royal Automobile Association of South Australia Inc. presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia the financial state of the Association and consolidated entity as at 30 June 2003 and the results of their activities and their cash flows for the year then ended.

We have obtained all of the information and explanations that we required from the Association.



**DELOITTE TOUCHE TOHMATSU**



**Timothy Biggs**

Partner

Chartered Accountants

Adelaide, 9 September 2003