

2003 marks the RAA's Centenary year

Personal membership grew to 554,761

More than 2.3 million telephone calls managed

99,149 country area breakdowns attended

500,379 road service callouts performed

Consolidated net assets of \$51,564,234

Consolidated operating surplus of \$3,393,652



Highlights, Challenges and Outcomes

Our members

- 100 Nearly 157,700 members opted to enjoy the benefits of RAA PLUS membership.
- 100 Every month, more than 4,100 members needed us to tow their vehicle.
- 100 International travel sales continued to be impacted (down 4.1% against budget) by global events such as SARS, terrorism and war in Iraq.
- 100 Of those who did venture overseas, 10,548 arranged their International Driving Permit through the RAA.
- 100 Our Touring staff were kept busy responding to 162,621 members who chose to holiday within Australia.
- 100 RAA's website was rebuilt with improved functionality, easier navigation, online shop, and a search capability.
- 100 Responses were provided to almost 88,700 technical enquiries and 18,584 vehicle inspections were performed (up 3.0%).
- 100 Development of new RAA membership cards, colour-coded to reflect years of continuous membership, commenced.
- 100 Mr Trevor Johnson of Pinery won a Holden Astra when he renewed his PLUS membership.
- 100 More than 11,300 members consulted our Legal Advisory Service.
- 100 We sought member feedback on service standards for our call centres, emergency road service and Legal Advisory Service.

Member & community affairs

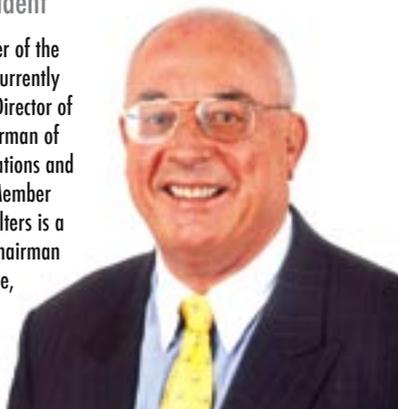
- 100 Through the Australian Automobile Association, we worked cooperatively with interstate clubs on projects to enhance member products and services.

- 100 16,400 persons signed our petition demanding the Federal Transport Minister honour his promise to fund 17 overtaking lanes on the Sturt Highway by 2004-2005.
- 100 Member views were canvassed on Board elections, speeding 'hotspots', impounding of vehicles, unsafe level crossings, Adelaide and country SA transport issues, and risky driving behaviour.
- 100 The *Stop Thief! Car*, a joint RAA/SA Police project, saw more than 100 car thieves apprehended in its first two years of operation.
- 100 Two important Australian New Car Assessment Program milestones were achieved – the first 5-star rating awarded to a vehicle crash tested under the program and the first 4-star ratings awarded to three Australian-built family cars.
- 100 Road safety remained a priority with RAA represented on the new Road Safety Advisory Council and a number of its sub-committees and task forces, as well as the reconvened State Level Crossing Safety Committee. We also provided a major submission to Minister Wright on *Road Safety Education in SA*.
- 100 Youth and road safety assumed a much stronger focus with consultative workshops held in Adelaide and key regional centres.
- 100 Persistent lobbying by the RAA finally paid off with the Government producing a Draft Transport Plan for South Australia.
- 100 Representations and submissions were also made on the State and Federal Budgets, AusLink, Sturt Highway, the proposed closure of Victoria Square, ethanol in petrol, the introduction of the 50km/h general urban speed limit, and more.
- 100 RAA met with Mobil to determine what effect the closure of its Port Stanvac refinery might have on fuel quality, supply and pricing.
- 100 Visits to Barossa and Riverland RAA offices and depots preceded the Board meeting in Renmark.
- 100 In association with other Australian autoclubs, RAA tested, judged and announced the *2002 Australia's Best Cars* awards.

BOARD OF DIRECTORS

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 company director, consultant and Chairman of Westpac's SA Executive Committee, and is also a Fellow of the Institute of Chartered Accountants.



