

Juliet Brown President

LLB, MAICD

Juliet Brown, former Chief Executive of commercial law firm, Thomson Playford, has been a member of the RAA Board since November 1994. Ms Brown is 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, Audit Committee, Remuneration Committee and Investment Committee. Her board appointments include the Cancer Council South Australia, Central Northern Adelaide Health Service, and the Motor Accident Commission.



John Fotheringham Managing Director

BTech(Civil), MIEA, FAICD

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 and Managing Director in 2005. Mr Fotheringham is also a Director of RAA Insurance Holdings Limited, RAA Insurance Limited, the Australian Automobile Association, Australian Motoring Services Pty Ltd and subsidiaries.



2005 ANNUAL
report



highlights

Our Members

- ▶ RAA membership reached record levels with 560,509 members - 187,843 of whom chose the additional benefits of RAA Plus.
- ▶ To better cater for our members' needs, we decided that from 1 July 2005 we would introduce a new Group membership category, grant Full member status to Associates renewing their membership, and introduce brighter, more durable membership cards.
- ▶ Our road service patrols helped 456,845 members at roadside breakdowns, including 91,972 in country South Australia.
- ▶ RAA's Retail Contact Centre took 651,823 calls, while Technical Advisory provided assistance on 74,112 enquiries and our Legal Advisory Service worked through 8,580 legal matters for members.
- ▶ We conducted 16,058 technical vehicle inspections at offices and through our mobile inspection service.
- ▶ RAA Touring assisted with 137,322 members' travel plans, while RAA Travel issued 12,715 International Driving Permits.
- ▶ 16-year member Caroline Alde was the *RAA PLUS Win a Holden Vectra* competition winner.
- ▶ The RAA Board of Directors travelled the Victor Harbor road to review its condition.

Our Services

- ▶ RAA Insurance again had an extremely successful year, growing the business to over 257,000 insurance covers.
- ▶ EnergyAustralia joined our successful *Show Your Card & Save* program, which continued to grow, offering members savings and benefits at thousands of participating outlets across South Australia, interstate and overseas.
- ▶ We introduced *Pulse* – a sophisticated computer system developed in-house to manage the RAA's road service communications.
- ▶ Building on our expertise in providing independent child restraint advice to South Australian parents, the RAA opened its Child Safety Centre.
- ▶ RAA celebrated its 80th anniversary of providing services to the people of Broken Hill.
- ▶ Our Port Augusta road service contractor expanded operations to create a one-stop-shop for our 3,200 local members and the thousands of motorists who travel through the region each year.

- ▶ RAA's online accommodation and travel booking service was launched.
- ▶ RAA Security Services continued to offer the only ASIAL Grade 1A certified monitoring centre in Adelaide.
- ▶ **samotor** underwent a significant revamp to deliver a more dynamic, informative and refreshing member magazine.
- ▶ We launched our Approved Vehicle Dealer Program - dealers from whom members can buy an RAA inspected and approved used vehicle.
- ▶ The number of licensed Approved Repairers increased during the year to 450.
- ▶ The RAA's disaster recovery premises was upgraded.

Our Finances

- ▶ Our member services aim to operate on a break-even basis and are funded by subscriptions and income from the sale of some services. Profit is generated from investment activity using funds held for long-term development and returns from the strong performance of RAA Insurance.
- ▶ We had no borrowings and our profit will fund future developments.
- ▶ An outstanding financial result was achieved due to another year of high investment performance and further growth in commercial activities.
- ▶ The RAA Group recorded an operating profit of \$8.835 million.
- ▶ RAA Group net assets increased from \$64.577 million to \$73.412 million.

Our People

- ▶ Staff achieving 21 years of service were Alan Fletcher, David Hunt, Paul McCormack, John Osborne, Tony Print, John Sabato, Mark Sampson, Lou Samson, Bill Usher, Jan Thredgold, Bruce Tregear and Rino Zuzolo.
- ▶ After 20 years of service, including three years as RAA President, Dr John Sangster retired from the Board. Dr Sangster made a very significant contribution to the Association, particularly in the area of road safety, and also served as a President of the Australian Automobile Association (AAA).
- ▶ Director David Hunt also retired, after eight years of dedicated service to the RAA Board.
- ▶ In recognition of his outstanding contribution, Chief Executive John Fotheringham was appointed to the Board as Managing Director.



