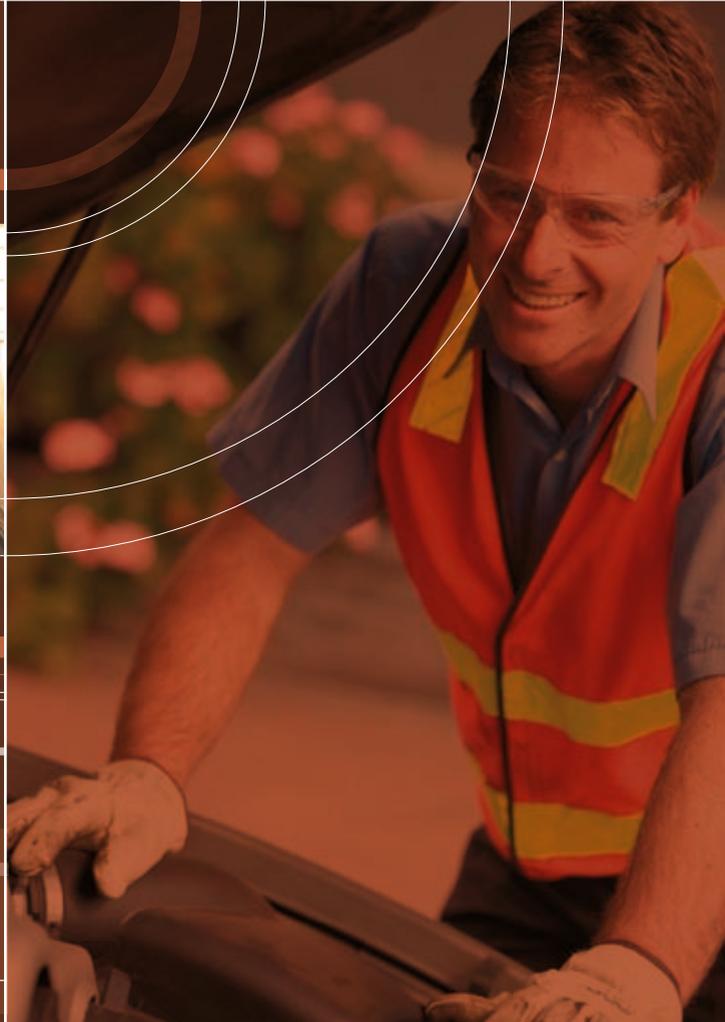
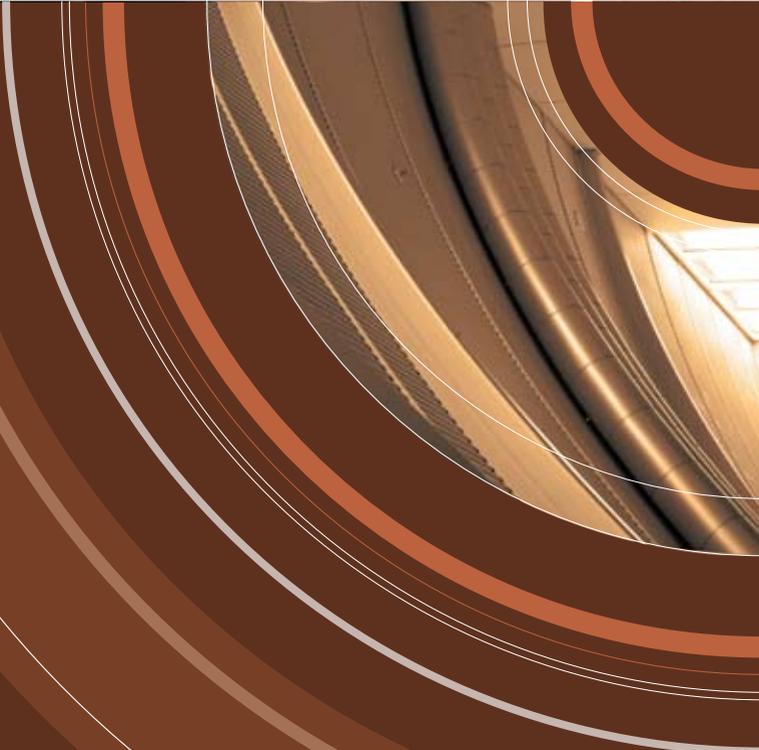
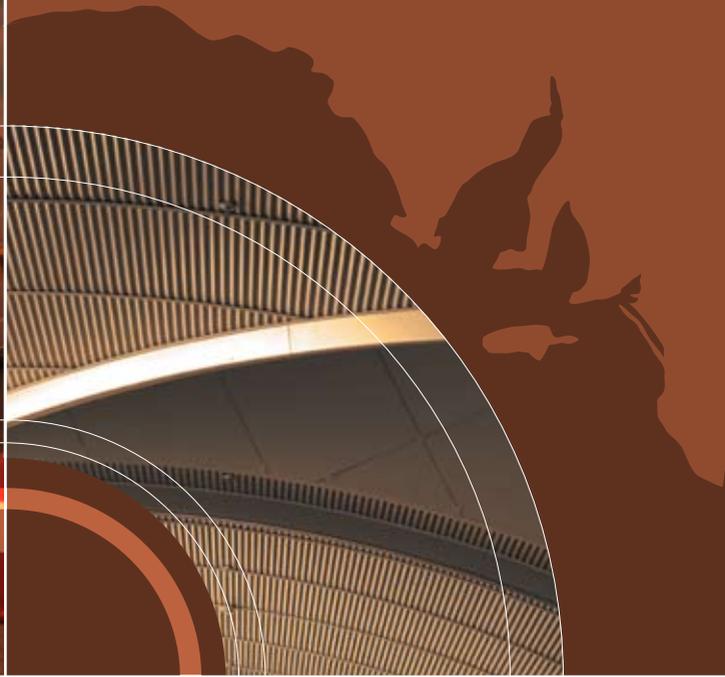


