

ROYAL AUTOMOBILE ASSOCIATION  
OF SOUTH AUSTRALIA INC  
ABN 90 020 001 807



# financial report 2004

respect

trust

service

integrity

value



## **Graham Walters** President

Graham Walters has been a member of the RAA Board since June 1991 and is currently President of the Association and a Director of RAA Investments Pty Ltd. He is Chairman of both the RAA Governance & Nominations and Remuneration Committees, and a Member of the RAA Audit Committee. Mr Walters is a Fellow of the Institute of Chartered Accountants, a company director, consultant and Chairman of Westpac's SA Executive Committee.

## **John Fotheringham** Chief Executive

John Fotheringham joined the RAA in 1979 as Executive Officer and held the positions of Assistant General Manager and Deputy General Manager prior to being appointed Chief Executive in 1988. Mr Fotheringham holds a degree in Civil Engineering, is a Member of the Institution of Engineers Australia and a Fellow of the Australian Institute of Company Directors. He is also a Director of RAA Insurance Holdings Limited, RAA Insurance Limited, the Australian Automobile Association, Australian Motoring Services Pty Ltd and subsidiaries and the History Trust of South Australia.



# full financial report for the financial year ended 30 june 2004

## Statement Of Financial Performance For The Year Ended 30 June 2004

	Note	RAA of SA		Consolidated	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenue from ordinary activities	2a)	<b>70,655,205</b>	68,041,386	<b>66,381,603</b>	64,886,059
Share of net profits of associate accounted for using the equity method	9	-	-	<b>4,434,965</b>	3,209,179
Employee benefits expense		<b>(32,690,638)</b>	(30,562,652)	<b>(32,690,638)</b>	(30,562,652)
Payments to contractors for roadside assistance		<b>(8,608,179)</b>	(8,400,956)	<b>(8,608,179)</b>	(8,400,956)
Depreciation and amortisation expenses	2d)	<b>(3,129,687)</b>	(3,385,358)	<b>(3,129,687)</b>	(3,385,358)
Other expenses from ordinary activities	2b)	<b>(18,469,697)</b>	(22,352,208)	<b>(18,470,105)</b>	(22,352,620)
Profit from ordinary activities before income tax		<b>7,757,004</b>	3,340,212	<b>7,917,959</b>	3,393,652
Income tax benefit/(expense) relating to ordinary activities	3	-	-	-	-
Net profit		<b>7,757,004</b>	3,340,212	<b>7,917,959</b>	3,393,652
Adjustment to opening retained profits on initial adoption of AASB 1028 "Employee Benefits"		-	(946,489)	-	(946,489)
Increase/(decrease) in asset revaluation reserve arising on revaluation of non-current assets	14	<b>5,094,787</b>	(120,897)	<b>5,094,787</b>	(120,897)
Total revenue, expense and valuation adjustments attributable to members recognised directly in equity		<b>5,094,787</b>	(1,067,386)	<b>5,094,787</b>	(1,067,386)
Total changes in equity other than those resulting from transactions with owners as owners		<b>12,851,791</b>	2,272,826	<b>13,012,746</b>	2,326,266

The Statement of Financial Performance is to be read in conjunction with the Notes to the Financial Statements set out on pages 5 to 23.

## the board

### Juliet Brown Vice President

Juliet Brown is a solicitor and the Chief Executive of Thomson Playford, Lawyers. She has been a member of the RAA Board since November 1994 and is Vice President of the Association as well as a Director of RAA Insurance Ltd and RAA Investments Pty Ltd and a member of the RAA Governance & Nominations Committee. Ms Brown is a member of the Board of the Cancer Council South Australia, Local Super SA/NT and Central Northern Adelaide Health Service.