Leon Holmes Vice President

MAICD

Leon Holmes has been a member of the RAA Board of Directors since June 1994 and is Vice President of the Association as well as a Director of RAA Investments Pty Ltd and a member of the RAA Governance & Nominations Committee. 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.

- ▶ Our 2004 Staff Annual Service Excellence award winners were Cath Monga and Campbell Aldis who demonstrated exemplary performance in internal and external customer service and Peter Murphy and Peter King who were recognised for innovation.
- ▶ RAA continued the highly successful *Jumpstart* program with 21 participants completing traineeships.
- ▶ The Mt Gambier Office was awarded Branch of the Year.

corporate responsibility

Public Benefit and Advocacy Role

The RAA remained the principal advocate for road users in South Australia on a very broad range of motoring-related issues including speed limits, petrol pricing, road audits, safety design, road/bridge tolls, road rules, driver education, law enforcement and environmental concerns.

- ▶ We continued to argue for additional funding in the State Budget for the \$160 million, and rising, road maintenance backlog.
- ▶ Intense lobbying by the RAA saw an additional \$118 million committed to SA roads through the Federal *AusLink* program.
- ▶ The RAA's President and Managing Director travelled to Canberra for meetings with various Federal Parliamentarians including (then) Deputy PM and Transport Minister John Anderson, Roads Minister Jim Lloyd and Foreign Minister Alexander Downer. Representations were made to the three Ministers, eight members of the House of Representatives and three Senators on issues of concern to SA motorists.
- ▶ After years of calling for upgrades to key intersections along South Road, the State Government committed to major improvements at the Port and Grange roads, and Anzac Highway intersections.
- ▶ Together with a number of organisations, the RAA lobbied against the additional \$70 million cost to construct opening bridges over the Port River.

Community Support

We continued our proud history of assisting the community by providing financial and in-kind support to nearly 40 organisations, groups, charities and appeals.

- ▶ The RAA made significant donations to the Boxing Day Tsunami Appeal (\$25,000) and the Eyre Peninsula Bushfire Appeal (\$10,000).

- ▶ We became the major corporate sponsor of the Drug and Alcohol Services SA *Good Sports Accreditation Program* that promotes the responsible management of alcohol in sporting clubs.
- ▶ The RAA was a major supporter of an immobiliser subsidy scheme aimed to reduce the incidence of vehicle theft.
- ▶ Showing our commitment to regional SA, we sponsored Country Arts SA and once again, participated in the Eyre Peninsula and South East Field Days and the Silver City Show.
- ▶ RAA continued its proud involvement with the Royal Adelaide Show, winning first prize for the best Jubilee Pavilion stand.
- ▶ The RAA Centenary Apprentice Award was awarded to Stuart Peddle from CMI Toyota.

health, safety and environment

The RAA understands that protection of the environment and the wellbeing and safety of staff is essential to securing the long term sustainability of the community and RAA operations.

Occupational Health, Safety & Welfare

- ▶ The RAA's workers compensation self-insurer status was renewed for a further three years as we continue to meet, or exceed, WorkCover determined performance standards.
- ▶ Our OHS&W performance fell slightly short of the ambitious targets we set ourselves. With 25 lost time claims, there is always room for improvement.

Community Safety

- ▶ The RAA continued to participate on State and National committees and boards including Standards Australia, Road Safety Advisory Council, the State Level Crossing Safety Committee and Federal Blackspot Consultative Panel.
- ▶ The contribution made by the RAA on the Road Safety Advisory Council, its sub-committees and taskforces, plays a significant role not only in reducing death and injury on our roads but also the development of strategies that provide far reaching benefits for the State's emergency services, health, education as well as third party compensation.
- ▶ In lobbying for *SaferRoads*, under guidance of the AAA, we invested significantly in AusRAP – a safety rating system for Australian roads.