annual report 2008



Juliet Brown 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 a Director of RAA Insurance Ltd and a member of the RAA Governance & Nominations Committee and a past President of the Association. Her board appointments include the Cancer Council South Australia, the Motor Accident Commission, the South Australian Financing Authority and Business SA.

David Cross BEc, CA, GAICD

David Cross was appointed to the RAA Board in July 2007 and is a member of the RAA Audit Committee. Mr Cross, a Chartered Accountant, was previously Vice President, Strategic Business Development, Carl Zeiss Vision International (Carl Zeiss Vision is a world leader in optics and was formed two years ago through the merger of SOLA International and the ophthalmic business of Carl Zeiss). He has also held the position of Vice President and Managing Director Asia Pacific for both Carl Zeiss Vision and SOLA International Inc.

Dianne Davidson

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

Dianne 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 a member of the RAA Remuneration Committee.

Wendy Greiner BA, Grad Dip (Rec), Dip T FAIM, FAICD

Wendy Greiner has been an RAA Board member since June 1995 and is a member of the RAA Remuneration Committee. Ms Greiner is an experienced marketing and communications consultant and non-executive director. She is Mayor of the City of Burnside and a Director and past President of the Australian Institute of Management.

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 and is Chairman of the RAA Audit, Risk & Compliance Committee. Mr Martens is also a Board Member of the publicly listed Challenger Infrastructure Fund, Challenger Wine Trust, Challenger Diversified Property Group and Challenger Kenedix Japan Trust. He is Chairman of the Audit and Compliance committee of these Challenger entities.

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 a member of the RAA Investment Committee. He is also on the National Board of the Property Council of Australia Ltd and President of its South Australian Division. Mr Sarah is past President of the Australian Institute of Building (SA Chapter), and a Member of the Young Presidents' Organisation (SA Chapter).

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 member of the RAA Audit Committee. Mr Shanahan is a Council Member of Flinders University and a member of its Resources Committee. He is a Life Member of the SA Farmers Federation.

Peter Siebels AM

Peter Siebels was appointed to the RAA Board of Directors in May 2008 and is a member of the RAA Investment Committee. He is a taxation specialist and currently Chairman of Partners for KPMG in South Australia. Mr Siebels is past State Chairman of the Taxation Institute of Australia's South Australian State Council and is also a director of Business SA and the State Theatre Company.

Rod Payze

BE, MSc, FIE Aust, FCILT

Rod Payze has been a RAA Board member since February 2001 and is 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.

Ruth Robinson RDA, RDAT,

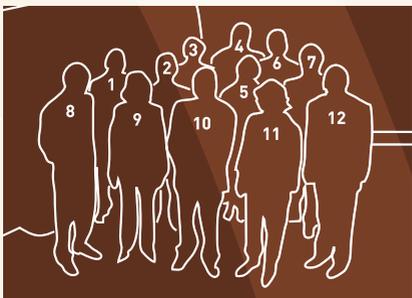
Ruth Robinson owns and operates a sheep and cereal cropping farm near Jamestown. Ms Robinson has been a member of the RAA Board since April 2001 and is a member of the RAA Governance & Nominations Committee. Ms Robinson is extensively involved in the community, including being the Presiding Member of the Mid North Health Advisory Council.