## Statement Of Financial Position As At 30 June 2004

	Note	RAA of SA		Consolidated	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>Current Assets</b>					
Cash assets	4	5,207,754	6,815,792	5,830,651	7,536,171
Receivables	5	8,941,095	2,493,270	8,909,205	2,465,808
Other financial assets	6	29,420,809	25,258,596	29,420,809	25,258,596
Other current assets	7	707,142	642,707	707,142	642,707
Inventories	10	680,416	648,643	680,416	648,643
Deposits in trust accounts	11	374,817	452,830	374,817	452,830
<b>Total Current Assets</b>		<b>45,332,033</b>	36,311,838	<b>45,923,040</b>	37,004,755
<b>Non-Current Assets</b>					
Receivables	5	2,160	6,412,230	2,160	6,624,330
Other financial assets	6	10,401,870	10,401,870	670,001	670,001
Investments accounted for using the equity method	8	-	-	10,029,291	9,554,326
Property, plant and equipment	12	40,554,759	29,623,957	40,554,759	29,623,957
Intangibles	13	958,372	1,095,273	958,372	1,095,273
<b>Total Non-Current Assets</b>		<b>51,917,161</b>	47,533,330	<b>52,214,583</b>	47,567,887
<b>Total Assets</b>		<b>97,249,194</b>	83,845,168	<b>98,137,623</b>	84,572,642
<b>Current Liabilities</b>					
Subscriptions in advance		19,443,390	18,472,821	19,443,390	18,472,821
Unearned income		1,047,069	930,405	1,047,069	930,405
Payables	16	5,902,155	6,929,564	5,902,154	6,929,563
Provisions	17	3,703,932	3,332,088	3,703,932	3,332,088
Deposits in trust accounts	11	374,817	452,830	374,817	452,830
<b>Total Current Liabilities</b>		<b>30,471,363</b>	30,117,708	<b>30,471,362</b>	30,117,707
<b>Non-Current Liabilities</b>					
Provisions	17	3,089,281	2,890,701	3,089,281	2,890,701
<b>Total Non-Current Liabilities</b>		<b>3,089,281</b>	2,890,701	<b>3,089,281</b>	2,890,701
<b>Total Liabilities</b>		<b>33,560,644</b>	33,008,409	<b>33,560,643</b>	33,008,408
<b>Net Assets</b>		<b>63,688,550</b>	50,836,759	<b>64,576,980</b>	51,564,234
<b>Equity</b>					
Retained profits	15	51,959,380	44,202,376	52,847,810	44,929,851
Reserves	14	11,729,170	6,634,383	11,729,170	6,634,383
<b>Total Equity</b>		<b>63,688,550</b>	50,836,759	<b>64,576,980</b>	51,564,234

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements set out on pages 5 to 23.

## the board

## Robert Byrne

Rob Byrne is a chartered professional engineer with a PhD in marketing. He has been a RAA Board Member since May 1996 and is also a Director of RAA Investments Pty Ltd. Mr Byrne is Chairman of Overland Vineyards Pty Ltd, Byrne & Smith Limited and Deputy Chairman of Chariot Limited, Jubilee Almonds Pty Ltd and Century Orchards Pty Ltd.

## Statement Of Cash Flows For The Year Ended 30 June 2004

	Note	RAA of SA		Consolidated	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>Cash flows from operating activities</b>					
Receipts from members and customers		69,072,754	65,292,579	69,043,458	65,262,729
Payments to suppliers and employees		(67,020,575)	(60,552,229)	(67,020,982)	(60,552,465)
Dividends received		4,289,592	3,167,612	3,978,000	4,075,300
Interest received		569,203	316,262	600,916	341,099
Rental income received		293,152	292,979	293,152	292,979
Net cash from operating activities	22	7,204,126	8,517,203	6,894,544	9,419,642
<b>Cash flows from investing activities</b>					
Payment for property, plant and equipment		(9,168,391)	(4,161,649)	(9,168,391)	(4,161,649)
Loan to other entity		-	(5,500)	-	(217,600)
Loan repayment from other entity		-	38,500	212,100	38,500
Proceeds from sale of property, plant and equipment		356,227	226,373	356,227	226,373
Payment for investment securities		-	-	-	(21,176)
Receipt from funds management		-	24,725,075	-	24,725,075
Payment to funds management		-	(25,000,000)	-	(25,000,000)
Net cash used in investing activities		(8,812,164)	(4,177,201)	(8,600,064)	(4,410,477)
<b>Net (decrease)/increase in cash</b>		<b>(1,608,038)</b>	<b>4,340,002</b>	<b>(1,705,520)</b>	<b>5,009,165</b>
<b>Cash at the beginning of the financial year</b>		<b>6,815,792</b>	<b>2,475,790</b>	<b>7,536,171</b>	<b>2,527,006</b>
<b>Cash at the end of the financial year</b>		<b>5,207,754</b>	<b>6,815,792</b>	<b>5,830,651</b>	<b>7,536,171</b>

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 5 to 23.

## the board

**Dianne Davidson**

Di Davidson is qualified in agricultural science and business administration. She is MD of Davidson Viticulture Consulting Services and manages an Adelaide Hills property plus a family property near Langhorne Creek. Ms Davidson has been a member of the RAA Board since June 2002 and is also a Director of RAA Investments Pty Ltd. She is a Fellow of the Australian Academy of Technological Science and Engineering and the Australian Institute of Agricultural Science.

# notes to the financial report for the year ended 30 june 2004

## 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.

The financial report is a general purpose financial report, which has been prepared in accordance with the *Associations Incorporation Act 1985*, Accounting Standards and the Urgent Issues Group Consensus Views.

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.

The following significant accounting policies have been adopted in the preparation of the financial report.