Robert Byrne

PhD, CPEng, FCAID, FAIM, FAMI

Rob Byrne has been a RAA Board Member since May 1996 and is also a Director of RAA Investments Pty Ltd and a member of the RAA Remuneration Committee. Mr Byrne is Chairman of Overland Vineyards Pty Ltd, and Byrne & Smith Pty Ltd, and Deputy Chairman of Chariot Limited, Jubilee Almonds Pty Ltd and Century Orchards Pty Ltd.



Environment

- ▶ Our *Battery Recycle Program* recycled 37,050 batteries, with over 93 per cent of each battery able to be reused.
- ▶ All 123 of our patrol vans operate on LPG.
- ▶ As a member of the Oil Stewardship Advisory Committee, RAA continued to provide advice to the Federal Minister for the Environment on removing and recovering waste motor vehicle oil.
- ▶ Our participation on the State's Transport & Planning Working Group played an important role in shaping it's Greenhouse Strategy issues paper.
- ▶ Through our federal secretariat, the AAA, RAA made a formal submission to the National Taskforce on Biofuels.
- ▶ *Australia's Best Cars*, Australia's leading new car award program run by the autoclubs of Australia, added the government *Green Vehicle Guide* rating into results.
- ▶ In a time of rising fuel costs, the RAA recognised the importance of encouraging its members to appropriately maintain their vehicles and employ good driving habits.

challenges

- ▶ Continue to strive to provide RAA members and other clients with customer service and advice of the highest order along with access to a range of quality, value for money services.
- ▶ Enhance the membership base to enable the RAA to continue its service and advocacy roles.
- ▶ Build on our position as a leading provider of insurance for South Australians.
- ▶ Actively contribute to informed community debate on issues that impact our members and lobby for desirable reform.
- ▶ Maximise the ability of our staff through a safe and efficient working environment, relevant training and development, and suitable recognition and reward for excellent performance.

corporate governance

The RAA Board of Directors, made up of twelve non-executive Directors and the Managing Director, is charged with the responsibility of establishing the long-term strategic direction of the Association. The Board's role also includes the approval and monitoring of business performance against corporate budgets, service standards and policy setting and ensuring that the RAA acts lawfully and responsibly.

Key governance activities during the year included development of the Business Continuity Plan, maintenance of Risk Management Programs and continued vigilance on the Corporate Compliance Program. The Board and senior management team also devoted significant time to corporate strategy and the development of the 2005-06 Business Plan. Subject to Board approval, Directors may seek independent professional advice at the Association's expense for the purpose of proper performance of their duties.

Board Committees

Four standing committees support the RAA Board and additional committees are established to deal with specific issues as necessary. This year, the Board increased the size of each committee to a maximum of four Directors to expand committee representation and skill base.

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 RAA Board and its committees operate effectively and efficiently, and oversees the Board election process.

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. The committee reviews a comprehensive risk management report twice a year and provides advice to the Board.

The Remuneration Committee reviews the remuneration applicable to Board Members and senior executives having consideration for independent professional advice on relevant industry practices and policies.

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

directors' report

The Directors of the RAA submit the annual concise financial report for the financial year ended 30 June 2005. 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.



Dianne Davidson

BAGSc, Grad Dip Bus Admin, MSc, FATSE, FAIAST

Di Davidson is Managing Director 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 and a member of the RAA Remuneration Committee.

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.

An operating and financial review 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	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
JH Brown	13	13	5	5	2	2	4	4	2	2
RJ Byrne	13	12			3	3				
DM Davidson	13	11			2	2				
JA Fotheringham ¹	5	5	1	1	1	1	2	2	1	-
WS Greiner	13	11					5	5		
RG Grigg ²	5	4								
LC Holmes	13	12	6	6						
DA Hunt ³	7	6	3	3						
IM Martens	13	11					5	5	4	4
RJ Payze	13	12							4	4
RN Robinson	13	12	4	4						
JF Sangster ⁴	12	9								
JE Sarah ⁵	1	1								
MS Shanahan	13	13			3	3				
GD Walters	13	13	7	7	1	1	5	5	4	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 Ms JH Brown who was eligible for re-election at the 2004 AGM where Mr LC Holmes attended these meetings in her place.