RAA BOARD OF DIRECTORS

profiles



KEY TO DIAGRAM

- | | |
|---------------------|---------------------------------------|
| 1. David Cross | 8. Ian Martens |
| 2. James Sarah | 9. Wendy Greiner |
| 3. Michael Shanahan | 10. Leon Holmes
[President] |
| 4. Peter Siebels | 11. Juliet Brown |
| 5. Ruth Robinson | 12. Raymond Grigg
(Vice-President) |
| 6. Dianne Davidson | |
| 7. Rod Payze | |

Leon Holmes

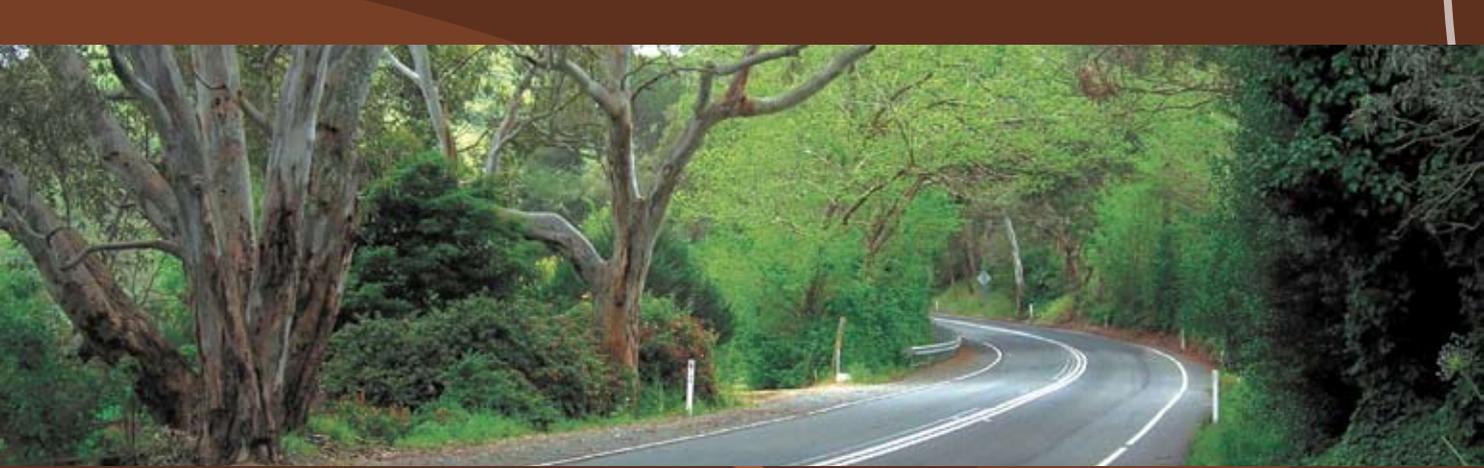
MAICD – **President**

Leon Holmes has been a member of the RAA Board of Directors since June 1994 and is President of the Association. He is Chairman of the RAA Governance & Nominations Committee and Remuneration Committee and a member of the Audit, Risk & Compliance Committee and Investment Committee. Mr Holmes is President of Meals on Wheels South Australia and also National President of the Australian Meals on Wheels Association. He was formerly the Chairman's Representative in SA of the Shell Company of Australia Ltd.

Raymond Grigg

F SAE-I/A, FAICD – **Vice President**

Ray Grigg was appointed to the RAA Board in March 2005 and is Vice President of the Association. Mr Grigg is a member of the RAA Governance & Nominations and Remuneration committees. Prior to his retirement in 2004, after 47 years with General Motors, he 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 Government's High Level Automotive Advisory panel, President of the University of Adelaide's Florey Medical Research Foundation and non-executive director of several public and private companies.



Safer and more efficient roads are a key part of RAA's advocacy activities.

President's Report

Advocacy, Key Initiatives



Having been elected President following the 2007 AGM, I take this opportunity in my first report to members to acknowledge the tremendous contribution of immediate past President Mrs Juliet Brown and to welcome Mr Ray Grigg's election as Vice President. I also wish to acknowledge Mr Ian Stone who, since his appointment as Chief Executive in August 2007, has shown great leadership.

I am grateful to His Excellency Rear Admiral Kevin Scarce, Governor of South Australia, for graciously accepting the role of Patron, and I also welcome directors Peter Siebels and David Cross who, in filling casual vacancies on the RAA Board, have brought with them a wealth of experience, knowledge and expertise.

Finances

The financial position of the RAA Group continues to remain strong, but like most businesses the RAA is not insulated from the effects of negative Australian and world equity investment market performance and we recorded an after tax loss of \$2 million for 2007-08. This loss was driven by the poor performance of our investment portfolio. Fortunately, our losses were not as large as the ASX200 benchmark because of our conservatively based balanced portfolio. I am pleased to report that the day-to-day operations of the Association continued to perform well and were in line with financial expectations.

Looking back though over the last five years, the net asset position of the group has increased 100 per cent from \$51 million to the current balance of \$102 million, reflecting excellent growth in our property and portfolio investments and our 50 per cent ownership of the RAA Insurance business. Hopefully, if world equity markets settle down, we will see continuing strong growth in the RAA Balance Sheet.

Advocacy

In representing our members' interests, the RAA invests significant effort in its advocacy activities and I am pleased to report on another highly successful year.