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 and the Local Government Superannuation Scheme of South Australia.



- 100 Thousands flocked to Ceduna and far north SA to watch a solar eclipse, so we dispatched additional road service support to cater for the event.
- 100 Through our sponsorship program, RAA supported Uni SA's Driver Assessment Rehabilitation Service, Greenfleet's River Murray Rescue, the SA Great Regional Awards, International Pedal Prix, Royal Flying Doctor Service, KESAB, Sleep Disorders Week, the Italian Carnevale and more, as well as road service back-up for the Bay to Birdwood, Kernewek Lowender Cavalcade of Cars, and SunRace 2002.

Business initiatives

- 100 After 75 years, RAA sold 41 Hindmarsh Square. Adelaide Branch moved next door while other departments relocated and await a major extension to RAA's Mile End complex.
- 100 The Board approved a major project to replace the RAA's emergency road service computer-aided dispatch system.
- 100 Since achieving workers' compensation self-insurer status, RAA has saved \$150,000 each year and reaped the benefits of a safer work environment.
- 100 RAA hosted the 75th national conference of the Australian Automobile Association attended by Presidents, Directors and CEOs from Australia and New Zealand.
- 100 Investment markets experienced another poor year, due to global uncertainty and a slow US economy, which, in turn, affected the RAA investment portfolio.
- 100 RAA Technical hosted training for Dept of Consumer Affairs' officers covering dispute resolution techniques, processes and policies.
- 100 RAA beat stiff competition to win the 2002 WorkCover Safe Design Award for the selection and fit-out of our new patrol vans that has improved workplace safety.
- 100 AAA Tourism extended its Star rating scheme to backpacker accommodation.

- 100 Recognising our expertise in patrol van modification, the Tasmanian motoring club had RAA build seven of their vehicles.
- 100 RAA Security expanded further and monitored more than 5,600 lines in homes and businesses across Australia.
- 100 We continued to provide road service call management, job dispatch, contractor management and back-office functions for the NT autoclub along with after-hours call management of emergency road service for Tasmania.

Our people

- 100 100 years on, Mrs Florence V Thomson and Mrs F May Duncan were recognised by the RAA Board and added to the original Founder Member list.
- 100 Traffic & Safety Officer, Graeme O'Dea, received the 2002 Annual Service Excellence Award.
- 100 TAFE motor mechanic, Shane Greenham of Northpoint Toyota, received the inaugural RAA Centenary Apprentice of the Year award.
- 100 After 15 years of wearing brown and khaki green, RAA Patrols were fitted out with a smart new blue uniform providing SPF50 sun protection.
- 100 Branch of the Year was jointly awarded to RAA Broken Hill and Telephone Sales & Service, while Kadina won the Annual District Office Achievement Award.
- 100 Mark Borlace, Karl Brown, Frank Gallasch, Paul Gunner and Pat Semeniuk were each recognised for 21 years of service.
- 100 Hawker Motors celebrated 50 years of providing road service to RAA members.
- 100 Trudi Haynes resigned after a 30-year association with the RAA and Rosenthal Motors took up the reins as the new RAA Renmark District Office.
- 100 Patrols Mark Sampson and Frank Galasch topped the State in the SA Fleet section of the Holden Service Guild exam.

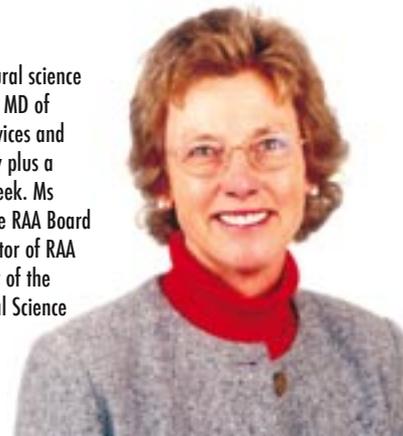
ROBERT BYRNE

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



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.



