FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

2008

Royal Automobile Association of South Australia Inc.

Income statement

For the year ended 30 June 2008

		RAA of SA		Consolidated	
		2008	2007	2008	2007
	Note	$'000	$'000	$'000	$'000
Revenue	2a)	**86,319**	86,309	**83,262**	83,661
Share of profits of associate	9	-	-	**1,483**	3,731
Employee benefits expense		**(42,071)**	(39,409)	**(42,071)**	(39,409)
Payments to contractors for roadside assistance		**(11,578)**	(10,405)	**(11,578)**	(10,405)
Depreciation and amortisation expenses	2c)	**(3,926)**	(3,629)	**(3,926)**	(3,629)
Other expenses	2b)	**(31,737)**	(21,790)	**(31,737)**	(21,790)
Profit/(loss) before income tax		**(2,993)**	11,076	**(4,567)**	12,159
Income tax benefit/ (expense)	3	**2,708**	(1,206)	**2,557**	(1,224)
Profit/(loss) after tax		**(285)**	9,870	**(2,010)**	10,935

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

Balance sheet

As at 30 June 2008

		RAA of SA		Consolidated	
		2008	2007	2008	2008
	Note	$'000	$'000	$'000	$'000
Current Assets					
Cash and cash equivalents	4	**4,627**	4,257	**4,627**	4,354
Trade and other receivables	5	**10,049**	3,691	**10,049**	3,696
Other financial assets	6	**54,552**	59,230	**54,552**	59,230
Other current assets	7	**843**	840	**843**	798
Inventories	10	**995**	925	**995**	925
Deposits in trust accounts	11	**712**	402	**712**	402
Total Current Assets		**71,778**	69,345	**71,778**	69,405
Non-Current Assets					
Receivables	5	**7**	6,652	**7**	6,652
Other financial assets	6	**2,860**	4,108	**2,860**	4,968
Investments in subsidiaries	8	**-**	3,995	**-**	-
Investments in associates	9	**12,513**	8,707	**14,369**	15,706
Property, plant and equipment	12	**53,857**	54,370	**53,857**	54,370
Deferred tax assets	3	**3,997**	3,575	**3,977**	3,558
Intangibles	13	**2,601**	1,881	**2,601**	1,881
Total Non-Current Assets		**75,835**	83,288	**77,671**	87,135
Total Assets		**147,613**	152,633	**149,449**	156,540
Current Liabilities					
Subscriptions in advance		**21,968**	20,970	**21,968**	20,970
Unearned income		**-**	1,176	**-**	1,176
Trade and other payables	16	**9,288**	7,490	**9,288**	7,490
Provisions	17	**4,119**	4,467	**4,119**	4,467
Deposits in trust accounts	11	**712**	402	**712**	402
Total Current Liabilities		**36,087**	34,505	**36,087**	34,505
Non-Current Liabilities					
Subscriptions in advance		**57**	58	**57**	58
Payables	16	**-**	2,644	**-**	2,644
Provisions	17	**3,087**	3,202	**3,087**	3,202
Deferred tax liabilities	3	**7,591**	10,258	**7,739**	10,258
Total Non-Current Liabilities		**10,735**	16,162	**10,883**	16,162
Total Liabilities		**46,822**	50,667	**46,970**	50,667
Net Assets		**100,791**	101,966	**102,479**	105,873
Equity					
Retained earnings	15	**85,534**	86,709	**87,222**	90,122
Reserves	14	**15,257**	15,257	**15,257**	15,751
Total Equity		**100,791**	101,966	**102,479**	105,873

The Balance Sheet is to be read in conjunction with the accompanying Notes to the Financial Statements

Cash flow statement

For the year ended 30 June 2008

		RAA of SA		Consolidated	
		2008	2007	2008	2007
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from members and customers		**123,905**	125,034	**123,909**	124,998
Payments to suppliers and employees		**(123,422)**	(121,881)	**(123,464)**	(121,881)
Dividends received		**2,919**	2,660	**2,850**	2,027
Interest received		**666**	828	**676**	854
Rental income received		**378**	370	**378**	370
Net cash from operating activities	22	**4,446**	7,011	**4,349**	6,368
Cash flows from investing activities					
Payment for property, plant and equipment		**(4,508)**	(3,736)	**(4,508)**	(3,736)
Proceeds from sale of property, plant and equipment		**432**	595	**432**	595
Payment for investment in other company		**-**	(2,300)	**-**	(2,300)
Payment to funds management		**-**	(2,001)	**-**	(2,001)
Net cash used in investing activities		**(4,076)**	(7,442)	**(4,076)**	(7,442)
Net increase/(decrease) in cash		**370**	(431)	**273**	(1,074)
Cash and cash equivalents at beginning of period		**4,257**	4,688	**4,354**	5,428
Cash and cash equivalents at end of period	4	**4,627**	4,257	**4,627**	4,354

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

Statement of recognised income and expense

For the year ended 30 june 2008

		RAA of SA		Consolidated	
		2008	**2007**	**2008**	**2007**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Fair value revaluation of land and buildings	14	**-**	4,932	**-**	4,932
Actuarial gain/(loss) on defined benefit superannuation fund		**(890)**	503	**(890)**	503
Net unrealised gain on available for sale financial assets	14	**-**	-	**-**	102
Net income/(expense) recognised directly in equity		**(890)**	5,435	**(890)**	5,537
Profit/(loss) after tax for the period		**(285)**	9,870	**(2,010)**	10,935
Total recognised income and expenses for the period		**(1,175)**	15,305	**(2,900)**	16,472

The Statement of recognised income and expenses is to be read in conjunction with the accompanying Notes to the Financial Statements.

Notes to the financial statements

For the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Royal Automobile Association of South Australia Inc (the parent) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution by the directors on 25 August 2008. The parent is an incorporated association in South Australia.

Basis of preparation

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

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

The financial report is presented in Australian dollars. For the first time in the year ended 30 June 2008 the Association has reported values rounded to the nearest thousand dollars [$'000], unless otherwise stated. Comparatives have been amended accordingly.

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

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.