### .1 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.

### .2 Categorisation of revenue and expenditure

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

### .3 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 25-50%
- Plant and equipment 2.5-100%
- Motor Vehicles 15%

### .4 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.

## the board

### Wendy Greiner

Wendy Greiner has been a RAA Board member since June 1995 and also serves as a Director of RAA Investments Pty Ltd and a member of the RAA Audit Committee. Ms Greiner is an experienced marketing and communications consultant, Mayor of the City of Burnside, a Director and past President of the Australian Institute of Management, and Trustee of the James Brown Memorial Trust.



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.

Contributions made to the defined benefit section of the RAA Staff Superannuation Scheme are expensed when incurred. The difference between the accrued benefits and the net market value of the Scheme assets has not been recognised in the financial statements.

#### **.5 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.

#### **.6 Goodwill**

Goodwill represents the cost of acquisition of monitored security lines which are amortised on a straight line basis over a period of ten years. The value of goodwill is reviewed at the end of each reporting period to ensure the carrying value is not materially different from the value of the remaining acquired monitored security lines.

#### **.7 Impact of adoption of Australian International Financial Reporting Pronouncements**

The economic entity has commenced planning for the transition to A-IFRS. Regular reports have been received by the Audit Committee identifying the impacts of conversion. The key accounting policies and disclosures identified are:

- recognition of contracts relating to vehicle breakdown services. Currently, the economic entity recognises income from members on an earned basis. Under A-IFRS, the accounting treatment for income and expenditure relating to vehicle breakdown services may need to be recognised in accordance with the A-IFRS insurance contracts standard. The impact on the Statement of Financial Performance and Statement of Financial Position of a change would be significant. The Directors have sought external advice on the matter and, at this stage, no change to the accounting treatment is likely.
- treatment of tax affect accounting. The economic entity is assessing the impact of changes to the recognition of deferred taxes and carried forward tax losses. The Directors have not made any decisions on accounting policy alternatives but the adoption of the A-IFRS may require the recognition of deferred tax liabilities and assets in the Statement of Financial Position and adjustments to opening retained profit balances.
- employee benefits in respect of sponsored defined benefit superannuation. The economic entity has a small number of employees who are members of the defined benefit category of the RAA Staff Superannuation Scheme. The recognition of any surplus or deficit of the Scheme in the Statement of Financial Position will introduce volatility to the Statement of Financial Performance as movements are recognised.
- intangible assets such as goodwill. Currently, goodwill is amortised. The introduction of an impairment test in accordance with A-IFRS may introduce volatility to the Statement of Financial Performance where impairment losses are likely to occur.
- recognition and measurement of financial assets and liabilities. The economic entity is still evaluating the different options available for the recognition of financial assets and financial liabilities, consequently the impact of any change on the financial statements cannot yet be quantified.

## the board

### **Leon Holmes**

Leon Holmes has been a member of the RAA Board of Directors since June 1994 and is also a Director of RAA Investments Pty Ltd. He is Managing Director of Gooscar Pty Ltd (trading as Autobarn Elizabeth), a Director of SAICORP and President of Meals on Wheels (SA) Inc. Mr Holmes was formerly the Chairman's Representative in SA of the Shell Company of Australia Ltd.





- equity accounted investment in associated company. The economic entity is awaiting the completion of the associated company's assessment of the impact of adopting A-IFRS. Consequently, the impact of any change on the financial statements of the economic entity cannot yet be quantified.

Based on the identification and evaluation of the impacts, systems and procedures will be amended and staff trained in the new requirements.

#### **.8 Inventories**

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

#### **.9 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.

#### **.10 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. The investment strategy is reviewed annually. 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.

#### **.11 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.

#### **.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 statements of controlled entities are 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 Revaluation of non-current assets**

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

## the board

### **David Hunt** AO, QPM

David Hunt retired as Commissioner of Police in 1996 and has been a member of the RAA Board since June 1997. He is also a Director of RAA Investments Pty Ltd and a member of the RAA Governance & Nominations Committee. He is Patron of the National Servicemen's Association and Scouts Australia (SA).



Revaluation increments and decrements arising from recognising land and buildings at their fair values are offset against one another within the class of assets. Net revaluation increments in the carrying amounts of land and buildings are recognised directly in the asset revaluation reserve, except to the extent that the increment reverses a decrement that was previously recognised as an expense in net profit or loss in respect of the same class of assets, in which case the increment is recognised as revenue in net profit or loss. Net revaluation decrements in the carrying amounts of land and buildings are recognised as an expense in net profit or loss, except to the extent that the decrement reverses a previous revaluation increment in respect of the same class of assets credited directly to the asset revaluation reserve, in which case the decrement is debited directly to the reserve to the extent that a credit exists in respect of the same class of assets.

