

2009-10 Members' Report

*RAA President and Chairman of the Board,
Leon Holmes (left) and Managing Director,
Ian Stone.*

The RAA logo is positioned in the background behind the two men. It consists of the letters 'RAA' in a bold, black, sans-serif font. Above the letters, there are three slanted yellow bars of varying lengths, creating a stylized graphic element.

The 2010 financial year saw a number of notable achievements in the RAA's proud history. Our financial performance remained strong, we purchased the remaining 50% shares in RAA Insurance, we established the RAA Group and launched a new contemporary Brand, all important milestones which further strengthen the position of RAA into the future.

FINANCIAL PERFORMANCE

The RAA's operating performance for the last financial year was better than budget and our financial health continues to remain strong. Both our underlying operating result and our returns from our Investment Portfolio were well above budget.

Membership and Insurance performed strongly and the growth in new members was the best for many years. RAA Insurance had an excellent year with results exceeding budget by 80%. Growth in Gross Written Premiums, lower claims costs and improved investment returns generated the highest insurance net profit after tax on record.

Our Balance Sheet net asset position improved by 46% to \$143.6m. This result was due to a strong operating result and a \$34.5m revaluation of our original 50% share in RAA Insurance. Total income attributable to members for the year was \$10.9m, an excellent result.

As part of our ongoing review of our Investment Portfolio, we have moved away from the single manager concept to a value driven multi manager investment strategy. This strategy is aimed at capital preservation and decreased volatility during difficult market times.

The RAA is on target to meet the objectives laid out in the organisation's 2018 Strategic Plan, which maps out how we will continue to provide motoring services while offering other services in line with meeting the needs of our members.

STRATEGY AND MAJOR PROJECTS

The RAA brand is instantly recognisable throughout South Australia. The decision to revitalise this highly respected brand for the first time since 1974 was not taken lightly.

The review process relied heavily on the feedback of our members, staff and the wider South Australian community. The "refresh" repositions and strengthens the RAA brand and adds a contemporary context which reflects our members' changing needs.

The new logo is being gradually introduced across our services in a staged approach. This means that in the short term you will continue to see the old and new branding being used side by side.

This year we celebrated the relocation of the Adelaide branch back to its iconic home on the corner of Hindmarsh Square and Grenfell Street. To provide greater convenience to members, the West Lakes branch was relocated from Brebner Drive into the Westfield Shopping Centre.

The new branding can also be seen in our refurbished regional offices at Naracoorte and Port Lincoln.

The popular RAA Travel service has been expanded beyond our Adelaide office and into the metropolitan branch network. This has given our consultants the ability to offer a more personalised service.

In response to the changing needs of our members, who seek to engage with us by use of their computer, resources have been devoted towards a Digital Member Engagement strategy. This includes the online production of *samotor*, which was introduced during the year in response to a survey showing 20% of members wanted an online, interactive version of the magazine.

Readers of our online version can enjoy an enhanced *samotor* experience, which includes informative and entertaining video content supplied by our in-house experts on topics such as new car buying guides and travel.

The launch of blogs and forums on the RAA website (www.raa.com.au) will facilitate greater communication with our members by providing a more interactive and engaging experience.

In accordance with the 2018 Strategic Plan, the RAA continues to pursue business development by investigating and assessing projects that complement our offerings to RAA members.

As we expand the range of products offered to our membership, we have continued to invest in our security division, which now provides personal monitoring devices.

Our professionally-installed home and business alarm systems, which are monitored from our Mile End head office, provide round the clock assurance to our customers.

The division has been rebranded *Secure Services* to reflect this expansion, with recent acquisitions including the Safe-At-Home personal monitoring business. The RAA will continue to seek new opportunities in this sector.

The RAA remains committed to reducing its environmental footprint with a number of initiatives including the establishment of the *Green Team*, and encouraging staff across departments to change behaviours to ensure the RAA is caring for our environment in every way we can. To date initiatives introduced by the *Green Team* have seen RAA's waste to landfill reduced by 23.4% and work commenced on reducing RAA energy use by 5%.

RAA INSURANCE

A major milestone for the organisation was the purchase of the remaining 50% ownership in RAA Insurance from our joint venture partner Suncorp Metway on 28 February 2010. The acquisition was funded from our Strategic Investment Reserve and bank borrowings of \$25m. RAA Insurance has a separate board to fulfill the regulatory requirements of ASIC and APRA. Beginning 28 February 2010, we were able to consolidate the Operating Results and Balance Sheet of both RAA and RAAI.