2007-08 saw the environment assume a much greater focus on a number of fronts, including

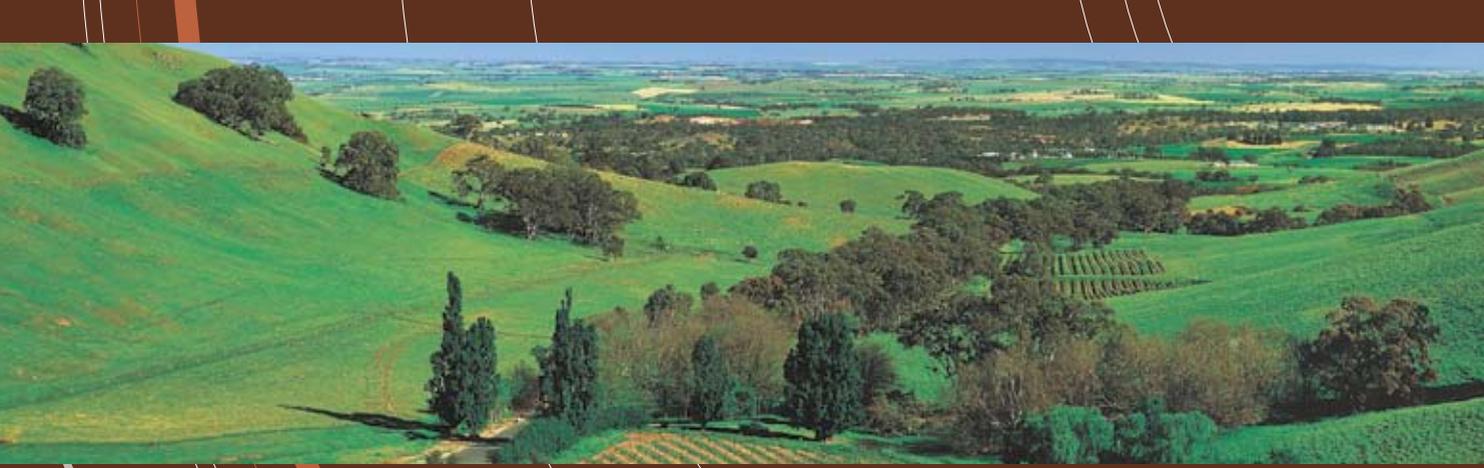
the RAA signing up to a national Climate Change Statement developed by the Australian Automobile Association (AAA) that aims to make a positive contribution to reversing global warming, while balancing our members' need for safe and affordable travel.

As a motoring organisation and a large business operator, the RAA accepts that it has a responsibility to show leadership in the environmental space. As such, RAA commissioned an energy audit to determine its carbon footprint, signed up to the Federal Government's Greenhouse Challenge Plus program, participated in Earth Hour 2008, offset the emissions from RAA's metropolitan patrol fleet, launched a member education campaign, and developed a landmark package of initiatives aimed at reducing the business' total emissions.

Once again, the RAA played a major role in many cooperative national initiatives with the AAA and its constituents – such as: ANCAP, the new car crash test program which is forever raising the bar in vehicle safety; AusRAP, an internationally-lauded program that star-rates the condition of Australia's major highways and roads; and the annual Australia's Best Cars awards, to name but a few.

Strong cases were mounted in the lead up to the 2007 Federal election for important funding commitments that will see an acceleration of work on Adelaide's principal north-south corridor, South Road; safety improvements on the Dukes Highway; and the roll-out of a new and innovative national program for Learner drivers, their supervising driver and accredited trainers to encourage novice drivers to get more on-road experience before 'going solo'.

The RAA can confidently report safety and efficiency shortfalls on the South Australian road network because we use state-of-the-art technology fitted to a special vehicle that collects data on the condition of the State's major highways and rural arterial



RAA has shown strong leadership when it comes to environmental issues and reducing the impact of cars on the environment.

roads. Levels of improvement or deterioration are tracked from one year to the next on each route, including a number of roads considered to be strategically important such as Victor Harbor Road, Barossa Valley Way and the Yorke Peninsula Coast Road. Likewise, RAA conducts annual travel time surveys along several north-south routes in metropolitan Adelaide to monitor traffic congestion levels and inform our advocacy efforts.

Given the RAA's interest in the efficient use of existing road space across Adelaide, in the need to maximise the massive investment being made in overhauling the public transport system, and wanting to see a balanced approach prevail when it comes to transport infrastructure funding, the RAA Board was appreciative of the opportunity to tour the Port River Expressway/Bridges project and, later, inspect the South Road/Anzac Highway Underpass construction site. RAA's status as a key stakeholder continues to be recognised, with senior staff regularly consulted or formally briefed on the planning, design and construction of significant transport infrastructure projects.

Of course, members' interests are also represented through submissions and presentations that the RAA makes, many independently and some jointly through the AAA, in response to various Federal and State inquiries, discussion papers and draft policies. Most notably, in 2007-08 this included the ACCC Fuel Price Inquiry, Senate Committee investigations into FuelWatch and the Luxury Car Tax, the Brack's Automotive Industry Inquiry, the SA Road Safety Action Plan, State Opposition's Tax Summit, a number of AusLink corridor strategies, Professor Garnaut's Climate Change Review, the Federal Budget and a very comprehensive Federal election policy platform dossier, *Motoring Matters... for every Australian*, that raised issues and presented

solutions across road safety, road infrastructure and the environment.