(a) Compliance with IFRS

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

(b) New accounting standards and interpretation

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2008. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB Int. 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan	1 January 2008	The Group has a defined benefit pension plan and as such this interpretation may have an impact on the Group's financial report. However, the Group has not yet determined the extent of the impact, if any.	1 July 2008
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	If the Group enters into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
Amendments to International Financial Reporting Standards**	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009
Amendments to International Financial Reporting Standards**	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

**designates the beginning of the applicable annual reporting period unless otherwise stated*

*** pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by the AASB*

(c) Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the group, being the Royal Automobile Association of South Australia Inc. and its subsidiary. Details of the subsidiary 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 group are eliminated in full.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(d) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statements, cash and cash equivalents consist of cash and cash equivalents as defined above

(e) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

An allowance for impairment is made when there is objective evidence that the group will not be able to collect the debts. Bad debts are written off when identified.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Inventories are accounted for on a first in, first out basis.

g) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit and loss, directly attributable transaction costs.

Recognition and Derecognition

All regular way purchases and sales of financial assets are recognised on the trade date ie the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

All financial assets held by the group at 30 June2008 are classified as either 'fair value through profit and loss' or 'loans and receivables'.

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit and loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

(ii) Loans and receivables

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

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques.

(h) Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(i) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation and impairment.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets.

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

- Buildings 2%
- Leasehold improvements 10-50%
- Plant and equipment 2.5-100%
- Motor vehicles 15%

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may not be recoverable.

Revaluations of land and buildings

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

Land and buildings are measured on the fair value basis. Fair value is determined on the basis of an independent valuation prepared by external valuation experts, and determined on market based evidence by appraisal, and does not take capital gains tax into account. The fair values are recognised in the financial statements of the economic 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.

Revaluation increments and decrements arising from recognising land and buildings at their fair values are offset against one another on an asset basis. 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 asset, 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

(i) Property, plant and equipment (continued)

an expense in net profit or loss, except to the extent that the decrement reverses a previous revaluation increment in respect of the same asset 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 asset.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(j) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if event or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable.

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(k) Goodwill and intangibles

Goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised but is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

Intangibles

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

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

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

(l) Trade and other payables

Trade payables and other payables are held at amortised cost and represent liabilities for goods and services provided to the group prior to the end of the financial year that are unpaid and arise when the group becomes obliged to make future payments in respect of the purchase of these goods and services.

(m) Provisions and employee benefits

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate.

Employee leave benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

(iii) Defined benefit superannuation

The cost of providing benefits under the defined benefit section of the RAA Staff Superannuation Scheme is determined using the projected unit credit method, with actuarial valuations being carried out each year at each reporting date.

Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur, and are presented in the statement of recognised income and expense.

(iv) Superannuation guarantee contributions

Superannuation guarantee contributions to the RAA Staff Superannuation Scheme are expensed when incurred.

Workers' compensation

The parent is a self-insurer for workers' copensation 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 using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the timing of claim payments.

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

(n) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.
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 parent's services and products. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Fee and commission income is recognised as it accrues.

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

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

The net gain or loss of non-current asset sales are included as income 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.

(o) Income tax and other taxes

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

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 Cash Flow Statement 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.

(p) Amount, timing and uncertainty of cash flows

The major source of revenue for the group is membership subscription income.

The only significant risk to profit from membership subscription income is the cost of members' demand for road service exceeding this revenue. The risk is mitigated predominantly through the use of a fixed cost operating structure based on estimated future demand. Estimated future demand can depend on a number of factors which cannot be predicted with significant accuracy such as adverse weather conditions or upward volatility in the price of fuel. Group budgets contain amounts conservatively calculated to cover the cost of such factors which in the past have generally proved more than adequate. Excessive use of RAA roadside assistance is managed through a frequent user program which requires payment for excessive use on a per job basis.

Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of roadside assistance liabilities. In performing these tests, current best estimates of future contractual cashflows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities are used. Should a deficiency occur, a charge to profit and loss would be made and a provision established for losses arising from liability adequacy tests.

(q) Significant estimates, judgements and assumptions

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially effect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary difference.

Classification of and valuation of investments

The Group classifies its investments as 'fair value through profit and loss' investments and movements in fair value are recognised in the income statement. The fair value of listed shares have been determined by reference to published price quotations in an active market. Once classified as 'fair value through profit and loss', an investment cannot be reclassified out of 'fair value through profit and loss'.

2. REVENUE AND OTHER EXPENSES

	Note	RAA of SA 2008 $'000	RAA of SA 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
a) Revenue:					
Revenue					
Subscriptions and entrance fees		**41,880**	41,198	**41,880**	41,198
Revenue from sundry income		**4,135**	3,857	**4,135**	3,818
Commission		**3,043**	2,815	**3,043**	2,815
RAA Insurance distribution fee		**10,022**	8,462	**10,022**	8,462
Sales revenue					
Sales of goods		**9,317**	8,228	**9,317**	8,228
Rendering of services		**9,890**	8,476	**9,890**	8,476
Advertising revenue from SAMotor		**824**	933	**824**	933
Rental income		**387**	370	**387**	370
Other revenue					
Investment revenue					
Dividends - related entities		**3,590**	2,660	**-**	-
Dividends - other entities		**-**	-	**29**	28
Interest - other entities		**851**	826	**861**	849
Net gain on the market value of managed funds		**-**	2,274	**-**	2,274
Investment fund distributions/realised gains/(losses)		**2,323**	6,172	**2,817**	6,172
Other income					
Net gain on disposal of non-current asset					
Property, plant and equipment		**57**	38	**57**	38
		86,319	86,309	**83,262**	83,661
b) Other expenditure:					
Bad debts written off, net of recoveries		**151**	103	**151**	103
Banking and credit card charges		**578**	553	**578**	553
Commission paid to agents		**1,168**	1,120	**1,168**	1,120
Fleet expenses		**1,150**	1,033	**1,150**	1,033
Office and computer supplies		**1,455**	1,285	**1,455**	1,285
Rates, insurance and utility expenses		**1,540**	1,337	**1,540**	1,337
Rent paid on operating leases		**776**	580	**776**	580
SAMotor production costs		**1,288**	1,162	**1,288**	1,162
Auditors' remuneration		**66**	65	**66**	65
Cost of sales		**5,638**	5,092	**5,638**	5,092
Postages and freight		**1,525**	1,493	**1,525**	1,493
Promotional and public issues		**2,077**	2,013	**2,077**	2,013
Telephone charges		**1,292**	1,200	**1,292**	1,200
Net loss on the market value of managed funds		**7,384**	-	**7,384**	-
Other expenditure		**5,649**	4,754	**5,649**	4,754
		31,737	21,790	**31,737**	21,790
c) Depreciation and amortisation expenses					
Depreciation of property, plant and equipment	12	**3,491**	3,063	**3,491**	3,063
Amortisation of intangibles	13	**435**	566	**435**	566
		3,926	3,629	**3,926**	3,629