#### **.14 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.

#### **.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 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.

#### **.17 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.

## the board

### **Ian Martens**

Ian Martens is a chartered accountant and was senior partner at BDO (SA), where he is now a consultant. Mr Martens has been a member of the RAA Board since March 1989, is Chairman of RAA Insurance Ltd and a Director of RAA Investments Pty Ltd. He is also Chairman of the RAA Audit Committee, a member of the RAA Investment Committee and a member of the RAA Insurance Audit Committee. He is a Fellow of the Institute of Chartered Accountants, the Australian Institute of Company Directors and the Taxation Institute of Australia.





## .18 Change in accounting policy

### a) Directors' and Executives' Remuneration

The director and executive remuneration information has been prepared in accordance with the new Accounting Standard AASB 1046 "Directors and Executives Disclosures by Disclosing Entities". While the Standard applies only to disclosing entities, the Association has, for some time, been guided by the annual reporting requirements applying to disclosing entities.

### b) Employee Benefits

During the previous reporting period, 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 provides an illustration of 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 amount of the adjustment relating to financial years prior to those presented in the financial report was \$946,489.

## the board



### Rod Payze

Rod Payze, an engineer with a Master of Science, was CEO of the Department of Transport, Urban Planning and the Arts from 1997 to 2000. He has been a RAA Board member since February 2001 and is also a Director of RAA Investments Pty Ltd and Chair of the RAA Investment Committee. Mr Payze is a Fellow of the Institution of Engineers (Aust) and the Charter Institute of Transport In Australia Inc, as well as a Director of Flinders Ports Pty Ltd.

	RAA of SA		Consolidated	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>2. Revenue And Other Expenses</b>				
<b>a) Revenue from ordinary activities:</b>				
<b>Operating revenue</b>				
Subscriptions and entrance fees	34,977,892	34,205,502	34,977,892	34,205,502
Revenue from sundry income	3,128,257	2,617,253	3,095,914	2,587,957
Commission	1,930,328	1,776,917	1,930,328	1,776,917
RAA Insurance distribution fee	6,527,815	6,221,244	6,527,815	6,221,244
Sales revenue				
Sales of goods	6,461,492	6,590,915	6,461,492	6,590,915
Rendering of services	6,980,505	6,008,936	6,980,505	6,008,936
Advertising revenue from SA Motor	731,015	743,833	731,015	743,833
Rental income	293,152	292,979	293,152	292,979
Other revenue				
Investment revenue				
Dividends - related entities	4,289,592	3,167,612	-	-
Dividends - other entities	-	-	18,000	15,300
Interest - other entities	600,088	325,459	630,421	351,740
Net movement in the market value of managed funds	2,363,140	(430,946)	2,363,140	(430,946)
Investment fund distributions/realised gains/(losses)	2,015,702	(114,801)	2,015,702	(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	356,227	226,373	356,227	226,373
	<b>70,655,205</b>	<b>68,041,386</b>	<b>66,381,603</b>	<b>64,886,059</b>
<b>b) Other expenditure from ordinary activities:</b>				
Bad debts written off, net of recoveries	138,787	135,183	138,787	135,183
Banking and credit card charges	710,346	738,154	710,553	738,366
Allowance for doubtful debts	(4,905)	(7,083)	(4,905)	(7,083)
Commission paid to agents	981,543	892,289	981,543	892,289
Fleet expenses	740,913	732,172	740,913	732,172
Office and computer supplies	1,085,752	955,233	1,085,752	955,233
Rates, insurance and utility expenses	1,200,127	1,087,384	1,200,127	1,087,384
Rent paid on operating leases	787,007	467,021	787,007	467,021
SA Motor production costs	885,639	858,321	885,639	858,321
Auditors' remuneration:				
Amounts received or due and receivable by the auditors of the Association for:				
Audit services	40,000	32,500	40,000	32,500
Other services	25,873	42,100	25,873	42,100
Cost of sales	4,193,690	4,370,581	4,193,690	4,370,581
Postages and freight	1,172,990	1,131,781	1,172,990	1,131,781
Promotional and public issues	1,508,879	1,236,133	1,508,879	1,236,133

## the board

### Ruth Robinson

Ruth Robinson owns and operates a mixed farming property north of Jamestown, having graduated from Roseworthy Agricultural College. Extensive community involvement has included terms as State President of Rural Youth and Senior Vice President of the South Australian Farmers Federation. She has been a member of the RAA Board since April 2001 and is also a Director of RAA Investments Pty Ltd. Ms Robinson is a Fellow of the Australian Institute of Company Directors.