In addition, the RAA sits on many advisory committees and reference groups, again at both state and national level, dealing with motoring, tourism, security, and consumer-related matters. These include, but are by no means limited to, the State Road Safety Advisory Council, State and Federal Blackspot Consultative committees and Level Crossing Advisory committees, several Standards Australia committees, national and State Vehicle Theft Reduction committees, national Product Stewardship (Oil) Advisory Council, and SA Tourism Alliance.

One of the most long-standing issues of concern for RAA members is the price of fuel – whether unleaded, LPG or Diesel. In 2007-08, RAA mounted a vigorous campaign stridently opposing the introduction of the WA fuel monitoring scheme, FuelWatch, in South Australia. At the time of writing, I remain hopeful that RAA will be as successful in its argument that SA motorists have more to lose than motorists in any other state should FuelWatch be adopted, as the Association was with its FuelHound campaign. In the lead up to Easter 2007, RAA placed oil companies 'on notice' that unjustified price hikes would not be tolerated and we published daily fuel targets for motorists to aim to purchase at or below. The campaign was not only highly successful; it also received a prestigious Award for Excellence in advocacy activities from the Public Relations Institute of Australia.

Sponsorship

Doing what we can to support our members and the broader South Australian community is also strongly reflected in RAA's sponsorship program. During 2007-08, RAA was proud to be actively involved in a range of cultural, road safety, environmental

and youth-related events and initiatives. Some of these included: three entries in the World Solar Car Challenge, Schoolies Festival, Adelaide Festival of Arts, the Young Achiever Awards, Amy Gillett Foundation, Country Arts SA, SAPOL GPS theft, Apprentice of the Year, Variety Club Bash, and an Electronic Stability Control simulator display at the Adelaide Motor Show.

With Thanks

Finally, I wish to pay tribute to former RAA President Graham Walters AM. Following his retirement from the Board of Directors, Graham was awarded Honorary Life Membership for his significant contribution to the strategic direction of the RAA over more than 16 years.

Similarly, I congratulate former RAA Managing Director John Fotheringham on being awarded a Member of the Order of Australia in the 2008 Australia Day Honours for his many years of dedicated service, leadership and advocacy in motoring and insurance at state, national and international levels.

No doubt, the road ahead offers many and varied challenges given the large number of strategic initiatives underway and being investigated that have the potential to realise enormous member benefit. I look forward to seeing these initiatives come to fruition as I continue to represent the best interests of the RAA membership for the remainder of my term.

Leon Holmes
President



Tourism remains an important part of business, with a number of RAA Travel's consultants winning awards for consumer service excellence.

Chief Executive's Report

Operational, Staffing, Technology



While RAA is without serious rival in the marketplace, when it comes to our core member service – roadside assistance – as our range of products and services expands, we must work smarter, delivering the very best service to our members while enhancing our highly valued reputation for trust and credibility.

Strategic

To this end, the Executive team was restructured through the creation of two new general manager positions for Human Resources and Information Systems, the appointment of a GM Business Development and the recruitment of a new GM Finance & Corporate Services.

Around the same time, RAA Insurance appointed its new CEO, David Russell, who must be congratulated for settling so quickly into the role and overseeing the company's continued strong performance in motor and home insurance to post an after-tax profit of \$2.7 million for 2007-08.

It became evident that a structured approach to succession planning was fundamental to the future success of the business. Significant progress has since been achieved in the mapping of necessary knowledge, skills and abilities for key roles right across the organisation while, at the same time, evaluating individuals' potential.

The process has been greatly assisted by the establishment of a single, structured project methodology for all RAA business areas that has been applied to the *Green Light Program* – eight separate but significant major projects designed to help RAA achieve its business goals.

In addition to capability mapping and talent pool evaluation, other projects include a significant review of road service delivery and support, improved financial and member data capture and reporting, enhanced corporate and member information, reducing RAA's carbon footprint, and appropriate recognition and rewarding of our staff.

Each of these projects has a role to play in positioning the RAA to better respond to the demands of an ever-changing business environment – just as the establishment of a Business Development division to investigate

business and commercial opportunities across travel, lifestyle and business improvement during 2007-08 was a deliberate strategy to elevate the importance of this activity within the organisation.