1. Appointed 29 March 2005; 2. Appointed 14 March 2005; 3. Resigned 24 January 2005; 4. Resigned 27 May 2005; 5. Appointed 28 May 2005

Wendy Greiner

DipT, Grad Dip (Rec), BA, FAIM, FAICD

Wendy Greiner has been an 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.



Remuneration Report

The Remuneration Committee reviews the remuneration packages of all Directors, the Managing Director and senior managers on an annual basis and makes recommendations to the Board regarding the remuneration of Directors and the Managing Director. Remuneration packages are reviewed with regard to performance and other relevant factors in order to retain and attract executives of sufficient calibre to facilitate efficient management of the Association. The Remuneration Committee seeks the advice of external advisers on remuneration packages that reflect the market.

Remuneration packages for the Managing Director and senior management 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.

For non-executive Directors, the rules of the Association specify that the aggregate remuneration shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at an Extraordinary General Meeting held on 25 May 1998 when members approved an aggregate remuneration of \$180,000 per year.

The total remuneration paid to non-executive Directors during 2004/05 was \$168,561.

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				
JH Brown	19,886	2,055	-	21,941
RJ Byrne	-	12,684	-	12,684
DM Davidson	11,542	1,142	-	12,684
JA Fotheringham (appointed 29th March 05)	332,059*	23,071	7,806	362,936
WS Greiner	11,542	1,142	-	12,684
RG Grigg (appointed 14th March 05)	3,455	341	-	3,796
LC Holmes	13,251	1,313	-	14,564
DA Hunt (resigned 24th January 05)	6,530	436	-	6,966
IM Martens	-	13,684	-	13,684
RJ Payze	-	13,684	-	13,684
RN Robinson	11,542	1,142	-	12,684
JF Sangster (resigned 27th May 05)	10,491	1,038	-	11,529
JE Sarah (appointed 28th May 05)	-	1,012	-	1,012
MS Shanahan	11,542	1,142	-	12,684
GD Walters	16,540	1,427	-	17,967

* Includes long service leave cashed out \$62,449.



Ray Grigg

F SAE-I/A, FAICD

Ray Grigg was appointed to the RAA Board in March 2005 and is also a Director of RAA Investments Pty Ltd. Prior to his retirement in 2004 after 47 years with General Motors, Mr Grigg held senior executive positions in Europe and Japan, and was Director and General Manager for General Motors-Holden's operations in Australia. He is Chair of the State advisory panel on the future of Mitsubishi Motors Australia Ltd, Chair of the Central Northern Adelaide Health Service, President of the Board of Governors of University of Adelaide's Florey Research Foundation and non-executive Director of several public and private companies.

Name	Salary/Fees	Benefits	At Risk Component	Total
	\$	\$	\$	\$
Specified Executives				
PR Prestwich	122,161	40,231	17,125	179,517
PJ Preiss	100,130	40,455	32,515	173,100
WB Shepherd	101,630	41,402	16,625	159,657
SA Hanlon	102,665	25,000	12,775	140,440

Indemnification and Insurance of Officers and Auditors

Directors and Officers of the Association are indemnified, pursuant to the Rules of the Association, against personal liability arising from their respective positions within the Association and its related bodies corporate.

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.

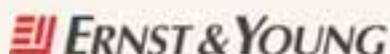
The Association has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Association or of any related body corporate against a liability incurred as such an officer or auditor.

Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, the Association and its 100% owned subsidiary, RAA Investments Pty Ltd, formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense on a pro rata basis. In addition, the agreement provides for the allocation of income liabilities between the entities should the head entity default on its tax payment obligations.

Auditor Independence and Non-Audit Services

The Directors received the following declaration from the Association auditors.