	RAA of SA		Consolidated	
	2004	2003	2004	2003
	\$	\$	\$	\$
Telephone charges	1,066,738	1,193,824	1,066,738	1,193,824
Value of depreciated assets written back on disposal:				
Hindmarsh Square property	-	4,904,700	-	4,904,700
Plant and equipment	366,341	273,008	366,341	273,008
Other expenditure	3,569,977	3,308,907	3,570,178	3,309,107
	<b>18,469,697</b>	<b>22,352,208</b>	<b>18,470,105</b>	<b>22,352,620</b>
<b>c) Gain/(Loss) on disposal of non-current assets:</b>				
Hindmarsh Square property	-	1,505,410	-	1,505,410
Plant and equipment	(10,114)	(46,635)	(10,114)	(46,635)
<b>d) Depreciation and Amortisation expenses</b>				
Depreciation of property, plant and equipment	2,992,787	3,248,449	2,992,787	3,248,449
Amortisation of goodwill	136,900	136,909	136,900	136,909
	<b>3,129,687</b>	<b>3,385,358</b>	<b>3,129,687</b>	<b>3,385,358</b>

### 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	
	2004	2003	2004	2003
	\$	\$	\$	\$
Profit from ordinary activities	7,757,004	3,340,212	7,917,959	3,393,652
The prima facie tax on the profit from ordinary activities before tax @ 30% (2003: 30%)	2,327,101	1,002,064	2,375,388	1,018,096
Tax effect of permanent differences:				
Profit attributable to activities for the mutual benefit of members and creditable dividends	(1,830,191)	(1,025,563)	381,238	714,437
Non-deductible depreciation and amortisation	88,840	73,415	88,840	73,415
Franking credits	551,519	407,264	2,314	1,967
Equity share of associates' profits	-	-	(1,330,490)	(962,754)
Other items	-	-	414	(433)
Tax offsets	(1,137,269)	(457,180)	(1,517,704)	(844,728)
Income tax (benefit)/expense relating to ordinary activities	-	-	-	-

## the board

### John Sangster

Dr John Sangster has been a member of the RAA Board since March 1986 and is also a Director of RAA Investments Pty Ltd and past President of the Australian Automobile Association. Dr Sangster is Senior Partner at Adelaide Cardiology and a Fellow of the Royal Australasian College of Physicians.



## 9. Investments In Associated Company

	Principal Activity	Ownership Interest		Carrying Amount	
		2004	2003	2004 \$	2003 \$
RAA Insurance Holdings Ltd	Personal Lines Ins.	50.0%	50.0%	<u>10,029,291</u>	<u>9,554,326</u>

The chief entity holds 39.01% (39.01% in 2003) 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 2003) 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.

	2004 \$	2003 \$
<b>Equity accounted investment</b>		
Equity accounted amount of investment at the beginning of the financial year	9,554,326	10,405,147
Share of operating profit before income tax	6,260,799	4,392,654
Share of income tax	(1,825,834)	(1,183,475)
Share of dividend	<u>(3,960,000)</u>	<u>(4,060,000)</u>
Equity accounted amount of investment at the end of the financial year	<u>10,029,291</u>	<u>9,554,326</u>
<b>Summarised financial position of associate</b>		
Current assets	65,684,801	62,064,802
Current liabilities	(52,089,599)	(48,987,662)
Non-current assets	2,708,900	2,840,156
Non-current liabilities	<u>(1,099,952)</u>	<u>(723,076)</u>
Net Assets	<u>15,204,150</u>	<u>15,194,220</u>
Net profit after income tax	<u>8,869,930</u>	<u>6,418,358</u>
<b>Share of retained profits attributable to associate</b>		
at the beginning of the financial year	2,374,803	3,225,624
at the end of the financial year	<u>2,849,768</u>	<u>2,374,803</u>

### Capital Commitments

The chief entity's share of capital commitments is disclosed in Note 21.

	RAA of SA		Consolidated	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>10. Inventories</b>				
Finished goods at cost	<b>680,416</b>	648,643	<b>680,416</b>	648,643
<b>11. Deposits In Trust Accounts</b>				
<b>a) Current Assets</b>				
RAA Travel trust bank balance	<b>303,017</b>	384,669	<b>303,017</b>	384,669
Jumpstart trust bank balance	<b>71,800</b>	68,161	<b>71,800</b>	68,161
	<b>374,817</b>	452,830	<b>374,817</b>	452,830
<b>b) Current Liabilities</b>				
RAA Travel trust liabilities	<b>303,017</b>	384,669	<b>303,017</b>	384,669
Jumpstart trust liabilities	<b>71,800</b>	68,161	<b>71,800</b>	68,161
	<b>374,817</b>	452,830	<b>374,817</b>	452,830

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.

