



annual report 2004

respect

trust

service

integrity

value



Graham Walters President

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

John Fotheringham Chief Executive

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



highlights

Our Centenary

30 September 2003 officially marked the RAA's Centenary – 100 years of service to members – and we celebrated by:

- ▷ Hosting a reception at the Adelaide Oval preceded by a grand parade of historic vehicles through the City centre.
- ▷ Publishing *Rebel on Wheels*, a comprehensive history detailing the crucial role the RAA has played in assisting SA motorists and opening up our State to transport.
- ▷ Hosting the Annual Royal Presidents' Dinner for 160 guests from 28 associations bearing the Royal prefix at which Her Excellency the Governor of SA, Marjorie Jackson-Nelson AC CVO MBE, officiated and a message from Buckingham Palace was read.
- ▷ Sponsoring the National Motor Museum's *RAA's Motoring Century* display and the State Theatre Company's regional tour of *Who's Afraid of Virginia Woolf*.

Our Members

- ▷ RAA total membership (557,228) and PLUS membership (173,473) reached all-time highs.
- ▷ Mr Wilf Van Leeuwen of Modbury North, renewed his PLUS membership and won a Holden Astra CDX!
- ▷ *Show Your Card & Save* got bigger and better with 800 retail, accommodation, travel and entertainment partners Australia-wide offering special benefits, discounts and deals.
- ▷ We helped 474,087 members whose vehicles had broken down, more than 94,600 of which were on country roads.

- ▷ Members travelling overseas now have access to *Show Your Card & Save* special offers in the US, Canada, Mexico, South Korea, South Africa, New Zealand and Europe!
 - ▷ Staff in our Emergency Road Service, Sales & Service, and Insurance call centres managed 2.25 million phone calls.
 - ▷ Every month, more than 4,000 members required us to tow their cars for them.
 - ▷ RAA Technical responded to around 88,000 enquiries and conducted 17,634 vehicle inspections.
 - ▷ In response to member demand, a new specialist category of air conditioning was introduced to the RAA's Approved Repairer listing of 443 accredited service providers.
 - ▷ After a lengthy downturn in overseas travel due to SARS and the fear of terrorism, the Travel group experienced extraordinary demand from members booking international holidays.
 - ▷ We arranged International Driving Permits for more than 11,700 members.
 - ▷ 143,104 members kept Touring staff busy with queries about holidaying in Australia.
 - ▷ RAA's revamped website proved a huge hit with thousands of users visiting the site and hundreds of members subscribing to the member-only content and e-newsletter. Maps and distance charts, the interactive Learner Driver test, and 'best buy' petrol sites all proved big drawcards.
 - ▷ 10,011 members contacted our Legal Advisory team about traffic infringements and vehicle accidents.
- SA Motor** magazine, the *Show Your Card & Save* scheme, the RAA Board election and more via commissioned research, webpolls, telephone, email and over-the-counter.
- ▷ Through the Australian Automobile Association, we cooperated with interstate motoring clubs on national and international public policy and projects to enhance member products and services.
 - ▷ More than two years of intense lobbying on behalf of our members paid off when the Federal Government announced 17 overtaking lanes would be built on the Sturt Highway by 2004-05.
 - ▷ RAA also welcomed the Federal Government's \$15m allocation to fix road surface problems on the Dukes Highway between Bordertown and the SA/Victoria border.
 - ▷ We tackled issues such as SA's Draft Transport Plan, the State and Federal Budgets, SA's Road Safety Action Plan 2003-04 and recommendations made by the Road Safety Advisory Council, crash data collection, Britannia roundabout, AusLink, operation of the 50km/h general urban speed limit, 'hoon' legislation, vehicle immobilisers, compulsory vehicle inspections and more.
 - ▷ The RAA Board held its September meeting in Broken Hill and hosted a lunch for decision-makers from tourism, transport, media and local government.
 - ▷ RAA hosted the 2003 *Australia's Best Cars Awards*, a joint initiative of Australia's motoring clubs and considered the country's most prestigious motoring awards.
 - ▷ RAA exhibits at the Royal Adelaide, Millicent, Jamestown, Mount Gambier and Broken Hill Shows as well as the Paskeville and Lucindale Field Days, proved popular.