Corporate Governance

Corporate Governance

The RAA Board comprises 12 non-executive Directors and is responsible for establishing long-term strategic direction, approving and monitoring business performance against corporate budgets, service standards and policy, and ensuring that the Association acts lawfully and responsibly.

Information on the Board's approach to overseeing and governing the Association, including a copy of the full *Corporate Governance Statement* and *RAA Directors' Code of Conduct*, is on the website, www.raa.net, under About Us. Alternatively, copies can be made available to members, without charge, on request.

All Directors have access to continuing education and professional development within Board approved guidelines and may seek independent, professional advice on matters involving the performance of their legitimate duties at the Association's expense, subject to Board approval.

Board Committees

An annual review was conducted of the membership, tenure, and skills and experience represented on the four standing committees that support the Board of Directors. Each committee comprises three non-executive Directors with additional committees established, as necessary, to deal with specific issues.

The Governance & Nominations Committee provides advice and makes recommendations on the structure and performance of the Board and its Committees, Board succession planning, the Board nomination and election process, filling of casual vacancies, and new Director training and induction.

In March 2003, the Australian Stock Exchange released its *Principles of Good Corporate Governance and Best Practice Recommendations* and the Committee reviewed the Association's corporate governance practices against this document to ensure that the RAA maintains the highest standards possible. In addition to revising the

Association's existing governance policies, procedures and practices, an *RAA Directors' Code of Conduct* was developed and approved by the Board.

The Audit Committee reviews, reports and recommends to the Board on matters such as internal and external audit performance, accounting policy and practices, contract management and corporate compliance.

A comprehensive risk management review, detailing the nature of risks identified and mitigation strategies implemented, is submitted twice yearly to the Committee for its consideration and advice to the Board. This year, the Audit Committee also reviewed Government proposals in relation to disclosure under the Corporate Law Economic Reform Program (CLERP 9).

Based on external professional advice, the Remuneration Committee reviews the remuneration payable to Board Members and the Chief Executive and makes recommendations to the Board of Directors. Having consideration for relevant industry practices and the need to attract, motivate and retain quality executives, the Remuneration Committee also approves senior management remuneration levels.

A new Investment Committee was established in September 2002 in response to the volatile investment environment and economic climate. The Committee reviewed the Association's existing investment policy, objectives and strategy as well as the performance of the RAA's independent funds manager. The Board subsequently approved a new investment management strategy and the appointment of a new investment portfolio manager.

During 2002-2003, an interim Policy Committee was established to review all RAA public policies, having particular regard for current relevance and contemporary thinking. This committee is well advanced with its task and is due to report to the RAA Board in late 2003.

BOARD OF DIRECTORS

WENDY GREINER

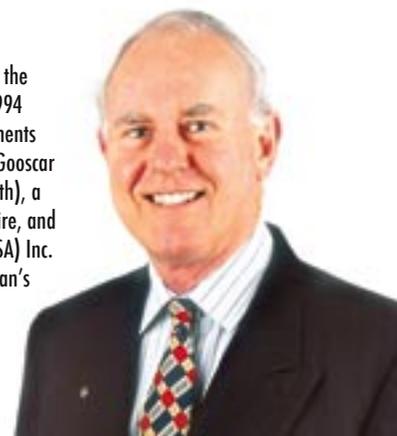
Wendy Greiner has been a RAA Board member since June 1995 and also serves as a Director of RAA Investments Pty Ltd and a member of the RAA Audit Committee.

Ms Greiner is an experienced marketing and communications consultant, Mayor of the City of Burnside, a Director and immediate past President of the Australian Institute of Management, and Trustee of the James Brown Memorial Trust.



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 Shell Livewire, and Vice President of Meals on Wheels (SA) Inc. Mr Holmes was formerly the Chairman's Representative in SA of the Shell Company of Australia Ltd.