■ Santos House
91 King William Street
Adelaide SA 5000
Australia

■ Tel 61 8 8233 7111
Fax 61 8 8231 8050
DX 155 Adelaide

GPO Box 1271
Adelaide SA 5001

Auditor's Independence Declaration to the Directors of the Royal Automobile Association of South Australia Inc ("RAA Group")

In relation to our audit of the financial report of RAA Group for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Alan H Herald Partner

Adelaide, 30 August 2005

Ian Martens

FCA, FAICD

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 Chairman of the RAA Audit Committee, Chairman of the RAA Insurance Remuneration Committee, and a member of the RAA Investment Committee and the RAA Insurance Audit Committee. Mr Martens is also a Board Member of the publicly listed Challenger Infrastructure Fund and the Challenger Wine Trust.



Non-Audit Services

No services of a non-audit nature were provided by Ernst & Young during 2004/05.

Directors' Declaration

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 2005:

- (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 Managing Director of the chief entity is a director of controlled and associated entities but received no remuneration from those entities.

Signed this 30th day of August 2005 in accordance with a resolution of the Directors



JH Brown President



LC Holmes Vice President

concise financial report for the financial year ended 30 june 2005

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 online at www.raa.net or will be sent to members, without charge, upon request.

Statement of Financial Performance for the year ended 30 June 2005

	Consolidated	
	2005	2004
	\$	\$
Revenue from ordinary activities	71,724,487	66,381,603
Share of net profits of associate accounted for using the equity method	3,459,380	4,434,965
Employee benefits expense	(34,041,029)	(32,690,638)
Payments to contractors for roadside assistance	(8,767,638)	(8,608,179)
Depreciation and amortisation expenses	(3,515,648)	(3,129,687)
Other expenses from ordinary activities	(20,024,990)	(18,470,105)



Rod Payze

BE, MSc, FIE Aust, FCILT

Rod Payze 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 Chairman of the South Australia Football Commission, as well as a Director of Flinders Ports Pty Ltd.



	Consolidated	
	2005	2004
	\$	\$
Profit from ordinary activities before income tax	8,834,562	7,917,959
Income tax benefit/(expense) relating to ordinary activities	-	-
Net profit	8,834,562	7,917,959
Increase in asset revaluation reserve arising on revaluation of non-current assets	-	5,094,787
Total revenue, expense and valuation adjustments attributable to members recognised directly in equity	-	5,094,787
Total changes in equity other than those resulting from transactions with owners as owners	8,834,562	13,012,746

Discussion and Analysis of the Statement of Financial Performance

Total revenue increased by 8.0% to \$71,724,487. Subscriptions and entrance fees, which comprise 50.9% of total revenue, increased by 4.3% due to membership growth and the impact of the July 2004 subscription increase. Investment income was \$6,477,045 compared with \$5,027,263 last year due to the strong performance in investment markets.

As a service organisation, employee expenses comprise the major item of consolidated expenditure at 51.3%. Growth in employee expenses during 2004/05 was 4.1% due to employee numbers increasing by 12 to 553 full-time equivalents, salaries and wages increasing by 3.3%, and increases in workers compensation and superannuation commitments.

The Annual Report provides an overview of the Association's service activity during the financial year. The profit from ordinary activities before tax increased by \$916,603 to \$8,834,562 due primarily to the strong performance in investment markets. The profit of \$8,834,562 provides a sound basis for future service growth and development.

Statement of Financial Position as at 30 June 2005

	Consolidated	
	2005	2004
	\$	\$
Current Assets		
Cash assets	5,102,513	5,830,651
Receivables	6,987,079	8,909,205
Other financial assets	38,833,502	29,420,809
Other current assets	793,044	707,142
Inventories	997,375	680,416
Deposits in trust accounts	861,501	374,817
Total Current Assets	53,575,014	45,923,040
Non-Current Assets		
Receivables	3,002,160	2,160
Other financial assets	367,001	670,001
Investments accounted for using the equity method	9,808,671	10,029,291
Property, plant and equipment	40,791,800	40,554,759
Intangibles	821,463	958,372
Total Non-Current Assets	54,791,095	52,214,583
Total Assets	108,366,109	98,137,623
Current Liabilities		
Subscriptions in advance	20,347,048	19,443,390
Unearned income	1,307,969	1,047,069
Payables	5,309,699	5,902,154
Provisions	3,933,931	3,703,932
Deposits in trust accounts	861,501	374,817
Total Current Liabilities	31,760,148	30,471,362