Member & Community Affairs

- ▷ Members responded to our surveys about car use, driver behaviour, road conditions, petrol prices, youth and road safety, environmental concerns,

the board

Juliet Brown Vice President

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



- ▷ Our expertise is recognised nationally, with RAA staff serving on *Standards Australia* committees on behalf of Australia's motoring clubs.
- ▷ Vehicle crash testing under the Australian New Car Assessment Programme (ANCAP) saw the Subaru Liberty and Outback achieve the first 5-star results for occupant protection as well as three stars for pedestrian protection.
- ▷ Once again, the RAA was a major sponsor of the SA Great Regional Awards, a partner in the highly successful *Stop Thief!* RAA/SAPOL car thief 'sting' project, and supporter of *Greenfleet's* efforts to desalinate the mighty River Murray and offset car emissions.

Our Services

- ▷ Long-term plans to consolidate the RAA's corporate and operational functions were realised with the completion of Stage 3 building works at our Mile End Complex.
- ▷ RAA remained South Australia's number one motor vehicle insurer.
- ▷ RAA Security monitored more than 6,000 lines in SA homes and Australian businesses, from banks and office blocks to hospitals and petrol stations.
- ▷ Our commercial call and contact centres, managed on behalf of third parties, grew with service provided to 15 local councils and a major utility operator.
- ▷ *Project Pegasus*, the replacement of RAA's emergency road service computer-aided dispatch system, remained our largest and most high profile IT project.
- ▷ As well as continuing to manage after-hours calls for emergency road service on behalf of the Tasmanian motoring club, we modified patrol vans for Tasmania

based on the WorkCover Safe Design Award winning fit-out of our own patrol vans.

- ▷ On behalf of the Northern Territory autoclub, we looked to expand its Approved Repairer Scheme to include crash repairers, and continued to manage the NT's road service call centre, job dispatch, contractor management and back-office functions.
- ▷ RAA Mapping provided cartography services to the SA and NT Tourism Commissions as well as a number of regional tourism organisations.
- ▷ We developed a long-term mobile communications strategy, incorporating an upgrade of the RAA's radio network.
- ▷ We continued to invest heavily in staff training to ensure compliance with Financial Services Reform legislation.

Our Finances

- ▷ Due to a turnaround in investment market performance and excellent results in some of the RAA's commercial activities, the RAA Group recorded an operating profit of \$7.918 million.
- ▷ RAA services essentially operate on a break-even basis and we look to generate a profit through our commercial activities and investing our excess assets.
- ▷ The RAA has no borrowings and our surpluses fund future development of the Association.
- ▷ As detailed in the accompanying financial statements, RAA Group net assets increased from \$51.564 million to \$64.577 million.

Our People

- ▷ We overhauled our Service Excellence scheme to recognise exemplary performance in innovation, external and internal customer service, and Shirley Mason was announced winner of the 2003 Annual Service Excellence Award.
- ▷ Neil Buder, Marie Chamberlain, Sharon Coad, Vera Cornell, John Heddle, John Henderson, Alun Hughes, Gary Lawrence, Craig Moresey, Tim Nicholls, Warren O'Neill, Judi Pinto and Vic Rejman clocked up 21 years of service with the RAA as did retiring General Manager of Operations, Alan White.
- ▷ More than 400 staff participated in a comprehensive survey to assist the RAA gain a better understanding of staff attitudes on a whole host of work-related issues.
- ▷ Hamilton Holden's James Burger received the RAA Centenary Award for Automotive Mechanical Apprentice of the Year in recognition of his academic performance, positive attitude and commitment to customer service.
- ▷ RAA Mile End was awarded Branch of the Year and Renmark received the Annual District Office Achievement Award.
- ▷ Our Victor Harbor, Crystal Brook, Yankalilla and Yumali road service contractors retired or resigned after serving RAA members for 54, 37, 28 and 25 years, respectively.
- ▷ *Jumpstart* entered its fifth year and recruited its sixteenth young trainee.
- ▷ OHS&W performance remained strong, with most performance targets met or exceeded.