Directors' Report

The Directors of the Royal Automobile Association of South Australia Inc. submit the annual concise financial report for the financial year ended 30 June 2003. In preparing the accounts, the Association is governed by the *Associations Incorporation Act 1985* and has been guided by the provisions of the *Corporations Act 2001* that requires the disclosure of various items.

The names and particulars of the Directors of the Association during the financial year are disclosed in the attached Annual Report.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee Member).

Directors	Board of Directors		Governance/ Nominations Committee		Remuneration Committee		Audit Committee		Investment Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
JH Brown	13	12	7	7						
RJ Byrne	13	12			2	2				
DM Davidson	13	9								
WS Greiner	13	13					5	3		
LC Holmes	13	11								
DA Hunt	13	13	7	7						
IM Martens	13	11					5	4	4	4
RJ Payze	13	12							4	4
RN Robinson	13	13								
JF Sangster	13	12	2	2						
MS Shanahan	13	12			2	1				
GD Walters	13	13	5	5	2	2	5	4	4	3

Principal Activities

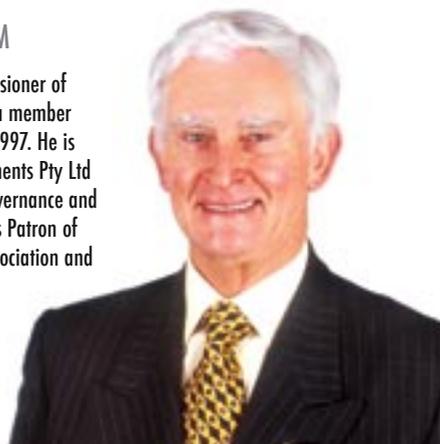
The principal activities of the Association in the course of the financial year were the provision of motoring and related services to members.

A review of the operations of the Association is included in the attached Annual Report.

During the financial year or since balance date, there has been no significant change in the state of affairs of the Association other than that referred to in the financial statements or notes thereto. However, information that may affect certain commercial future activities has not been disclosed.

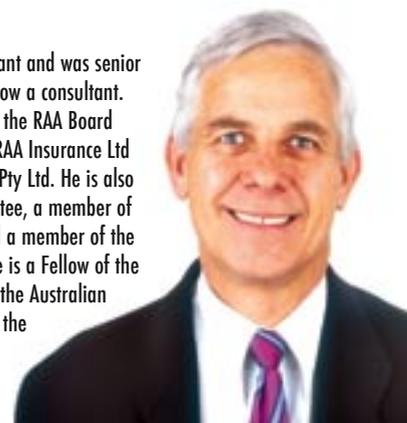
DAVID HUNT AO, QPM

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 and Nominations Committee. He is Patron of the National Servicemen's Association and Scouts Australia (SA).



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.



Directors' Report

Directors' and Senior Managers' Remuneration

The Remuneration Committee reviews the remuneration packages of all Directors and senior managers on an annual basis and makes recommendations to the Board regarding the remuneration of Directors and the Chief Executive. Remuneration packages are reviewed with regard to performance and other relevant factors. In order to retain and attract executives of sufficient calibre to manage the Association's operations, the Remuneration Committee seeks the advice of external advisers on remuneration packages that reflect the market.

Remuneration packages contain the following:

- Salary/Fees
- Benefits – including the provision of motor vehicle, fringe benefits tax and superannuation, and
- At Risk Component – performance-based payment dependent on the achievement of agreed targets.

The following table discloses the remuneration of Directors of the Association and five highest remunerated senior managers of the Association.