3. INCOME TAX

	RAA of SA		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
a) Income tax expense/(benefit)				
Current tax	**-**	544	**-**	562
Deferred tax	**(2,708)**	662	**(2,557)**	662
	(2,708)	1,206	**(2,557)**	1,224
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax charged directly to equity (Note 3 c i)	**381**	(2,114)	**381**	(2,114)
Decrease (increase) in deferred tax assets (Note 3 c ii)	**(422)**	266	**(419)**	284
(Decrease) increase in deferred tax liabilities (Note 3 c iii)	**(2,667)**	3,054	**(2,519)**	3,054
	(2,708)	1,206	**(2,557)**	1,224

b) Numerical reconciliation of income tax expense to prima facie tax payable

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

	RAA of SA		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Accounting profit/(loss) before income tax	**(2,993)**	11,076	**(4,567)**	12,159
Income tax expense/(benefit) at 30% (2007: 30%)	**(898)**	3,323	**(1,370)**	3,648
Net income not assessable due to mutual activities	**(683)**	(933)	**(683)**	(909)
Expenditure not allowable for income tax purposes	**46**	17	**46**	16
Equity share of associate's profits	**-**	-	**(445)**	(1,119)
Other items	**(19)**	(657)	**(19)**	146
Non taxable dividends	**(1,351)**	-	**(283)**	-
Losses from previous years	**-**	(544)	**-**	(558)
Prior year over provision	**197**	-	**197**	-
Income tax expense/(benefit) reported in the income statement	**(2,708)**	1,206	**(2,557)**	1,224

c) Deferred tax assets and liabilities

	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(i) Amounts recognised directly in equity				
Aggregate deferred tax arising in the reporting period and not recognised in net profit but directly debited to equity				
Actuarial loss on defined benefit superannuation fund	**(381)**	-	**(381)**	-
Net deferred tax – recognised in asset revaluations	**-**	2,114	**-**	2,114
	(381)	2,114	**(381)**	2,114
(ii) Non-current assets – Deferred tax assets				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts	**4**	4	**4**	4
Audit fee payable	**3**	2	**3**	2
Employee benefits	**919**	1,011	**919**	1,011
Unearned income	**-**	353	**-**	353
Capital losses	**341**	-	**341**	-
Revenue losses	**2,730**	2,205	**2,710**	2,188
Net deferred tax assets	**3,997**	3,575	**3,977**	3,558
Movements:				
Opening balance	**3,575**	3,841	**3,558**	3,841
Credit/(charged) to the income statement	**41**	56	**38**	56
Credit/(charged) to equity	**381**	(322)	**381**	(339)
Closing balance	**3,997**	3,575	**3,977**	3,558

3. INCOME TAX continued

	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(iii) Non-current liabilities – Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Interest receivable	**68**	68	**68**	68
Financial Assets at fair value	**1,218**	3,827	**1,366**	3,827
Revaluation of property, plant and equipment	**6,305**	6,363	**6,305**	6,363
Deferred tax liability	**7,591**	10,258	**7,739**	10,259
Movements:				
Opening balance	**10,258**	7,204	**10,258**	7,204
Recognised in income	**(2,667)**	811	**(2,519)**	811
Recognised in equity	-	2,243	**-**	2,243
Closing balance	**7,591**	10,258	**7,739**	10,258

d) Unrecognised temporary differences

At 30 June 2008, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries and associates, as the Group has no liability for additional taxation should unremitted earnings be remitted (2007: $Nil).

Tax consolidation

The parent and its 100% owned subsidiary are a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiary on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is the Royal Automobile Association of South Australia Inc.

	RAA of SA		Consolidated	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**

4. CASH AND CASH EQUIVALENTS

Cash on hand and deposits at call	**4,627**	4,257	**4,627**	4,354

5. RECEIVABLES

Current				
Trade receivables	**3,250**	3,683	**3,250**	3,726
Allowance for impairment loss (a)	**(30)**	(30)	**(30)**	(30)
	3,220	3,653	**3,220**	3,696
Receivables - subsidiary	**-**	38	**-**	-
Deferred settlement (i)	**6,829**	-	**6,829**	-
	10,049	3,691	**10,049**	3,696
Non-current				
Receivables - other	**7**	8	**7**	8
Deferred settlement (i)	**-**	6,644	**-**	6,644
	7	6,652	**7**	6,652

(i) In a previous financial period the Association sold a property at 41 Hindmarsh Square, Adelaide. The sale contract provided for a deferred settlement which was secured by a series of bank guarantees and a mortgage over the property. Subsequently, the terms of the sale contract were renegotiated and the Association agreed to extend the vendor finance of $7.000m up to 30 June 2009 with similar securities in place. Receivables are carried at amortised cost using the effective interest method (note 1(g)).

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $151,000 (2007:$103,000) has been recognised by the Group in the current year. These amounts have been included in the other expenses item.