Ruth Robinson

RDA, RDAT, FAICD

Ruth Robinson owns and operates a sheep and cereal cropping farm near Jamestown. Extensive community involvement has included terms as State President of Rural Youth and Senior Vice President of the South Australian Farmers Federation. Ms Robinson has been a member of the RAA Board since April 2001 and is also a Director of RAA Investments Pty Ltd and a member of the RAA Governance & Nominations Committee.



	Consolidated	
	2005	2004
	\$	\$
Non-Current Liabilities		
Provisions	<u>3,194,419</u>	3,089,281
Total Non-Current Liabilities	<u>3,194,419</u>	3,089,281
Total Liabilities	<u>34,954,567</u>	33,560,643
Net Assets	<u>73,411,542</u>	64,576,980
Equity		
Retained profits	61,682,372	52,847,810
Reserves	<u>11,729,170</u>	11,729,170
Total Equity	<u>73,411,542</u>	64,576,980

Discussion and Analysis of the Statement of Financial Position

The consolidated entity's net assets increased by 13.7% to \$73,411,542 during the financial year. Consolidated total assets increased by \$10,228,486, primarily due to an increase in investment returns.

The consolidated entity's investment portfolio is managed by Macquarie Private Portfolio Management Ltd. and the investment strategy reflects a balanced growth approach.

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 in July 2004.

The consolidated entity has no external debt.

Statement of Cash Flows for the year ended 30 June 2005

	Consolidated	
	2005	2004
	\$	\$
Cash flows from operating activities		
Receipts from members and customers	71,508,887	69,043,458
Payments to suppliers and employees	(69,429,814)	(67,020,982)
Dividends received	3,868,195	3,978,000
Interest received	577,711	600,916
Rental income received	301,972	293,152
Net cash from operating activities	<u>6,826,951</u>	6,894,544
Cash flows from investing activities		
Payment for property, plant and equipment	(4,255,548)	(9,168,391)
Loan repayment from other entity	-	212,100
Return of capital from other entity	303,000	-
Proceeds from sale of property, plant and equipment	397,459	356,227
Receipt from funds management	500,000	-
Payment to funds management	(4,500,000)	-
Net cash used in investing activities	<u>(7,555,089)</u>	(8,600,064)
Net (decrease) in cash	<u>(728,138)</u>	(1,705,520)
Cash at the beginning of the financial year	<u>5,830,651</u>	7,536,171
Cash at the end of the financial year	<u>5,102,513</u>	5,830,651

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 \$67,593 to \$6,826,951.

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. 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.



James Sarah

BAppSc(Build), MBA, FAIB, FAICD

James Sarah is Joint Managing Director of the Sarah Group a diversified construction contracting business. He was appointed to the RAA Board in May 2005 and is also a Director of RAA Investments Pty Ltd. Mr Sarah is currently Vice President of the Property Council of Australia (SA Division), Past President of the Australian Institute of Building (SA Chapter), and a Member of the Young Presidents' Organisation (SA Chapter).

Notes To The Financial Report For The Year Ended 30 June 2005

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:

	2005 \$	2004 \$
Subscriptions and entrance fees	36,483,761	34,977,892
Revenue from sundry income	3,635,856	3,095,914
Commission	2,327,437	1,930,328
RAA Insurance distribution fee	7,158,784	6,527,815
Sales revenue		
Sales of goods	6,913,446	6,461,492
Rendering of services	7,240,708	6,980,505

Note 3 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 2005 \$	Insurance 2005 \$	Total 2005 \$	Member Services 2004 \$	Insurance 2004 \$	Total 2004 \$
Revenue	71,724,487	3,459,380	75,183,867	66,381,603	4,434,965	70,816,568
Net profit	5,375,182	3,459,380	8,834,562	3,482,994	4,434,965	7,917,959
Assets	98,557,438	9,808,671	108,366,109	88,108,332	10,029,291	98,137,623
Liabilities	34,954,567	-	34,954,567	33,560,643	-	33,560,643

Information on Geographic Segments

The economic entity operates only in Australia.