Name	Office	Salary/Fees \$	Benefits \$	At Risk Component \$	Total \$
Directors					
GD Walters	President	18,165	1,797		19,962
JH Brown	Vice President	12,456	1,232		13,688
RJ Byrne	Director	-	11,407		11,407
DM Davidson	Director	10,380	1,027		11,407
WS Greiner	Director	10,380	1,027		11,407
LC Holmes	Director	10,380	1,027		11,407
DA Hunt	Director	10,380	1,027		11,407
IM Martens	Director	10,380	1,027		11,407
RJ Payze	Director	-	11,407		11,407
RN Robinson	Director	10,380	1,027		11,407
JF Sangster	Director	10,380	1,027		11,407
MS Shanahan	Director	10,380	1,027		11,407
Senior Managers					
JA Fotheringham	Chief Executive	228,009	36,434	4,814	269,257
PJ Preiss	GM Marketing	94,729	34,611	17,957	147,297
PR Prestwich	GM Finance	114,866	33,355	12,625	160,846
WB Shepherd	GM Corp. Services	95,883	31,053	10,597	137,533
AE White	GM Operations	110,948	32,184	9,988	153,120

BOARD OF DIRECTORS

ROD PAYZE

Rod Payze, an engineer with a Master of Science degree, 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. Mr Payze is a Fellow of the Institution of Engineers (Aust) and the Chartered Institute of Transport In Australia Inc, as well as a Director of the Passenger Transport 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 recently qualified as a Fellow of the Australian Institute of Company Directors.



Indemnification and Insurance of Officers and Auditors

Current and former Directors and Officers of the Association were 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 Association. The contract of insurance prohibits disclosure of the amount of the premium.

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.

While the Association is guided by the disclosure requirements of the *Corporations Act 2001* when reporting to members, it is governed by the *Associations Incorporation Act 1985* that has other disclosure requirements. In accordance with Section 35(5) of the *Associations Incorporation Act 1985*, the Directors hereby state that during the financial year ended 30 June 2003:

- (a)
 - (i) no officer of the Association
 - (ii) no firm of which an officer is a member, and
 - (iii) no body corporate in which an officer has a substantial financial interest
 has received or become entitled to receive a benefit as a result of a contract between the officer, firm or body corporate and the Association.

- (b) no officer of the Association has received directly or indirectly from the Association any payment or other benefit of a pecuniary value except for the amounts disclosed in the Remuneration of Directors and Officers section of this report.

The Chief Executive of the chief entity is a director of controlled and associated entities but received no remuneration from those entities.

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



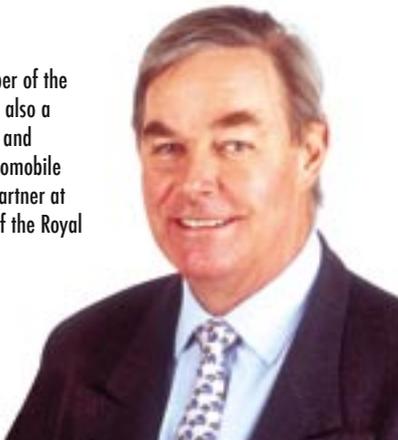
GD Walters President



JH Brown Vice President

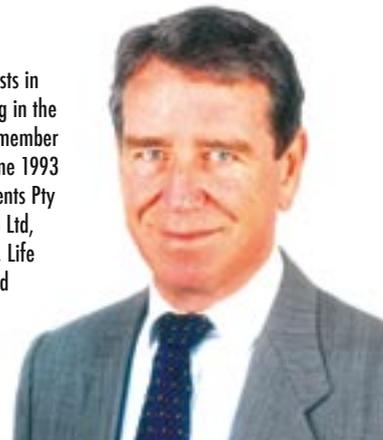
JOHN SANGSTER

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.



MICHAEL SHANAHAN AM

Michael Shanahan has business interests in a family farming enterprise at Freeling in the State's central region. He has been a member of the RAA Board of Directors since June 1993 and is also a member of RAA Investments Pty Ltd. Mr Shanahan is a Director of AWB Ltd, Council Member of Flinders University, Life Member of SA Farmers Federation, and Fellow of the Australian Institute of Company Directors.



Concise Financial Report for the Financial Year Ended 30 June 2003

The Directors declare that the attached financial statements and notes thereto comply with the Accounting Standard AASB 1039 'Concise Financial reports' and the attached financial statements and notes thereto have been derived from the full financial report of the Association.