RAA Insurance celebrated its best ever year, recording Gross Written Premiums of \$108.6 million, an increase of 9.4% on the previous year.

We grew our total insurance covers by 5.8%, compared with the previous financial year, despite the insurance market becoming increasingly crowded with new internet players.

The "George" campaign is still holding strong in our TV advertising, with market research indicating the message recall and brand awareness from the advertisements is higher than ever.

OPERATIONS

South Australians continued to trust the RAA, with membership reaching a record 586,070 members, up 7,080 on the previous year.

Considerable improvements were recorded by our roadside patrols, with 95.6% of patrols attending breakdowns within 60 minutes with the average waiting time less than 30 minutes.

The RAA membership card entitles members to access one of the world's largest member benefits programs, providing valuable savings on household items, travel, automotive, leisure and entertainment.

During the 2009-10 financial year the RAA tracked over \$1 million in member savings, using new technology incorporated into the latest membership cards which allow retailers – and the RAA – to monitor the discounts provided to members.

ADVOCACY

In representing our members' interests, the RAA continues to play a strong role in advocacy both in the state and federal arenas.

The RAA's vision for SA roads, *Towards 2020*, continued to play a major role in our advocacy in the lead up to the 2010 State Election in March. The document's success can be measured by the fact it continues to be highly recognised and quoted.

This year the Association reaffirmed its commitment to all South Australians with a wide variety of mobility needs and priorities.

Our new *Mobility for Life* policy document recognises the importance mobility affords individuals, the community, the economy and society as a whole. Solutions to whole-of-life mobility are diverse, requiring the co-operation and commitment of stakeholders, governments, industry and individuals.

The RAA continues to contribute to road safety policy through its position on the Road Safety Advisory Council, which is in the process of renewing its strategy.

One piece of important legislation was the introduction of new child restraint laws, which the Minister for Road Safety launched at the RAA's Mile End Child Safety Centre.



Once again, the RAA played a major role co-operating with national initiatives with the AAA and its constituents, including ANCAP, the car crash test program designed to increase safety standards; AusRAP, the program that star-rates Australia's major highways and roads; and the annual Australia's Best Car Awards.

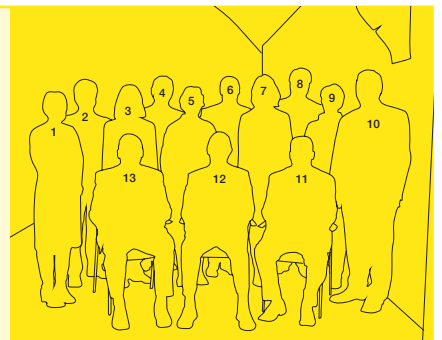
Petrol prices and the shifting weekly fuel discount cycle ensured the RAA's relationship with the media remained strong. The FuelHound campaign, which educated motorists about the cheapest day to buy fuel, was particularly praised.

In the interests of healthy competition in the fuel sector, the RAA advocated successfully against the proposed merger between Caltex and Mobil.

RAA Board of Directors

KEY TO PHOTO

1. **Sharon Starick** BAgSc, GAICD
2. **James Sarah** BAppSc (Build), MBA, FAIB, FAICD
3. **Wendy Greiner** BA, Grad Dip (Rec), DipT, FAIM, FAICD
4. **Michael Shanahan** AM
5. **Ruth Robinson** RDA, RDAT
6. **David Cross** BEc, CA, GAICD
7. **Liz Perry** LLB
8. **Peter Siebels** BEc, FCA, FTIA, MAICD
9. **Juliet Brown** LLB, FAICD
10. **Rod Payze** BE, MSc, FIE Aust, FCILT
11. **Ian Stone** – *Managing Director*
12. **Leon Holmes** – *President & Chairman of the Board* MAICD
13. **Raymond Grigg** – *Vice President* F SAE-IVA, FAICD



When climate change dominated the national political agenda, the RAA continued to play its part by promoting fuel efficient eco-driving.

In the interests of our members and the future of alternative fuels, we are also preparing to add one of the world's first mass produced electric cars – the Mitsubishi i-MiEV – to our fleet.