Movements in the provision for impairment loss were as follows:

At 30 June 2007	**30**	30	**30**	30
Charge for the year	**151**	103	**151**	103
Amounts written off (included in other expenses)	**(151)**	(103)	**(151)**	(103)
At 30 June 2008	**30**	30	**30**	30

At 30 June 2008, the ageing analysis of trade receivables is as follows:

				60 – 90 days		90 -120 days		120+days	
		Total	Current	PDNI*	CI*	PDNI*	CI*	PDNI*	CI*
2008	Consolidated	3,250	3,143	77	6	-	13	-	11
	Parent	3,250	3,143	77	6	-	13	-	11
2007	Consolidated	3,683	3,552	96	-	5	16	-	14
	Parent	3,726	3,595	96	-	5	16	-	14

** Past due not impaired (PDNI)*
Considered impaired (CI)

Receivables past due but not impaired are: Consolidated $77,000 (2007: $101,000); Parent $77,000 (2007: $101,000).

6. OTHER FINANCIAL ASSETS

	Note	RAA of SA 2008 $'000	RAA of SA 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
a) Current					
At fair value through profit and loss					
Funds under management (i)		**53,849**	59,230	**53,849**	59,230
Shares – Australian unlisted		**174**	-	**174**	-
Shares – Australian listed		**529**	-	**529**	-
		54,552	59,230	**54,552**	59,230

(i) The fair value of funds under management and Australian listed shares has been determined directly by reference to published price quotations in an active market.

	Note	RAA of SA 2008 $'000	RAA of SA 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
b) Non-current					
(i) Surplus – defined benefit superannuation scheme	18	**2,860**	4,108	**2,860**	4,108
(ii) Available for sale financial assets		**-**	-	**-**	860
		2,860	4,108	**2,860**	4,968

7. OTHER CURRENT ASSETS

Prepayments		**843**	840	**843**	798

8. INVESTMENTS IN SUBSIDIARIES

Investments in controlled entities – at cost	24	**-**	3,995	**-**	-

9. INVESTMENTS IN ASSOCIATES

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, and are carried at cost by the parent (refer Note 1(h)).

	Principal Activity	Ownership Interest 2008	Ownership Interest 2007
RAA Insurance Holdings Ltd	Personal Lines Ins.	50.0%	50.0%
Club Consortium Pty Ltd	Investments	25.6%	25.6%

	RAA of SA		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Investment details				
RAA Insurance Holdings Ltd	**10,213**	6,407	**12,046**	13,416
Club Consortium Pty Ltd	**2,300**	2,300	**2,323**	2,290
	12,513	8,707	**14,369**	15,706

(b) Movement in the carrying amount of the Group's investment in associates

	Consolidated	
	2008 $'000	2007 $'000
Equity accounted investment		
Equity accounted amount of investment at the beginning of the financial year	**15,706**	11,675
Additional investment in associates	**-**	2,300
Share of operating profit before income tax	**2,001**	5,258
Share of income tax	**(518)**	(1,527)
Share of dividend	**(2,820)**	(2,000)
Equity accounted amount of investment at the end of the financial year	**14,369**	15,706

	2008	2007
(c) Summarised financial information		
Current assets	**84,090**	93,173
Current liabilities	**(65,036)**	(75,154)
Non-current assets	**14,130**	12,612
Non-current liabilities	**(700)**	(336)
Net Assets	**32,484**	30,295
Total revenue	**79,889**	73,705
Net profit after income tax	**3,165**	7,445
Share of net profits of associate accounted for using the equity method	**1,483**	3,731

10. INVENTORIES

	RAA of SA		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Finished goods at cost	**995**	925	**995**	925

11. DEPOSITS IN TRUST ACCOUNTS

	RAA of SA		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
a) Current Assets				
RAA Travel trust bank balance	**712**	402	**712**	402
b) Current Liabilities				
RAA Travel trust liabilities	**712**	402	**712**	402

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.

12. PROPERTY, PLANT AND EQUIPMENT

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

Amounts disclosed relate to both the group and the parent.

Year ended 30 June 2008	**Gross Carrying Amount $'000**	**Accumulated Depreciation/ Amortisation $'000**	**Net Carrying Amount $'000**
Freehold land at fair value			
Balance at 30 June 2007	**13,765**	**-**	**13,765**
Additions	**-**	**-**	**-**
Disposals	**-**	**-**	**-**
Net revaluation increment	**-**	**-**	**-**
Balance at 30 June 2008	**13,765**	**-**	**13,765**
Buildings at fair value			
Balance at 30 June 2007	**26,542**	**(23)**	**26,519**
Additions	**60**	**-**	**60**
Disposals	**-**	**-**	**-**
Depreciation	**-**	**(516)**	**(516)**
Net revaluation increment	**-**	**-**	**-**
Balance at 30 June 2008	**26,602**	**(539)**	**26,063**
Leasehold improvements at cost			
Balance at 30 June 2007	**627**	**(516)**	**111**
Additions	**643**	**-**	**643**
Amortisation	**-**	**(38)**	**(38)**
Balance at 30 June 2008	**1,270**	**(554)**	**716**
Vehicles, plant and equipment at cost			
Balance at 30 June 2007	**36,798**	**(22,824)**	**13,974**
Additions	**2,774**	**-**	**2,774**
Disposals	**(11,468)**	**10,971**	**(497)**
Depreciation	**-**	**(2,938)**	**(2,938)**
Balance at 30 June 2008	**28,104**	**(14,791)**	**13,313**
Total	**69,741**	**(15,884)**	**53,857**

If land and buildings were measured using the cost model the carrying amounts would be:

	2008		**2007**	
	Freehold Land	**Freehold Buildings**	**Freehold Land**	**Freehold Buildings**
	$'000	**$'000**	**$'000**	**$'000**
Cost value	**5,651**	**15,104**	5,651	15,044
Accumulated depreciation	**-**	**(2,129)**	-	(1,752)
Net carrying amount	**5,651**	**12,975**	5,651	14,561