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



GD Walters President



JH Brown Vice President

A copy of the Royal Automobile Association of South Australia Inc.'s full financial report, including the independent audit report, is available on the web site at www.raa.net or will be sent to members without charge upon request.

Statement of Financial Performance for the year ended 30 June 2003

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

Discussion and Analysis of the Statement of Financial Performance

Total revenue increased by 16.7% to \$68,095,238. Subscriptions and entrance fees, which comprise 50.2% of total revenue, increased by 6.0% due to membership growth and the impact of the July 2002 subscription increase.

As a service organisation employee expenses comprise the major item of consolidated expenditure at 47.2%. Growth in employee expenses during 2002-03 was 7.6% due primarily to a 1.9% increase in staffing levels, a change in accounting policy in relation to employee benefits and award movements in salaries and wages.

The Annual Report provides an overview of the Association's service activity during the financial period. The profit from ordinary activities before tax increased by \$1,558,210 to \$3,393,652 due primarily to an increase in the net profit of an associated company, RAA Insurance Ltd, accounted for on an equity basis, and the sale of the Hindmarsh Square property. The profit of \$3,393,652 provides the Association with a sound basis for future service growth and development.

Statement of Financial Position as at 30 June 2003

	Consolidated	
	2003	2002
	\$	\$
Current Assets		
Cash assets	7,536,171	2,527,006
Receivables	2,465,808	2,766,420
Other financial assets	25,258,596	25,662,219
Other current assets	642,707	588,530
Inventories	648,643	748,290
Deposits in trust accounts	452,830	566,510
Total Current Assets	37,004,755	32,858,975
Non-Current Assets		
Receivables	6,624,330	200
Other financial assets	670,001	648,824
Investments accounted for using the equity method	9,554,326	10,405,147
Property, plant and equipment	29,623,957	33,848,086
Intangibles	1,095,273	1,232,182
Total Non-Current Assets	47,567,887	46,134,439
Total Assets	84,572,642	78,993,414
Current Liabilities		
Subscriptions in advance	18,472,821	17,992,747
Unearned income	930,405	1,027,355
Payables	6,929,563	4,581,709
Provisions	3,332,088	2,580,471
Deposits in trust accounts	452,830	566,510
Total Current Liabilities	30,117,707	26,748,792
Non-Current Liabilities		
Subscriptions in advance	-	573,902
Provisions	2,890,701	2,432,752
Total Non-Current Liabilities	2,890,701	3,006,654
Total Liabilities	33,008,408	29,755,446
Net Assets	51,564,234	49,237,968
Equity		
Retained profits	44,929,851	42,482,688
Reserves	6,634,383	6,755,280
Total Equity	51,564,234	49,237,968

Discussion and Analysis of the Statement of Financial Position

The consolidated entity's net assets increased by 4.7% to \$51,564,234 during the financial period. Consolidated total assets increased by \$5,579,228, primarily due to an increase in cash from operations and receivables in relation to the sale of the Hindmarsh Square property. This was offset in part by a decrease in equity accounted investments and a reduction in the value of properties as a result of the above sale.

The consolidated entity's investment portfolio is managed by Macquarie Private Portfolio Management Ltd and the investment strategy reflects a moderate growth approach. The global economic downturn impacted on investment performance.

The major Current Liability is 'Subscriptions in Advance' which represent the unearned income on membership subscriptions as at the end of the financial period. This item increased during the financial period due to membership growth and an increase in membership subscription fees.

The increase in 'Payables' during the period is the result of a new services agreement with Assist Australia Pty Ltd. Funds totalling \$1,309,422 previously held in 'Subscriptions in Advance' are now held in 'Payables' as a Security Deposit. The consolidated entity has no external debt.