the board

Robert Byrne

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



challenges

- ▶ Improving road safety performance remains a priority with the RAA represented on SA's Road Safety Advisory Council, its sub-committees and various taskforces.
- ▶ We are committed to *SaferRoads*; a long-term national initiative to build community awareness and demand for safer drivers in safer vehicles on safer roads.
- ▶ RAA will not falter in its lobbying of both the State and Federal governments to ensure SA roads are adequately funded.
- ▶ Through our vehicle crash test program, we will continue to pressure manufacturers to improve occupant and pedestrian protection.
- ▶ In cooperation with interstate autoclubs, we will finalise *AusRAP*; an assessment program able to rate the level of safety provided by Australia's highways and roads.
- ▶ We will be tireless in our efforts to develop and deliver the very best products and services for our members.

corporate governance

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

Board Committees

Four standing committees support the Board and each committee comprises three non-executive Directors. Once again, an annual review was conducted of the membership, tenure, skills and experience represented on each standing committee. Additional committees are established to deal with specific issues, as necessary.

The Governance & Nominations Committee has primary responsibility to assist the Board in ensuring the RAA's Corporate Governance framework, practices and procedures are appropriate and that the Board and its committees operate efficiently and effectively.

Following a comprehensive review of the *ASX – Principles of Good Corporate Governance and Best Practice Recommendations*, the broad nature and content of the ASX Guidelines were accepted and endorsed. The Board also adopted a *RAA Directors' Code of Conduct*, approved a series of *RAA Corporate Governance Statements*, and agreed on a revised approach to succession planning for the Board and its committees.

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

A comprehensive risk management report – detailing risks identified and mitigation strategies implemented having consideration for costs, probability and consequences – is considered by the Audit Committee every six months for advice to the Board.

The Remuneration Committee reviews the remuneration applicable to Board members, the Chief Executive and senior executives having consideration for independent professional advice on relevant industry practices and policies to attract, motivate and retain quality executives.

The Investment Committee investigates, considers and recommends to the Board on matters related to investment policy and strategy, financial objectives and forecast investment returns, and performance of the Association's investment manager.

An interim *Policy Committee*, established to review all RAA public policies and their relevance to today's climate and contemporary thinking, presented the outcome of its deliberations to the Board.

Independent Professional Advice

Subject to Board approval, Directors may seek independent professional advice at the Association's expense for the purpose of proper performance of their duties.

the board

Dianne Davidson

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



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 2004. 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 require 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.

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.

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		Interim Policy Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
JH Brown	13	12	6	4								
RJ Byrne	13	13			2	1						
DM Davidson	13	11										
WS Greiner	13	10					5	5				
LC Holmes	13	13	3	3							5	5
DA Hunt	13	11	5	4								
IM Martens	13	12					5	5	5	4		
RJ Payze	13	13							5	5	5	5
RN Robinson	13	12									5	4
JF Sangster	13	12										
MS Shanahan	13	13			2	2						
GD Walters	13	13	7	7	2	2	5	5	5	4		

* Members of the Governance/Nominations Committee do not attend meetings of the Committee at which Board election matters are discussed if they are eligible for re-election at the AGM. This was relevant to Mr DA Hunt who was eligible for re-election at the 2003 AGM and Ms JH Brown who is eligible for re-election at the 2004 AGM. Mr LC Holmes attended in their place at these meetings.

the board

Wendy Greiner

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



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 facilitate the efficient and effective management of 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:

- a) Salary/Fees
- b) Benefits – including the provision of motor vehicle, fringe benefits tax and superannuation; and
- c) 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	Salary/Fees	Benefits	At Risk Component	Total
	\$	\$	\$	\$
Specified Directors				
GD Walters	22,198	2,195	-	24,393
JH Brown	13,318	1,317	-	14,635
RJ Byrne	-	12,196	-	12,196
DM Davidson	11,098	1,098	-	12,196
WS Greiner	7,348	4,848	-	12,196
LC Holmes	11,098	1,098	-	12,196
DA Hunt	11,098	1,098	-	12,196
IM Martens	11,098	1,098	-	12,196
RJ Payze	-	12,196	-	12,196
RN Robinson	11,098	1,098	-	12,196
JF Sangster	11,098	1,098	-	12,196
MS Shanahan	11,098	1,098	-	12,196

the board

Leon Holmes

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



Name	Salary/Fees	Benefits	At Risk Component	Total
	\$	\$	\$	\$
Specified Executives				
JA Fotheringham	235,890	44,411	5,105	285,406
PR Prestwich	125,957	34,661*	11,423	172,041
WB Shepherd	114,188	36,384*	10,209	160,781
PJ Preiss	97,417	38,078	21,137	156,632
AE White	123,636	13,894	10,646	148,176

* Includes "cashed out" long service leave.

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.

The Association has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Association or of any related body corporate against a liability incurred as such an officer or auditor.

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 2004:

- (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 1st day of September 2004 in accordance with a resolution of the Directors



GD Walters President



JH Brown Vice President

the board

David Hunt AO, QPM

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

concise financial report for the financial year ended 30 June 2004

This concise financial report has been derived from the full financial report of the Royal Automobile Association of South Australia Inc. and has been prepared in accordance with the Australian accounting standards. The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

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

Statement Of Financial Performance For The Year Ended 30 June 2004

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

Discussion and Analysis of the Statement of Financial Performance

Total revenue increased by 2.3% to \$66,381,603. Subscriptions and entrance fees, which comprise 52.7% of total revenue, increased by 2.2% due to membership growth and the impact of the July 2003 subscription increase.

As a service organisation, employee expenses comprise the major item of consolidated expenditure at 52.0%. Growth in employee expenses during 2003/04 was 6.9% due to salaries and wages increasing by 4.8% and the recommencement of defined benefit superannuation contributions after a 'contribution holiday' in recent years.

The Annual Report provides an overview of the Association's service activity during the financial year. The profit from ordinary activities before tax increased \$4,524,307 to \$7,917,959 due primarily to an increase in the net profit of an associated company, RAA Insurance Ltd., accounted for on an equity basis and improved returns on investments. The profit of \$7,917,959 provides the Association with a sound basis for future service growth and development.

the board

Ian Martens

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

Statement Of Financial Position As At 30 June 2004

	Consolidated	
	2004	2003
	\$	\$
Current Assets		
Cash assets	5,830,651	7,536,171
Receivables	8,909,205	2,465,808
Other financial assets	29,420,809	25,258,596
Other current assets	707,142	642,707
Inventories	680,416	648,643
Deposits in trust accounts	374,817	452,830
Total Current Assets	45,923,040	37,004,755
Non-Current Assets		
Receivables	2,160	6,624,330
Other financial assets	670,001	670,001
Investments accounted for using the equity method	10,029,291	9,554,326
Property, plant and equipment	40,554,759	29,623,957
Intangibles	958,372	1,095,273
Total Non-Current Assets	52,214,583	47,567,887
Total Assets	98,137,623	84,572,642
Current Liabilities		
Subscriptions in advance	19,443,390	18,472,821
Unearned income	1,047,069	930,405
Payables	5,902,154	6,929,563
Provisions	3,703,932	3,332,088
Deposits in trust accounts	374,817	452,830
Total Current Liabilities	30,471,362	30,117,707
Non-Current Liabilities		
Provisions	3,089,281	2,890,701
Total Non-Current Liabilities	3,089,281	2,890,701
Total Liabilities	33,560,643	33,008,408
Net Assets	64,576,980	51,564,234
Equity		
Retained profits	52,847,810	44,929,851
Reserves	11,729,170	6,634,383
Total Equity	64,576,980	51,564,234

Discussion and Analysis of the Statement of Financial Position

The consolidated entity's net assets increased by 25.2% to \$64,576,980 during the financial year. Consolidated total assets increased by \$13,564,981, primarily due to an increase in investment returns and the revaluation of properties based on independent advice.