## 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, 2003	<b>5,180,750</b>	-	<b>5,180,750</b>
Additions	<b>21,206</b>	-	<b>21,206</b>
Net revaluation increment	<b>2,653,044</b>	-	<b>2,653,044</b>
Balance at 30 June, 2004	<b>7,855,000</b>	-	<b>7,855,000</b>
Buildings at fair value			
Balance at 30 June, 2003	<b>13,750,996</b>	(516,730)	<b>13,234,266</b>
Additions	<b>3,873,496</b>	-	<b>3,873,496</b>
Disposals	(1,840)	-	(1,840)
Depreciation	-	(278,952)	(278,952)
Net revaluation increment	<b>1,646,061</b>	<b>795,682</b>	<b>2,441,743</b>
Balance at 30 June, 2004	<b>19,268,713</b>	-	<b>19,268,713</b>



	Gross Carrying Amount	Accumulated Depreciation Amortisation	Net Carrying Amount
Leasehold Improvements at cost			
Balance at 30 June, 2003	805,911	(88,176)	717,735
Transfers	(230,683)	-	(230,683)
Amortisation	-	(184,426)	(184,426)
Balance at 30 June, 2004	<u>575,228</u>	<u>(272,602)</u>	<u>302,626</u>
Vehicles, Plant and Equipment at cost			
Balance at 30 June, 2003	28,007,825	(17,516,619)	10,491,206
Additions	5,531,124	-	5,531,124
Disposals	(939,866)	575,365	(364,501)
Depreciation	-	(2,529,409)	(2,529,409)
Balance at 30 June, 2004	<u>32,599,083</u>	<u>(19,470,663)</u>	<u>13,128,420</u>
Opening net carrying amount			<u>29,623,957</u>
Closing net carrying amount			<u>40,554,759</u>

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 June 2004 on the basis of an assessment of valuations for similar use properties in the various locations. Independent advice was obtained to assist with the review.

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	
2004	2003	2004	2003
\$	\$	\$	\$

### 13. Intangibles

Goodwill – at cost	1,369,091	1,369,091	1,369,091	1,369,091
Accumulated amortisation	(410,719)	(273,818)	(410,719)	(273,818)
Balance at 30 June 2004	<u>958,372</u>	<u>1,095,273</u>	<u>958,372</u>	<u>1,095,273</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	6,634,383	6,755,280	6,634,383	6,755,280
Revaluation of non-current assets	5,094,787	(120,897)	5,094,787	(120,897)
Balance at end of the financial year	<u>11,729,170</u>	<u>6,634,383</u>	<u>11,729,170</u>	<u>6,634,383</u>

	Note	RAA of SA		Consolidated	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>15. Retained Profits</b>					
Balance at beginning of the financial year		<b>44,202,376</b>	41,808,653	<b>44,929,851</b>	42,482,688
Adjustment to retained profits on initial adoption of AASB 1028 'Employee Benefits'		-	(946,489)	-	(946,489)
Net profit		<b>7,757,004</b>	3,340,212	<b>7,917,959</b>	3,393,652
Balance at end of the financial year		<b>51,959,380</b>	44,202,376	<b>52,847,810</b>	44,929,851

**16. Payables**

Trade payables		<b>1,443,654</b>	1,306,705	<b>1,443,654</b>	1,306,705
Security deposit (i)		<b>1,363,870</b>	1,309,422	<b>1,363,870</b>	1,309,422
Other payables and accruals		<b>3,094,631</b>	4,313,437	<b>3,094,630</b>	4,313,436
		<b>5,902,155</b>	6,929,564	<b>5,902,154</b>	6,929,563

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

**17. Provisions****a) Current**

Employee entitlements	18	<b>3,609,532</b>	3,325,788	<b>3,609,532</b>	3,325,788
Workers' compensation		<b>94,400</b>	6,300	<b>94,400</b>	6,300
		<b>3,703,932</b>	3,332,088	<b>3,703,932</b>	3,332,088

**b) Non-Current**

Employee entitlements	18	<b>2,850,481</b>	2,715,001	<b>2,850,481</b>	2,715,001
Workers' compensation		<b>238,800</b>	175,700	<b>238,800</b>	175,700
		<b>3,089,281</b>	2,890,701	<b>3,089,281</b>	2,890,701

**c) Movement in Provisions**

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

## Workers Compensation

Balance at beginning of financial year		<b>182,000</b>	254,000		
Increase arising from receipt of additional funding re transfer of liability on commencement of self-insurance status in July 1999.		<b>107,141</b>	-		
Reduction arising from net of payments and recoveries.		<b>(56,923)</b>	(59,963)		
Increase/(reduction) resulting from the re-measurement of the estimated future sacrifice		<b>100,982</b>	(12,037)		
Balance at end of financial year		<b>333,200</b>	182,000		

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 2004, net of recoveries.