We also welcomed the state government's support of the RAA pursuing a Centre of Automotive Excellence, where vehicle emissions will be assessed to both educate consumers and encourage vehicle manufacturers to reduce carbon emissions.

Key RAA submissions included comments on the federal budget, the review of fuel quality standards and the Henry Tax Review.

On the global stage, the RAA supported the United Nations Environmental Programs Partnership for Clean Fuels and Vehicles (PCFV) and the UN World Forum for the Harmonisation of Vehicle Regulations.

The RAA continued its strong involvement with the Global Road Safety Partnership, which issued a mandate supporting the widespread installation of Electronic Stability Control in new vehicles, and expressed concerns over the safety of used and imported cars.

The results of two surveys of particular interest to members were also published during the year. The annual metropolitan Travel Time Survey revealed a deterioration of commuting times, and the Vehicle Running Costs survey highlighted the cheapest cars to buy and run. The Fuel for Thought Survey polled opinion among members on a wide variety of topics including petrol, road infrastructure, safety and the environment.

The RAA wishes to thank members who have spent their time providing constructive feedback by sharing their views on such important matters.

PEOPLE

In 2009-10, we recognised 37 staff who achieved 21 years of service. At this year's Impact Awards six staff were singled out for particular praise. They were Kerry Bowles (in the Improvement category), Phil Medson (Performance), Tom McKay (Customer Service), Damien

Fry (Teamwork), Jared Curtis (Mentoring) and Suzy Carey (Achievement).

The Retail Contact Centre was recognised for its excellence by winning the 2009 Australian Teleservices Award (SA) Best Call Centre, in the 50 – 120 staff category.

In September 2009 RAA Travel scooped the pool at the Jetset Travelworld Group awards, picking up 18 out of 39 possible awards.

This year among our general management team, we welcomed Penny Gale as General Manager, Public Affairs.

The Board also welcomed Sharon Starick as a director on the 23 July 2009 to fill a board vacancy.

COMMUNITY

Providing support for our members and the broader South Australian community is also strongly reflected in the RAA's sponsorship program.

The RAA remains closely aligned with its appointed charities, including Plan Australia, and during the year staff raised much needed funds to improve childhood nutrition in Indonesia.

The RAA continues to sponsor the Julian Burton Burns Trust patient vehicle, supporting the transportation of patients to their appointments, and the Operation Flinders Foundation, which supports young people at risk.

In helping the community, we launched the *Years Ahead* program to assist older drivers. The RAA has also been a major supporter of the national *keys2drive* initiative, which offers learner drivers and their supervisors coaching on driving instruction.

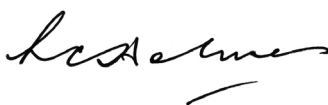
Younger students were encouraged to take the safety message on board through the competition *Tell the World*, where teenagers were invited to submit road safety posters which will form a part of an RAA communication campaign.

During 2009-10 the RAA was also involved in a range of community events including Schoolies and the McLaren Vale Food and Wine Festival designated driver program. We also staged our inaugural youth road trauma awareness event, *Street Smart 09*, which attracted widespread praise and was attended by 3,500 students.

LOOKING AHEAD

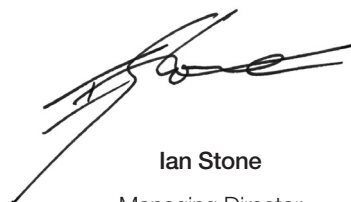
RAA management and the Board remain committed to ensuring that the focus will remain firmly on our members' interests in the coming year by delivering our 2018 strategic vision and subsequent goals.

Our operations and business activities are well placed to handle the challenges that come our way, and we remain confident that the RAA will continue to be held in extremely high regard by its members and the wider community as a whole.



Leon Holmes

President & Chairman of the Board



Ian Stone

Managing Director



DIRECTORS

The names and particulars of the Directors of the Association during the financial year are disclosed herein.

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.