Concise Financial Report for the Financial Year Ended 30 June 2003

Statement of Cash Flows for the year ended 30 June 2003

	Consolidated	
	2003 \$	2002 \$
Cash flows from operating activities		
Receipts from members and customers	65,262,729	62,272,883
Payments to suppliers and employees	(60,552,465)	(58,798,507)
Dividends received	4,075,300	1,013,950
Interest received	341,099	95,320
Rental income received	292,979	215,994
Income tax refund/(paid)	-	2,199
Net cash from operating activities	<u>9,419,642</u>	<u>4,801,839</u>
Cash flows from investing activities		
Payment for property, plant and equipment	(4,161,649)	(6,428,698)
Loan to other entity	(217,600)	(33,000)
Loan repayment from other entity	38,500	-
Proceeds from sale of property, plant and equipment	226,373	288,775
Payment for investment securities	(21,176)	(127,360)
Receipt from funds management	24,725,075	2,572,924
Payment to funds management	(25,000,000)	-
Proceeds from sale of investment in securities	-	-
Net cash used in investing activities	<u>(4,410,477)</u>	<u>(3,727,359)</u>
Net increase in cash	5,009,165	1,074,480
Cash at the beginning of the financial year	<u>2,527,006</u>	<u>1,452,526</u>
Cash at the end of the financial year	<u>7,536,171</u>	<u>2,527,006</u>

Discussion and Analysis of the Statement of Cash Flows

Net cash flows from the consolidated entity's operating activities increased by \$4,617,803 to \$9,419,642. The increase in cash was primarily due to dividend distributions from the associated company, RAA Insurance Holdings Ltd, and increased subscription income. The net cash flow from operating activities was used to finance capital expenditure, primarily for building development at the leasehold property in Hindmarsh Square and at the Manchester St property. Other capital expenditure included the replacement of motor vehicles, which had reached the end of their useful life in the course of normal operations and computer system hardware and software upgrades.

Notes to the Financial Report for the year ended 30 June 2003

Note 1 Basis of Preparation

The concise financial report has been prepared in accordance with AASB 1039 'Concise Financial Reports'. The concise financial report, including the financial statements and specific disclosures included in the concise financial report, has been derived from the full financial report of the Royal Automobile Association of South Australia Inc.

A full description of the accounting policies adopted by the Group is provided in the accompanying notes, which form part of the full financial report. The accounting policies of the Group are consistent with those of the previous financial year except for the adoption of Accounting Standard AASB 1028 'Employee Benefits'.

Note 2 Operating Surplus

The operating surplus before income tax includes:

	2003 \$	2002 \$
Subscriptions and entrance fees	34,205,502	32,259,941
Revenue from sundry income	2,587,957	4,203,913
Commission	1,776,917	1,685,467
RAA Insurance distribution fee	6,221,244	5,685,578
Sales revenue		
Sales of goods	6,590,915	6,179,086
Rendering of services	6,008,936	5,194,697

Note 3 Change in accounting policy

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

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

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

Note 4 Segment Information**Information on Business Segments**

The consolidated 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.

The entity's share of the net profit of the associated entity, RAA Insurance Holdings Ltd, is also disclosed in the Statement of Financial Performance.

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

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

Information on Geographic Segments

The economic entity operates only in Australia.

Independent Audit Report To The Members of The Royal Automobile Association of SA Inc.

Scope

We have audited the concise financial report of the Royal Automobile Association of SA Inc. for the financial year ended 30 June 2003 as set out on pages 8 to 11, in order to express an opinion on it to the members of the Association. The concise 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 Association's Directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of the Royal Automobile Association of SA Inc. for the year ended 30 June 2003. Our audit report on the full financial report was signed on 9 September 2003, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 'Concise Financial Reports'.

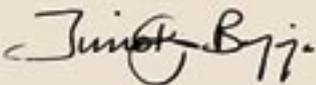
The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the concise financial report of the Royal Automobile Association of SA Inc complies with Accounting Standard AASB 1039 'Concise Financial Reports'.



DELOITTE TOUCHE TOHMATSU



Timothy Biggs

Partner

Chartered Accountants

Adelaide, 9 September 2003