	Note	RAA of SA		Consolidated	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>18. Employee Entitlements</b>					
Aggregate employee entitlements, including on-costs					
- Current	17	<b>3,609,532</b>	3,325,788	<b>3,609,532</b>	3,325,788
- Non Current	17	<b>2,850,481</b>	2,715,001	<b>2,850,481</b>	2,715,001
		<b>6,460,013</b>	6,040,789	<b>6,460,013</b>	6,040,789

As at the reporting date the Association had 541 (2003: 536) 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 scheme assets at net market value and vested benefits of the scheme are as set out below. This information is as at 30 June 2003, the date of the most recent financial report. The accrued benefits information as set out below is as at 30 June 2002, the date of the most recent actuarial review. The conclusion of the actuarial review was that the funds within the scheme were considered adequate to satisfy all benefits payable in the event of termination of the scheme and voluntary or compulsory termination of employment of each employee.

	RAA Staff Superannuation Scheme \$000's
Scheme assets at net market value	<b>38,668</b>
Accrued benefits	<b>34,185</b>
Excess of Fund assets over accrued benefits	<b>4,483</b>
Vested benefits	<b>37,135</b>

Employer contributions to the scheme during the year were \$2,879,000 (2003: \$2,458,000).

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 And Specified Executive Disclosures

### Specified Directors

The specified directors 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 specified director related entities.

During the financial year, specified 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 specified directors' and specified executives' remuneration are disclosed in Note 20.

### Associated Entities

The chief entity received \$6,527,815 (2003 \$6,221,244) 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 \$668,585 (2003 - \$1,169,196).

The chief entity has included an amount in current liabilities of \$1,373,596 (2003 - \$1,107,930) 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. Directors' And Executives' Remuneration

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.

The specified directors of the chief entity during the financial year are disclosed in Note 19.

The specified executives of the chief entity during the financial year were:

- JA Fotheringham Chief Executive
- PR Prestwich General Manager Finance
- WB Shepherd General Manager Corporate Services
- PJ Preiss General Manager Marketing
- AE White General Manager Operations (retired)

<b>Name</b>	<b>Salary/Fees</b>	<b>Benefits</b>	<b>At Risk Component</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Specified Directors</b>				
<b>GD Walters</b>	22,198	2,195	-	24,393
<b>JH Brown</b>	13,318	1,317	-	14,635
<b>RJ Byrne</b>	-	12,196	-	12,196
<b>DM Davidson</b>	11,098	1,098	-	12,196
<b>WS Greiner</b>	7,348	4,848	-	12,196
<b>LC Holmes</b>	11,098	1,098	-	12,196
<b>DA Hunt</b>	11,098	1,098	-	12,196
<b>IM Martens</b>	11,098	1,098	-	12,196
<b>RJ Payze</b>	-	12,196	-	12,196
<b>RN Robinson</b>	11,098	1,098	-	12,196
<b>JF Sangster</b>	11,098	1,098	-	12,196
<b>MS Shanahan</b>	11,098	1,098	-	12,196
<b>Specified Executives</b>				
<b>JA Fotheringham</b>	235,890	44,411	5,105	285,406
<b>PR Prestwich</b>	125,957	34,661*	11,423	172,041
<b>WB Shepherd</b>	114,188	36,384*	10,209	160,781
<b>PJ Preiss</b>	97,417	38,078	21,137	156,632
<b>AE White</b>	123,636	13,894	10,646	148,176

\* Includes "cashed out" long service leave.

RAA of SA		Consolidated	
2004	2003	2004	2003
\$	\$	\$	\$

## 21. Commitments

### Lease Commitments

Aggregated lease expenditure contracted for at balance date but not provided for in the financial statements:

Not longer than one year	<b>750,234</b>	724,030	<b>750,234</b>	724,030
Longer than one year and not longer than five years	<b>1,263,846</b>	1,673,476	<b>1,263,846</b>	1,673,476
Longer than five years	<b>466,934</b>	770,516	<b>466,934</b>	770,516
	<b>2,481,014</b>	3,168,022	<b>2,481,014</b>	3,168,022

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

#### Chief entity's share of associate's capital expenditure commitments

Not longer than one year	-	-	<b>23,500</b>	-
Longer than one year and not longer than five years	-	-	<b>47,500</b>	-
	-	-	<b>71,000</b>	-