12. PROPERTY, PLANT AND EQUIPMENT (cont.)

Year ended 30 June 2007	Gross Carrying Amount $'000	Accumulated Depreciation/ Amortisation $'000	Net Carrying Amount $'000
Freehold land at fair value			
Balance at 30 June 2006	9,695	-	9,695
Additions	(135)	-	(135)
Net revaluation increment	4,205	-	4,205
Balance at 30 June 2007	13,765	-	13,765
Buildings at fair value			
Balance at 30 June 2006	24,197	-	24,197
Additions	39	-	39
Disposals	(75)	-	(75)
Depreciation	-	(483)	(483)
Net revaluation increment	2,381	460	2,841
Balance at 30 June 2007	26,542	(23)	26,519
Leasehold Improvements at cost			
Balance at 30 June 2006	624	(498)	126
Additions	3	-	3
Amortisation	-	(18)	(18)
Balance at 30 June 2007	627	(516)	111
Vehicles, Plant and Equipment at cost			
Balance at 30 June 2006	33,452	(20,662)	12,790
Additions	4,064	-	4,064
Disposals	(718)	400	(318)
Depreciation	-	(2,561)	(2,561)
Balance at 30 June 2007	36,798	(22,823)	13,975
Total	77,732	(23,362)	54,370

b) Revaluation of freehold land and freehold buildings

The parent's policy is to carry freehold land and buildings at fair value. This has been determined in accordance with an independent valuation carried out at 30 June 2007 by McGees National Property Consultants, licensed valuers, and is on the basis of fair value in accordance with Accounting Standard AASB 116 – Property, Plant and Equipment.

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 group's operations.

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

13. INTANGIBLES

Year ended 30 June 2008	Gross Carrying Amount $'000	Accumulated Amortisation $'000	Net Carrying Amount $'000
Monitored Security Lines			
Balance at 30 June 2007	1,369	(411)	958
Balance at 30 June 2008	1,369	(411)	958
Computer software			
Balance at 30 June 2007	4,952	(4,029)	923
Additions	1,155	-	1,155
Amortisation	-	(435)	(435)
Balance at 30 June 2008	6,107	(4,464)	1,643
Total	7,476	(4,875)	2,601

Year ended 30 June 2007	Gross Carrying Amount $'000	Accumulated Amortisation $'000	Net Carrying Amount $'000
Monitored Security Lines			
Balance at 30 June 2006	1,369	(411)	958
Balance at 30 June 2007	1,369	(411)	958
Computer software			
Balance at 30 June 2006	4,619	(3,463)	1,156
Additions	333	-	333
Amortisation	-	(566)	(566)
Balance at 30 June 2007	4,952	(4,029)	923
Total	6,321	(4,440)	1,881

14. RESERVES

	RAA of SA		Consolidated	
	2008	2007	2008	2007
(a) Movements in reserves	$'000	$'000	$'000	$'000
Asset revaluation reserve				
Balance at beginning of the financial year	**15,257**	13,072	**15,257**	13,072
Revaluation of non-current assets	**-**	4,932	**-**	4,932
Revaluation adjustment relating to previously disposed assets	**-**	(2,747)	**-**	(2,747)
Balance at end of the financial year	**15,257**	15,257	**15,257**	15,257
Net unrealised gains reserve				
Balance at beginning of the financial year	**-**	-	**494**	392
Net unrealised gains on available for sale financial assets	**-**	-	**-**	102
Disposal of available-for-sale investments	**-**	-	**(494)**	-
Balance at end of the financial year	**-**	-	**-**	494
	15,257	15,257	**15,257**	15,751

(b) Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another. The reserve can only be used to pay dividends in limited circumstances.

Net unrealised gains reserve

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

15. RETAINED EARNINGS

		RAA of SA		Consolidated	
		2008	2007	2008	2007
		$'000	$'000	$'000	$'000
Balance at beginning of the financial year		**86,709**	73,589	**90,122**	75,937
Actuarial gains from defined benefit superannuation scheme		**(890)**	503	**(890)**	503
Revaluation adjustment relating to previously disposed assets		**-**	2,747	**-**	2,747
Net profit after tax		**(285)**	9,870	**(2,010)**	10,935
Balance at end of the financial year		**85,534**	86,709	**87,222**	90,122

16. PAYABLES

		RAA of SA 2008 $'000	RAA of SA 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
(a) Current					
Trade payables		**1,498**	2,207	**1,498**	2,207
Security deposit (i)		**1,001**	799	**1,001**	799
Deferred payment (ii)		**2,829**	-	**2,829**	-
Other payables and accruals		**3,960**	4,484	**3,960**	4,484
		9,288	7,490	**9,288**	7,490
(b) Non-Current					
Deferred payment (ii)		**-**	2,644	**-**	2,644
		-	2,644	**-**	2,644

(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.

(ii) The Association has exercised an option to purchase the 55 Hindmarsh Square property under an agreement which provides for a deferred payment up to 30 June 2009 which is secured by a bank guarantee.

17. PROVISIONS

		RAA of SA 2008 $'000	RAA of SA 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
(a) Current					
Employee benefits	18	**3,978**	4,326	**3,978**	4,326
Workers' compensation		**141**	141	**141**	141
		4,119	4,467	**4,119**	4,467
(b) Non-current					
Employee benefits	18	**2,979**	3,119	**2,979**	3,119
Workers' compensation		**108**	83	**108**	83
		3,087	3,202	**3,087**	3,202

(c) Movement in Provisions

Amounts disclosed relate to both the group and the parent.

	2008	2007
	$'000	$'000
Workers' Compensation		
Balance at beginning of financial year	**224**	270
Reduction arising from net of payments and recoveries.	**(294)**	(138)
Increase resulting from the re-measurement of the estimated future sacrifice	**319**	92
Balance at end of financial year	**249**	224

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 2008, net of recoveries.

18. EMPLOYEE BENEFITS

	Note	RAA of SA 2008 $'000	RAA of SA 2007 $'000	Consolidated 2008 $'000	Consolidated 2007 $'000
Aggregate employee entitlements, including on-costs					
– Current	17	**3,978**	4,326	**3,978**	4,326
– Non-current	17	**2,979**	3,119	**2,979**	3,119
		6,957	7,445	**6,957**	7,445

As at the reporting date, the Association had 630 (2007: 599) full time equivalent employees.

Superannuation commitments

The parent contributes to a number of superannuation schemes, which provide benefits on retirement, resignation, disablement or death of members of those schemes. Superannuation guarantee contributions are expensed as they are incurred. The members of the schemes and the parent 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 parent was made at 21 July 2008 by Mr Stuart Mules, F.I.A.A. Actuarial assessments are carried out each three years. 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.