The consolidated entity's investment portfolio is managed by Macquarie Private Portfolio Management Ltd. and the investment strategy reflects a balanced growth approach. The improvement in domestic and international economies during the year impacted on investment performance.

The major Current Liability is "Subscriptions in Advance" which represents the unearned income on membership subscriptions as at the end of the financial year.

This item increased during the financial year due to membership growth and an increase in membership subscription fees.

The consolidated entity has no external debt.



the board

Rod Payze

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

Statement Of Cash Flows For The Year Ended 30 June 2004

	Consolidated	
	2004	2003
	\$	\$
Cash flows from operating activities		
Receipts from members and customers	69,043,458	65,262,729
Payments to suppliers and employees	(67,020,982)	(60,552,465)
Dividends received	3,978,000	4,075,300
Interest received	600,916	341,099
Rental income received	293,152	292,979
Net cash from operating activities	6,894,544	9,419,642
Cash flows from investing activities		
Payment for property, plant and equipment	(9,168,391)	(4,161,649)
Loan to other entity	-	(217,600)
Loan repayment from other entity	212,100	38,500
Proceeds from sale of property, plant and equipment	356,227	226,373
Payment for investment securities	-	(21,176)
Receipt from funds management	-	24,725,075
Payment to funds management	-	(25,000,000)
Net cash used in investing activities	(8,600,064)	(4,410,477)
Net (decrease)/increase in cash	(1,705,520)	5,009,165
Cash at the beginning of the financial year	7,536,171	2,527,006
Cash at the end of the financial year	5,830,651	7,536,171

Discussion and Analysis of the Statement of Cash Flows

Net cash flows from the consolidated entity's operating activities decreased compared to last year by \$2,525,098 to \$6,894,544. The decrease was primarily due to increases in employee costs, particularly superannuation, and payments of receipts held on behalf of third parties.

The net cash flow from operating activities was used to finance capital expenditure, primarily for the Mile End Stage 3 development. 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 2004**Note 1 Basis of Preparation**

The concise financial reports have 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.

Note 2 Operating Profit

The operating profit before income tax includes:

	2004	2003
	\$	\$
Subscriptions and entrance fees	34,977,892	34,205,502
Revenue from sundry income	3,095,914	2,587,957
Commission	1,930,328	1,776,917
RAA Insurance distribution fee	6,527,815	6,221,244
Sales revenue		
Sales of goods	6,461,492	6,590,915
Rendering of services	6,980,505	6,008,936

the board**Ruth Robinson**

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



Note 3 Change in accounting policy

In the previous reporting period, in accordance with Accounting Standard AASB 1028 "Employee Benefits", on 1 July 2002 the chief entity changed its policy for recognising provisions for employee entitlements. Previously the policy for recognising provisions for employee entitlements was in accordance with the requirements of AAS 30 "Accounting for Employee Entitlements", however, as at 1 July 2002, this standard was superseded by AASB 1028 "Employee Benefits". The following table 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 amount of the adjustment relating to financial years prior to those presented in the financial report was \$946,489.

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

Information on Geographic Segments

The economic entity operates only in Australia.

the board

John Sangster

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



independent audit report to the members of the royal automobile association of south australia inc.

Scope

We have audited the concise financial report of the Royal Automobile Association of South Australia Inc. for the financial year ended 30 June 2004 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 South Australia Inc. for the year ended 30 June 2004. Our audit report on the full financial report was signed on 1 September 2004, 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 South Australia Inc. complies with Accounting Standard AASB 1039 "Concise Financial Reports".



DELOITTE TOUCHE TOHMATSU



Stephen Harvey Partner

Chartered Accountants

Adelaide, 1 September 2004

the board

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 Chairman of Australian Orthopaedic Innovations Ltd, Council Member of Flinders University, Life Member of SA Farmers Federation, and Fellow of the Australian Institute of Company Directors.