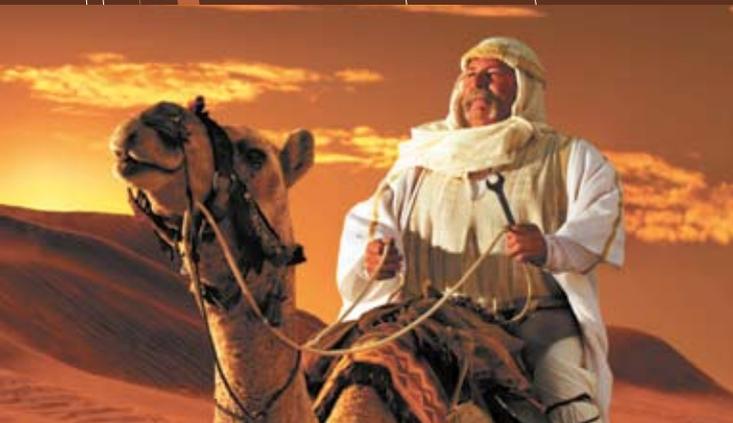
Embracing new technology has always been incredibly important for RAA, whether back-of-office or in the direct delivery of member service. This financial year, a major mobile communications upgrade saw the installation of touch screens in RAA patrol vans, provision of multiple communication options and aspects of mobile telephony that will streamline the despatch of roadside assistance jobs making it easier to deliver better, swifter service to stranded members.

RAA also invested in a new look website and has commenced a major redevelopment of the RAA membership database.

Operational

The principal reason members join the RAA continues to be roadside assistance. In 2007-08, our Telephone Assistance Centre managed nearly 1.8 million calls, resulting in RAA patrols and contractors being despatched to help nearly 440,000 stranded motorists – a quarter of whom were on country roads. That said, year-on-year, the average time to arrive at a job in the metropolitan area continues to reduce.

In fact, three of our 'heroic' RAA patrolmen shot to fame on the small screen when they volunteered to feature as *Lawrence of Suburbia*, *Robinson Crusoe* and an Indiana Jones-type in *Carpark of Gloom* for a new corporate positioning television ad campaign for RAA.



The back to basics approach of RAA's latest ad campaign reinforces the value of being a member, and the peace of mind that roadside assistance can bring.

With a total membership of nearly 572,000 as at 30 June 2008, RAA's membership forecast for 2007-08 was exceeded and is a pleasing recognition of the organisation's efforts to offer quality, value-for-money products and services.

The *Show Your Card & Save* program and the **sa**motor magazine are both key benefits of membership and highly valued by members, as borne out by the popularity of newly introduced Members' Only movie nights, special Cabaret Festival ticket prices, and survey results confirming that almost 680,000 people read the magazine.

With 1.3 million individuals visiting our website, it is clear that members have embraced the internet as a channel for transacting and communicating with RAA and RAA Insurance. Indeed, 12 per cent of all new motor and home insurance sales occur online.

"Embracing new technology has always been incredibly important for RAA, whether back-of-office or in the direct delivery of member service."

However, the ability to speak with an RAA staff member face-to-face continues to be important to a significant percentage of members. For this reason, RAA's Marion office underwent a significant facelift to make it easier to find a product or receive assistance, while RAA's Broken Hill, Mt Gambier and Elizabeth offices all relocated premises and also benefited from new fitouts.

RAA Travel, in particular, is a good example of a business area that experienced very strong results and introduced an e-Newsletter to spark member interest to great effect but, when it comes time to

book an international flight or a cruise, members want to sit down and spend time with one of our highly experienced and award-winning consultants.

The same can be said for our Child Safety Centre and Legal Advisory Service. Members are happy to do a certain amount of online research but, at the end of the day, want to talk face-to-face with an expert in the field.

It's incredibly important that we know what our members want and RAA invests heavily in trying to get a good understanding of what's important to them with respect to specific products and services as well as their views and opinions on issues related to their use of the car, road safety, fuel prices, the environment, travel, sponsorship and much more.

People

It goes without saying that the RAA cannot provide the exceptional customer service that members, customers and clients have come to expect without committed and talented staff.

The RAA takes its duty of care and OH&S responsibilities very seriously. Throughout 2007-08, this was evident from a number of initiatives and outcomes, including the renewal of RAA's self insurer status for a further three years following an extensive WorkCover audit, and a commitment to accident prevention and early intervention strategies that resulted in an exceptionally low average time lost ratio of just 3.5.

In addition, given a large proportion of our workforce operates on a daily basis in an environment that is not without risk, standard operating procedures for RAA patrol staff are rigorous and explicit. However, the RAA also recognises that the driving public should take

some responsibility for minimising the risk RAA patrols are exposed to, so a driver education campaign was conducted in 2007-08 to encourage drivers to slow down past vulnerable road workers, such as RAA patrols.

In 2007-08, 12 staff were recognised for having achieved 21 years of service working for the organisation and another three were singled out for going above-and-beyond and providing Service Excellence. They were Matthew Hanton from Public Affairs (external customer service), Russell Peters from RAA Insurance (internal customer service) and Geoff Cranwell from Workshops (innovation).

Looking Ahead

In conclusion, I would like to thank my Executive team for their enthusiasm, candour and contributions, to date, in laying some important foundations for the next three to four years. I reflect on the 2007-08 financial year with a great sense of satisfaction, knowing that I set a very ambitious schedule for the achievement of quite significant organisational change.