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

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

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

18. EMPLOYEE BENEFITS (cont.)

Reconciliation of the present value of the defined benefit obligation

Financial year ending	30 June 2008 $'000	30 June 2007 $'000
Present value of defined benefit obligations at beginning of the year	**6,091**	6,746
Current service cost	**287**	333
Interest cost	**333**	327
Contributions by scheme participants	**72**	94
Actuarial (gains)/losses	**(496)**	324
Benefits paid	**(1,683)**	(1,511)
Taxes, premiums & expenses paid	**(172)**	(222)
Present value of defined benefit obligations at end of the year	**4,432**	6,091

Reconciliation of the fair value of scheme assets

Financial year ending	30 June 2008 $'000	30 June 2007 $'000
Fair value of scheme assets at beginning of the year	**10,199**	10,360
Expected return on scheme assets	**643**	651
Actuarial gains/(losses)	**(1,767)**	827
Contributions by scheme participants	**72**	94
Benefits paid	**(1,683)**	(1,511)
Taxes, premiums & expenses paid	**(172)**	(222)
Fair value of scheme assets at end of the year	**7,292**	10,199

Reconciliation of the assets and liabilities recognised in the Balance Sheet

As at	30 June 2008 $'000	30 June 2007 $'000
Defined benefit obligation *	**4,432**	6,091
Fair value of scheme assets	**7,292**	10,199
Net superannuation liability/(asset)	**(2,860)**	(4,108)

** includes contributions tax provision*

Expense recognised in Income Statement

Financial year ending	30 June 2008 $'000	30 June 2007 $'000
Service cost *	**287**	333
Interest cost	**333**	327
Expected return on assets	**(643)**	(651)
Superannuation expense/(income)	**(23)**	9

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

Amounts recognised in the Statement of Recognised Income and Expense

Financial year ending	30 June 2008 $'000	30 June 2007 $'000
Actuarial (gains)/losses	**1,271**	(503)
Adjustment for limit on net asset	**-**	-

Cumulative amount recognised in the Statement of Recognised Income and Expense

Financial year ending	30 June 2008 $'000	30 June 2007 $'000
Cumulative amount of actuarial (gains)/losses	**385**	(886)

18. EMPLOYEE BENEFITS (cont.)

Scheme assets

The percentage invested in each asset class at the balance sheet date:

As at	30 June 2008	30 June 2007
Australian Equity	**32%**	32%
International Equity	**31%**	30%
Fixed Income	**25%**	25%
Property	**7%**	8%
Cash	**5%**	5%

Fair value of scheme assets

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

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

Expected rate of return on scheme assets

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

Actual return on scheme assets

Financial year ending	30 June 2008 $'000	30 June 2007 $'000
Actual return on scheme assets	**(1,124)**	1,478

Principal actuarial assumptions at the Balance Sheet date

	30 June 2008	30 June 2007
Discount rate	**5.9% pa**	5.3% pa
Expected rate of return on scheme assets	**6.6% pa**	6.6% pa
Expected salary increase rate	**4.0% pa**	4.0% pa

Historical information

Financial year ending	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000	30 June 2005 $'000
Present value of defined benefit obligation	**4,432**	6,091	**6,746**	6,143
Fair value of scheme assets	**7,292**	10,199	**(10,360)**	(9,459)
(Surplus)/deficit in scheme	**(2,860)**	(4,108)	**(3,614)**	(3,316)
Experience adjustments (gain)/loss – scheme assets	**1,767**	(827)	**(701)**	(581)
Experience adjustments (gain)/loss – scheme liabilities	**(297)**	549	**1,017**	(156)

Expected contributions

Financial year ending	30 June 2009 $'000
Expected employer contributions	**-**

18. EMPLOYEE BENEFITS (cont.)

Funding arrangements for employer contributions

(a) Surplus/deficit

The following is a summary of the most recent financial position of the RAA Staff Superannuation Scheme calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans". Note that the figures below relate to the Scheme as a whole, including the accumulation section.

As at	**1 July 2005** **$'000**
Accrued benefits	(49,422)
Net market value of scheme assets	52,626
Net surplus/(deficit)	3,204

(b) Contribution recommendation

The current contribution recommendations, as set out in the report of the most recent actuarial valuation of the Scheme as at 1 July 2005, are nil for defined benefit members with effect from 1 July 2006, and 9.00% (or such other agreed rate) of salaries of defined contribution members. The Employer is currently contributing at these rates.

(c) Funding method

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the Employer.

(d) Economic assumptions

The long-term economic assumptions adopted for the last actuarial review of the Scheme as at 1 July 2005 were:

Expected rate of return on assets (discount rate)	6.60% pa
Expected salary increase rate	4.00% pa

Nature of asset/liability

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

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

19. RELATED PARTY AND SPECIFIED EXECUTIVE DISCLOSURES

Specified Directors

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

- LC Holmes (Chairman)
- RG Grigg (Deputy Chairman)
- JH Brown
- DM Davidson
- WS Greiner
- IM Martens
- RJ Payze
- RN Robinson
- JE Sarah
- MS Shanahan
- GD Walters (resigned 25 February 2008)
- DA Cross (appointed 30 July 2007)
- PR Siebels (appointed 16 May 2008)

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 minor in nature, from the group 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 parent received $10,022,340 (2007 $8,462,075) for insurance sales and management services provided on terms and conditions fixed under a distribution agreement with RAA Insurance Limited. The Balance Sheet includes outstanding trade receivables of $844,652 (2007 – $776,447).

The parent has included an amount in current liabilities of $45,704 (2007 – $1,597,012) relating to insurance premiums collected but not yet forwarded.

Transactions within the wholly-owned group

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

20. KEY MANAGEMENT PERSONNEL

(a) 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 parent are remunerated on basis determined by relevant industrial awards or commensurate with the duties, responsibilities and performance required of the individual positions as recommended by independent remuneration consultants.