## 22. Statement Of Cash Flows

### Reconciliation of net cash provided by operating activities to net profit

Net profit	<b>7,757,004</b>	3,340,212	<b>7,917,959</b>	3,393,652
Depreciation and amortisation of non-current assets	<b>3,129,687</b>	3,385,358	<b>3,129,687</b>	3,385,358
Loss/(Profit) on sale of non-current assets				
Hindmarsh Square property	-	(1,505,410)	-	(1,505,410)
Plant and equipment	<b>10,114</b>	46,635	<b>10,114</b>	46,635
Share of associates' profits (less dividends)	-	-	<b>(474,965)</b>	850,821
Movements in assets and liabilities:				
Unearned income	<b>1,087,233</b>	(190,778)	<b>1,087,233</b>	(190,778)
Receivables	<b>292,482</b>	6,433,134	<b>293,863</b>	6,431,690
Payables	<b>517,147</b>	841,857	<b>520,194</b>	841,479
Provisions	<b>585,170</b>	257,312	<b>585,170</b>	257,312
Inventories	<b>(29,730)</b>	98,687	<b>(29,730)</b>	98,687
Doubtful debts	<b>(4,905)</b>	(7,083)	<b>(4,905)</b>	(7,083)
Balances held on behalf of third parties	<b>(1,977,863)</b>	(4,861,269)	<b>(1,977,863)</b>	(4,861,269)
Non-cash movement in managed funds	<b>(4,162,213)</b>	678,548	<b>(4,162,213)</b>	678,548
<b>Net cash from operating activities</b>	<b>7,204,126</b>	8,517,203	<b>6,894,544</b>	9,419,642



### Non Cash Financing and Investing Activities

During the prior 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 table below, 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 below.

	<b>Member Services</b>	<b>Insurance</b>	<b>Total</b>	Member Services	Insurance	Total
	<b>2004</b>	<b>2004</b>	<b>2004</b>	2003	2003	2003
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	<b>66,381,603</b>	<b>4,434,965</b>	<b>70,816,568</b>	64,886,059	3,209,179	68,095,238
Segment Result	<b>3,482,994</b>	<b>4,434,965</b>	<b>7,917,959</b>	(1,320,937)	3,209,179	1,888,242
Gain on sale of property	-	-	-	1,505,410	-	1,505,410
Net profit	<b>3,482,994</b>	<b>4,434,965</b>	<b>7,917,959</b>	184,473	3,209,179	3,393,652
Assets	<b>88,108,332</b>	<b>10,029,291</b>	<b>98,137,623</b>	75,018,316	9,554,326	84,572,642
Liabilities	<b>33,560,643</b>	-	<b>33,560,643</b>	33,008,408	-	33,008,408

### 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.

### b) Interest Rate Risk

The following table details the economic entity's exposures to interest rate risk at 30 June 2004.

2004	%	Variable Interest Rate \$	Maturing in Less than 1 Year \$	Fixed Interest \$	Non Interest Bearing \$	Total \$
<b>Financial assets</b>						
Cash	5.0	3,830,651	2,000,000	-	-	5,830,651
Receivables		-	-	-	2,501,255	2,501,255
Funds under management						
Income securities	7.1	3,248,080	-	-	-	3,248,080
Convertible notes	8.0	-	-	1,126,588	-	1,126,588
Convertible preference shares	9.5	77,216	-	1,393,605	-	1,470,821
Shares in listed companies		-	-	-	18,710,842	18,710,842
International managed funds		-	-	-	3,583,324	3,583,324
Cash	4.4	1,281,154	-	-	-	1,281,154
Shares in other companies		-	-	-	670,001	670,001
Deposits in trust accounts	5.0	374,817	-	-	-	374,817
Deferred settlement (i)	4.5	-	-	6,410,110	-	6,410,110
		<u>8,811,918</u>	<u>2,000,000</u>	<u>8,930,303</u>	<u>25,465,422</u>	<u>45,207,643</u>

(i) The "deferred settlement" relates to the consideration for the sale of the Hindmarsh Square property which is payable

in June 2005.

		Variable Interest Rate \$	Maturing in Less than 1 Year \$	Fixed Interest \$	Non Interest Bearing \$	Total \$
<b>2003</b>	%					
<b>Financial assets</b>						
Cash	4.5	5,536,171	2,000,000	-	-	7,536,171
Receivables		-	-	-	2,680,028	2,680,028
Funds under management						
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>

#### 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.

RAA of SA		Consolidated	
2004	2003	2004	2003
\$	\$	\$	\$

#### 28. Contingent Liability

Bank guarantee provided as security for outstanding workers' compensation claims

<b>590,000</b>	570,000	<b>590,000</b>	570,000
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# 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, 2004 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 1st day of September 2004 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 Royal Automobile Association of South Australia Inc. for the financial year ended 30 June 2004 as set out on pages 2 to 24. 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 position, 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 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 position of the association and consolidated entity as at 30 June 2004 and the results of their operations and their cash flows for the year then ended.



**DELOITTE TOUCHE TOHMATSU**



**Stephen Harvey** Partner

Chartered Accountants  
Adelaide, 1 September 2004