My thanks also to the nearly 700 staff across the business who 'make it all happen' on a day-to-day basis.

I very much look forward to the coming year and the challenges that it will, no doubt, present but I am confident of the RAA's ability to successfully rise to these and to thrive.

Ian Stone
Chief Executive

Corporate Governance

The RAA Board of Directors, made up of 12 non-executive directors, 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.

Board Committees

Four standing committees support the RAA Board and 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 RAA Board and its committees operate effectively and efficiently. It also 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.
- **The Investment Committee** investigates, considers and makes recommendations to the Board on matters related to investment policy and strategy, financial objectives, forecast investment returns and the performance of the Association's investment managers.

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 2008. 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.

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.

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* ¹		Remuneration Committee		Audit Committee		Investment Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
JH Brown	12	11	6	6	2	2	2	2	2	1
DA Cross	12	9					4	4		
DM Davidson	12	11			2	2				
WS Greiner	12	12	1	1			2	2		
RG Grigg	12	10	5	5	2	2				
LC Holmes	12	12	6	6			4	3	2	2
IM Martens	12	11					6	6		
RJ Payze	12	12							4	3
RN Robinson	12	10	6	6						
JE Sarah	12	12							4	4
MS Shanahan	12	11			2	2	4	3		
PR Siebels	2	1								
GD Walters	7	6	2	2			2	2	3	3

*1 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.

Remuneration Report

The Remuneration Committee reviews the remuneration packages of all directors, the Chief Executive 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 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 Chief Executive 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 the Annual General Meeting held on 28 November 2005 when members approved an aggregate remuneration of \$250,000 per year.

The total remuneration paid to non-executive directors during 2007/08 was \$223,826.

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

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

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

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

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

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

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

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

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

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

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 per cent 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 tax 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.

Auditor's Independence Declaration to the Directors of The Royal Automobile Association of South Australia Inc.

In relation to our audit of the financial report of The Royal Automobile Association of South Australia Inc for the year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Australian professional accounting bodies or any applicable code of professional conduct.



Alan H Herald
Partner



Adelaide
25 August 2008



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Australia
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Adelaide SA 5001

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DX: 155 Adelaide

Non-Audit Services

During 2007/08 Ernst and Young provided the following non-audit services:

- Advice on winding up of a subsidiary
- Taxation advice

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 2008:

- (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 parent is a director of controlled and associated entities and received remuneration from an associated entity solely in his previous capacity as the Chief Executive of that entity.

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



LC Holmes
President



RG Grigg
Vice President

Income Statement for the Year Ended 30 June 2008

Discussion and Analysis of the Income Statement

Operating revenue, excluding investment income, increased by \$5.217m, but was offset by a decrease in income from the investment portfolio of \$5.616m. Consequently, total revenue decreased by \$399k for the year. Subscriptions and entrance fees are the major source of income for the Association and comprise 50.30 per cent of total revenue. This income line increased by \$682k.

Other expenses increased by \$9.947m predominantly due to the unrealised loss on the market value of the investment portfolio of \$7.384m during a year of very difficult conditions in the global investment markets. Total investment income for the year was a loss of \$3.677m compared with a gain of \$9.322m for the previous financial year.

As a service organisation, employee expenses comprise the major item of consolidated

	Consolidated	
	2008	2007
	\$,000	\$,000
Revenue	83,262	83,661
Share of profits of associates	1,483	3,731
Employee benefits expense	(42,071)	(39,409)
Payments to contractors for roadside assistance	(11,578)	(10,405)
Depreciation and amortisation expenses	(3,926)	(3,629)
Other expenses	(31,737)	(21,790)
Profit/(loss) before income tax	(4,567)	12,159
Income tax benefit/(expense)	2,557	(1,224)
Profit/(loss) after tax	(2,010)	10,935

expenditure at 47.11 per cent. Growth in employee expenses during 2007/08 was 6.75 per cent due to increased employee numbers and standard increases in labour costs.

The Annual Report provides an overview of the Association's service activity during

the financial year. The net profit after tax decreased by \$12.945m to a loss of \$2,010m. Due primarily to the poor performance across the investment market and increased motor claim costs in the Insurance business.