The specified Directors of the parent during the financial year are disclosed in Note 19.

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

	RAA of SA		Consolidated	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Short-term employee benefits	**95,966**	414,498	**95,966**	414,498
Post-employment benefits	**127,860**	168,349	**127,860**	168,349
	223,826 (i)	582,847	**223,826** (i)	582,847

(i) In the previous financial year, the Chief Executive also held the office of Director. The compensation paid to the Chief Executive was therefore disclosed with the Directors. In the current year, the compensation paid to the Chief Executive is disclosed below, with the specified Executives.

20. KEY MANAGEMENT PERSONNEL (cont.)

(b) The following persons also had authority and responsibility for planning, directing and controlling the activities of the RAA of SA Inc and the controlled entity, directly or indirectly, during the financial year;

- IH Stone — Chief Executive (commenced 1 August 2007)
- DK McGown — General Manager Finance & Corporate Services (commenced 11 February 2008)
- P Hurcombe — General Manager Business Development
- PJ Preiss — General Manager Sales & Marketing (resigned 7 December 2007)
- T Griffiths — General Manager Sales and Marketing (commenced 11 March 2008)
- DA Jacob — General Manager Operations
- SA Hanlon — General Manager Public Affairs
- MS Butcher — General Manager Human Resources
- JG van Ruth — General Manager Information Services (commenced 7 January 2008)
- PR Prestwich — Chief Financial Officer (resigned 28 September 2007)
- WB Shepherd — Chief Operating Officer (resigned 28 September 2007)

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

	RAA of SA		Consolidated	
	2008	2007	2008	2007
	$	$	$	$
Short-term employee benefits	**1,320,634**	747,551	**1,320,634**	747,551
Post-employment benefits	**211,163**	137,993	**211,163**	137,993
Termination benefits	**492,552**	-	**492,552**	-
	2,024,349	885,544	**2,024,349**	885,544

The total compensation paid to IH Stone, Chief Executive included in the above total is $243,846 which comprises $208,799 short-term employee benefits and $35,047 post-employment benefits.

21. COMMITMENTS

	RAA of SA		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Lease commitments				
Aggregated lease expenditure contracted for at balance date but not provided for in the financial statements:				
Not longer than one year	**795**	691	**795**	691
Longer than one year and not longer than five years	**2,274**	2,324	**2,274**	2,324
Longer than five years	**-**	78	**-**	78
	3,069	3,093	**3,069**	3,093

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

	RAA of SA 2008	RAA of SA 2007	Consolidated 2008	Consolidated 2007
Buildings				
Not longer than one year	**3,000**	-	**3,000**	-
Longer than one year and not longer than five years	**-**	3,000	**-**	3,000
	3,000	3,000	**3,000**	3,000

Parent's share of associate's capital expenditure commitments				
Not longer than one year			9	15
Longer than one year and not longer than five years			-	-
			9	15

22. CASH FLOW STATEMENT

Reconciliation of net cash provided by operating activities to net profit	RAA of SA		Consolidated	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Net profit after tax	**(285)**	9,870	**(2,010)**	10,935
Depreciation and impairment of non-current assets	**3,926**	3,629	**3,926**	3,629
Loss/(Profit) on sale of non-current assets				
Plant and equipment	**(57)**	(38)	**(57)**	(38)
Available for sale investment	**-**	-	**(494)**	-
Share of associates' profits (less dividends)	**-**	-	**1,337**	(1,732)
In specie dividend	**(671)**	-	**-**	-
Movements in assets and liabilities:				
Unearned income	**(178)**	(754)	**(178)**	(754)
Receivables	**397**	480	**402**	483
Payables	**(507)**	528	**(549)**	531
Provisions	**(154)**	300	**(154)**	300
Other financial assets	**(919)**	9	**(919)**	9
Deferred tax assets/liabilities	**(2,708)**	1,206	**(2,557)**	1,224
Inventories	**(70)**	(4)	**(70)**	(4)
Balances held on behalf of third parties	**134**	(206)	**134**	(206)
Non-cash movement in managed funds	**5,538**	(8,009)	**5,538**	(8,009)
Net cash from operating activities	**4,446**	7,011	**4,349**	6,368

23. SEGMENT INFORMATION

Information on Business Segments

The group 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 group, other than the investment in the associated entity RAA Insurance Holdings Ltd (as disclosed in Note 6) result from the operating activities relating to the provision of member services, as disclosed in the table below.

	Member Services	Insurance	Total	Member Services	Insurance	Total
		2008			2007	
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	**83,364**	**1,381**	**84,745**	83,651	3,741	87,392
Net profit	**(3,391)**	**1,381**	**(2,010)**	7,194	3,741	10,935
Assets	**137,403**	**12,046**	**149,449**	143,124	13,416	156,540
Liabilities	**46,970**	**-**	**46,970**	50,667	-	50,667
Depreciation	**3,926**	**285**	**4,211**	3,629	180	3,809

Information on Geographic Segments

The group operates only in Australia.

24. PARTICULARS IN RELATION TO SUBSIDIARY

The parent's subsidiary, RAA Investments Pty Ltd, is incorporated in Australia and 100% owned. At 30 June 2008, RAA Investments Pty Ltd distributed all of its net assets to the parent as an in specie dividend.

25. PRINCIPAL REGISTERED OFFICE AND PLACE OF BUSINESS

101 Richmond Rd
Mile End SOUTH AUSTRALIA 5031
Tel: (08) 8202 4600

26. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise receivables, payables, held-for-trading investments, and cash and short-term deposits. 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.

Primary responsibility for identification and control of financial risk rests with the Audit Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

Risk Exposures and Responses

Market risk

(a) Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and short-term deposits, and held-for-trading investments.