Note 4 Adoption of Australian International Financial Reporting Pronouncements

The economic entity has reviewed all of the new requirements for the adoption of Australian International Financial Reporting Standards (A-IFRS) that apply for annual reporting periods beginning on or after 1 January 2005. The Board Audit Committee has received regular reports identifying the impacts of conversion to the new requirements and is satisfied that the economic entity will be in a position to report A-IFRS compliant annual accounts from 30 June 2006. The key accounting policies and disclosures identified are:

Recognition of contracts relating to vehicle breakdown services. The economic entity currently recognises income from members on an earned basis and hence currently complies with the new A-IFRS requirements.

Treatment of tax effect accounting. The economic entity will not be recognising any deferred tax assets during the transition to A-IFRS as it is not probable that any future tax or profits will be available against which the unused tax losses and/or unused tax credits can be utilised.

Employee benefits in respect of sponsored defined benefit superannuation. The economic entity has a small number of employees who are members of the defined benefit category of the RAA Staff Superannuation Scheme. An actuarial review of the defined benefit category of the Scheme was conducted as at 30 June 2005 in accordance with the new A-IFRS requirements and concluded that a small immaterial surplus exists in the Scheme for members in the defined benefit category.

Goodwill. The new accounting requirements specify the introduction of an impairment test. Currently, the value of goodwill is amortised on a straight line basis over ten years. An assessment of the impairment value of goodwill approximates with the net fair value as at 30 June 2005 and no additional adjustment is required. In future, amortisation will cease and the annual impairment test will be applied.

Recognition and measurement of financial assets and liabilities. The economic entity currently accounts for financial assets on the basis of fair value with changes reported in net profit or loss.

The assessment of the quantitative impact of the changes are management's best estimates. The actual effects of transition to A-IFRS may differ from the estimates due to on-going work being undertaken by management; potential amendments to A-IFRS; and emerging accepted practice in the interpretation and application of A-IFRS.

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 a Director of RAA Investments Pty Ltd and a member of the RAA Remuneration Committee. Mr Shanahan is Chairman of Australian Orthopaedic Innovations Ltd, Council Member of Flinders University, and a Life Member of SA Farmers Federation.



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

Scope

The concise financial report and Directors' responsibility

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity for the year ended 30 June 2005. The consolidated entity comprises both the Royal Automobile Association of South Australia Inc. (the Association) and the entities it controlled during the year.

The Directors of the Association are responsible for preparing a concise financial report and the additional disclosures that complies with Accounting Standard AASB 1039 "Concise Financial Reports", in accordance with the *Associations Incorporation Act 1985*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

Audit approach

We conducted an independent audit on the concise financial report in order to express an opinion on them to the members of the Association. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports". We formed our audit opinion on the basis of these procedures, which included:

- ▷ testing that the information in the concise financial report is consistent with the full financial report; and
- ▷ examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report and that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the association for the year ended 30 June 2005. Our audit report on the full financial report was signed on 30 August 2005, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

Independence

We are independent of the Association, and have met the independence requirements of Australian professional ethical pronouncements. We have given to the Directors of the Association a written Auditor's Independence Declaration, signed on 30 August 2005.

Audit opinion

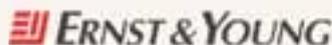
In our opinion, the concise financial report of the Royal Automobile Association of South Australia Inc. complies with Accounting Standard AASB 1039 "Concise Financial Reports".



Ernst & Young



Alan H Herald Partner
Adelaide, 30 August 2005




Graham Walters AM

FCA

Graham Walters has been a member of the RAA Board since June 1991 and is a Director of RAA Investments Pty Ltd and a past President of the RAA Board. Mr Walters is a member of the RAA Governance & Nominations Committee, Audit Committee and Investment Committee. He is also a company director, consultant and Chairman of Westpac's SA Executive Committee.