Balance Sheet as at 30 June 2008

	Consolidated	
	2008 \$'000	2007 \$'000
Current Assets		
Cash and cash equivalents	4,627	4,354
Trade and other receivables	10,049	3,696
Other financial assets	54,552	59,230
Other current assets	843	798
Inventories	995	925
Deposits in trust accounts	712	402
Total Current Assets	71,778	69,405
Non-Current Assets		
Receivables	7	6,652
Other financial assets	2,860	4,968
Investments in associates	14,369	15,706
Property, plant and equipment	53,857	54,370
Deferred tax assets	3,977	3,558
Intangibles	2,601	1,881
Total Non-Current Assets	77,671	87,135
Total Assets	149,449	156,540
Current Liabilities		
Subscriptions in advance	21,968	20,970
Unearned income	-	1,176
Trade and other payables	9,288	7,490
Provisions	4,119	4,467
Deposits in trust accounts	712	402
Total Current Liabilities	36,087	34,505
Non-Current Liabilities		
Subscriptions in advance	57	58
Payables	-	2,644
Provisions	3,087	3,202
Deferred tax liabilities	7,739	10,258
Total Non-Current Liabilities	10,883	16,162
Total Liabilities	46,970	50,667
Net Assets	102,479	105,873
Equity		
Retained earnings	87,222	90,122
Reserves	15,257	15,751
Total Equity	102,479	105,873

Discussion and Analysis of the Balance Sheet

The group's net assets decreased by 3.21 per cent to \$102.479m during the financial year. Consolidated total assets decreased by \$7.091m, predominantly due to poor returns across the global investment market reducing the fair value of the investment portfolio. The group'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. The deferred tax liability of \$7.739m comprises primarily the tax effect of the revaluation adjustments for some properties and the unrealised movement in the investment portfolio.

Cash Flow Statement for the Year Ended 30 June 2008

	Consolidated	
	2008 \$'000	2007 \$'000
Cash flows from operating activities		
Receipts from members and customers	123,909	124,998
Payments to suppliers and employees	(123,464)	(121,881)
Dividends received	2,850	2,027
Interest received	676	854
Rental income received	378	370
Net cash from operating activities	4,349	6,368
Cash flows from investing activities		
Payment for property, plant and equipment	(4,508)	(3,736)
Proceeds from sale of property, plant and equipment	432	595
Payment for investment in other company	-	(2,300)
Payment to funds management	-	(2,001)
Net cash used in investing activities	(4,076)	(7,442)
Net increase/(decrease) in cash	273	(1,074)
Cash at the beginning of the financial year	4,354	5,428
Cash at the end of the financial year	4,627	4,354

Discussion and Analysis of the Cash Flow Statement

Net cash flows from the group's operating activities decreased by \$2.019m to \$4.349m. The decrease was primarily due to increases in employee costs.

The net cash flow from operating activities was used to finance capital expenditure and investment activity. Capital expenditure included the replacement of motor vehicles which had reached the end of their useful life in the course of normal operations, branch fit out costs, and computer hardware and software upgrades.

Statement of Recognised Income and Expenses for the Year Ended 30 June 2008

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

Discussion and Analysis of the Statement of Recognised Income and Expenses

This statement shows the movement in equity during the financial year. The movement in equity comprises the change in value of the surplus for the defined benefit superannuation fund taken directly to equity and the current year net profit after tax.

Notes to the Financial Report – for the Year Ended 30 June 2008

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:	2008	2007
	\$'000	\$'000
Subscriptions and entrance fees	41,880	41,198
Revenue from sundry income	4,135	3,818
Commission	3,043	2,815
RAA Insurance distribution fee	10,022	8,462
Sales revenue – Sales of goods	9,317	8,228
– Rendering of services	9,890	8,476

Note 3 – Segment Information

Information on Business Segments

The group operates in two business segments:

- Member Services – the provision of a wide range of services to members, being predominantly roadside assistance.
- Insurance – the provision of personal lines general insurance products through an associate, RAA Insurance Holdings Ltd.

Revenue and expenses in relation to the various activities associated with member services are disclosed in the table below.

The group's share of the net profit of the associate, RAA Insurance Holdings Ltd, is also disclosed in the Income Statement.

All assets and liabilities of the group, other than the investment in the associate, RAA Insurance Holdings Ltd, result from the operating activities relating to the provision of member services, as disclosed in the table below.

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

Information on Geographic Segments

The group operates only in Australia.

Independent Auditor's Report To The Members Of The Royal Automobile Association Of South Australia Inc.

Report on the Concise Financial Report

The accompanying concise financial report of the Royal Automobile Association of South Australia Inc comprises the balance sheet as at 30 June 2008, the income statement, statement of recognised income and expenses and cash flow statement for the year then ended and related notes, derived from the audited financial report of the Royal Automobile Association of South Australia Inc for the year ended 30 June 2008. The concise financial report also includes discussion and analysis. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' Responsibility for the Concise Financial Report

The Directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports. This responsibility includes establishing and maintaining internal controls relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of the Royal Automobile Association of South Australia Inc for the year ended 30 June 2008. Our audit report on the financial report for the year was signed on 25 August 2008 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

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

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

Independence

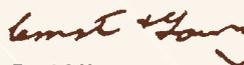
In conducting our audit, we have complied with the independence requirements of the Australian Professional accounting bodies.

Auditor's Opinion

In our opinion, the concise financial report, including the discussion and analysis of the Royal Automobile Association of South Australia Inc for the year ended 30 June 2008 complies with Accounting Standard AASB 1039 Concise Financial Reports.



Alan H Herald



Ernst & Young

Partner
Adelaide
25 August 2008