The following table details the Group's exposure to interest rate risk at 30 June 2008:

2008	%	Variable Interest Rate $'000	Maturing in Less than 1 Year $'000	Fixed Interest $'000	Non Interest Bearing $'000	Total $'000
Financial assets						
Cash	6.9	2,627	2,000	-	-	4,627
Deferred settlement (i)	9.3	4,000	-	-	2,829	6,829
Receivables	-	-	-	-	3,825	3,825
Funds under management						
Income securities	10.0	7,086	-	-	-	7,086
Convertible notes	8.9	2,246	-	-	-	2,246
Convertible preference shares	9.1	6,389	-	-	-	6,389
Shares in listed companies	-	-	-	-	30,232	30,232
International managed funds	-	-	-	-	3,518	3,518
Cash	-	-	4,403	-	-	4,403
Shares in other companies	-	-	-	-	175	175
Shares in listed companies	-	-	-	-	529	529
Deposits in trust accounts	6.6	-	712	-	-	712
		22,348	7,115	-	41,108	70,571

(i) The "deferred settlement" relates to the consideration for the sale of 41 Hindmarsh Square.

2007	%	Variable Interest Rate $'000	Maturing in Less than 1 Year $'000	Fixed Interest $'000	Non Interest Bearing $'000	Total $'000
Financial assets						
Cash	6.0	1,854	2,500	-	-	4,354
Deferred settlement (i)	8.4	4,000	-	-	2,231	6,231
Receivables	-	-	-	-	4,116	4,116
Funds under management						
Income securities	9.1	3,271	-	-	-	3,271
Convertible notes	8.0	-	-	2,858	-	2,858
Convertible preference shares	7.7	4,887	-	2,991	-	7,878
Shares in listed companies	-	-	-	-	32,085	32,085
International managed funds	-	-	-	-	8,522	8,522
Cash	-	4,616	-	-	-	4,616
Shares in other companies	-	-	-	-	175	175
Shares in listed companies	-	-	-	-	686	686
Deposits in trust accounts	-	402	-	-	-	402
		19,030	2,500	5,849	47,815	75,194

Financial liabilities
The group has no exposure to interest rate risk in relation to its financial liabilities.

26. FINANCIAL INSTRUMENTS (cont.)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date;

At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

	Post Tax Profit Higher/(Lower)	
	2008	**2007**
	$'000	**$'000**
Consolidated		
+1% (100 basis points)	156	133
-1% (100 basis points)	(156)	(133)

(b) Price risk

The Group is exposed to price risk through its investment in equity securities. Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investment portfolio is managed by Macquarie Private Portfolio Management Limited under the direction of the Investment Committee, who reviews its performance on a regular basis. The equity investments are of a high quality and are publicly traded on the ASX.

Credit risk

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted. The Group's credit risk arises from its financial assets, comprising cash and cash equivalents, trade and other receivables, and held for sale investments. The maximum exposure is equal to the carrying amount of these instruments and is addressed in each applicable note.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages its liquidity by monitoring its cashflow regularly and keeping funds available in short-term investments, in addition to trading bank accounts, to ensure all liabilities are met. The Group does not carry any long-term debt and all financial obligations arise from current payables as disclosed in note 16.

The contractual maturity analysis of the Group's financial assets and liabilities are;

Year ended 30 June 2008	<6 months	6-12 months	1-5 years	Total
	$,000	$,000	$,000	$,000
Consolidated financial assets				
Cash and cash equivalents	4,627	-	-	4,627
Trade and other receivables	3,220	7,000	7	10,227
	7,847	7,000	7	14,854
Consolidated financial liabilities				
Trade and other payables	6,459	3,000	-	9,459
	6,459	3,000	-	9,459
Net maturity	**1,388**	**4,000**	**7**	**5,395**

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.

27. CONTINGENT LIABILITY

	RAA of SA		Consolidated	
	2008	**2007**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Bank guarantees provided as security for outstanding workers' compensation claims	**650**	650	**650**	650

28. AUDITORS RENUMERATION

The auditor of the Royal Automobile Association of SA Inc is Ernst & Young.

	RAA of SA		Consolidated	
	2008	**2007**	**2008**	**2007**
Amounts received or due and receivable by Ernst & Young (Australia) for :				
	$	**$**	**$**	**$**
• an audit or review of the financial report of the entity and any other entity in the consolidated group	**40,800**	36,375	**40,800**	36,375
• other services in relation to the entity and any other entity in the consolidated group				
– tax compliance	**14,000**	19,300	**14,000**	19,300
– advice on winding up of a subsidiary	**10,918**	-	**10,918**	-
– board elections	**-**	10,000	**-**	10,000
	65,718	65,675	**65,718**	65,675

Directors' Declaration

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 30 June 2008 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.

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, the amount of which is disclosed in the accounts of the Association.

3 Indemnification and Insurance of Directors and Officers.

Current and former Directors 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.

4 This declaration has been made after receiving declarations from the Chief Executive and the Chief Financial Officer that the financial statements are in accordance with applicable accounting standards and present a true and fair view of the financial performance for the financial period ending 30 June 2008.

Signed this 25th day of August 2008 in accordance with a resolution of the Directors

LC Holmes
President

RG Grigg
Vice President

Statement by the Chief Financial Officer

In the opinion of the Chief Financial Officer

1 The accompanying accounts present a true and fair view of the results of the operations of the Association and the RAA Group for the financial year ended 30 June 2008 and the state of affairs of the Association and RAA Group as at that date.

2 The accounts of the Association and RAA Group are in accordance with applicable accounting standards and the reporting requirements of the *Associations Incorporation Act 1985*.

Signed this 25th day of August 2008

D K McGown
Chief Financial Officer

ERNST & YOUNG

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Adelaide SA 5000
Australia

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Adelaide SA 5001

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

Scope

We have audited the accompanying financial report of the Royal Automobile Association of South Australia Inc. (the Association), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration of the consolidated entity comprising the Association and the entities it controlled at the year's end or from time to time during the financial year.

The Directors' Responsibility for the Financial Report

The Association's directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and with the Associations Incorporation Act South Australia 1985. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of the Royal Automobile Association of South Australia and the consolidated entity as of 30 June 2008, and of its financial performance and cash flows for the year then ended in accordance with the *Associations Incorporation Act South Australia 1985* and Australian Accounting Standards (including the Australian Accounting Interpretations).

Ernst & Young

Ernst & Young

Alan H Herald

Alan H Herald

Partner
Adelaide
25 August 2008