Directors	Board of Directors		Remuneration Committee		Audit, Risk and Compliance Committee		Investment Committee		Public Policy Committee		Governance and Nominations Committee*	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
LC Holmes	10	10	5	5	4	4	6	6	2	2	7	6
RG Grigg	10	9	5	5					2	2	6	5
IH Stone (i)	9	9										
JH Brown	10	7									7	5
WS Greiner	10	10			4	4						
RJ Payze	10	10					6	6				
RN Robinson	10	9									7	6
JE Sarah	10	9					6	5				
MS Shanahan	10	10			4	4						
DA Cross	10	9			4	4						
PR Siebels	10	10					6	6			1	1
ED Perry	10	9	5	5								
SR Starick (ii)	10	9							2	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.

(i) IH Stone was appointed Managing Director 1 August 2009

(ii) SR Starick was appointed Director 23 July 2009

BOARD COMMITTEES

There were five sub-committees of the Board operating during the year. Each operates under a Charter approved by the Board. Their primary functions are as follows:

Remuneration Committee

The Remuneration Committee reviews the remuneration of Board members, the Managing Director and senior executives, as well as the incentive scheme and superannuation.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee is responsible for reviewing and reporting to the Board on internal and external audit performance, financial policies, statements and transactions, taxation, internal control and risk management.

Investment Committee

The Investment Committee manages the investments of the Association in line with the Investment Policy set and agreed by the Board.

Public Policy Committee

The Public Policy Committee is responsible for assisting the Board in ensuring that RAA Public Policies are relevant and appropriate. The Committee meets as required with membership being determined based on the matter being considered.

Governance and Nominations Committee

The Governance and Nominations Committee is responsible for ensuring the Association's Corporate Governance framework, practices and procedures are relevant and appropriate. The Committee ensures the Board and its committees operate effectively and efficiently and is also responsible for the administration of the Board election process.

REMUNERATION REPORT

The Remuneration Committee reviews the remuneration packages of all Directors and senior executives on an annual basis and makes recommendations to the Board. 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 executives contain the following:

- a) Salary/Fees
- b) Benefits – including the provision of motor vehicles, fringe benefits and superannuation; and
- c) At Risk Component – performance-based payment dependent on the achievement of agreed targets.

NON-EXECUTIVE DIRECTORS

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 24 November 2008 when members approved an aggregate remuneration up to \$350,000 per year.

The aggregate compensation made to specified Directors during the financial year is set out below. These amounts exclude IH Stone, who is included in the specified Executive table:

	RAA of SA 2010 \$	RAA of SA 2009 \$
Short-term employee benefits	187,986	92,237
Post-employment benefits	159,067	151,625
	347,053	243,862

SPECIFIED EXECUTIVES

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year;

- **I Stone** Managing Director
- **D McGown** GM Finance and Corporate Services
- **P Hurcombe** GM Business Development
- **T Griffiths** GM Sales and Marketing
- **D Jacob** GM Operations
- **M Butcher** GM Human Resources
- **J Van Ruth** GM Information Services
- **P Gale** GM Public Affairs (Appointed 7/12/09)
- **D Russell** Insurance Chief Executive
- **S Hanlon** GM Public Affairs (Resigned 25/08/09)

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

	Consolidated 2010 \$	RAA of SA 2009 \$
Short-term employee benefits	1,854,988	1,515,618
Long-term employee benefits	13,157	-
Post-employment benefits	187,909	165,827
Termination benefits	51,963	-
	2,108,017	1,681,445

The total compensation paid to I Stone, Managing Director included in the above total is \$438,089 (2009 - \$391,154) which comprises \$413,089 (2009 - \$351,549) short-term employee benefits and \$25,000 (2009 - \$39,605) post-employment benefits.

FINANCIAL RESULTS

Principal Activities

The principal activities of the Group in the course of the financial year were the provision of motoring, insurance, travel and secure services to members.

The audited financial report of the Group for the financial year ended 30 June 2010 is available electronically on the Association's website (www.raa.com.au) or by request.

Comparatives

In the previous financial year there was no Consolidated Group. On 28 February 2010 the Association gained 100% economic interest in the remaining shares of RAA Insurance Holdings ("RAA Insurance") and formed a Consolidated Group for the remaining four months of the financial year.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Consolidated	RAA of SA
	2010	2009
	\$'000	\$'000
Continuing operations		
Revenue	125,883	87,030
Unrealised gain on fair value adjustment of equity investment	34,473	-
Share of net profits of an associate	3,339	2,428
Total Revenue	163,695	89,458
Expenses		
Employee benefits	(45,677)	(44,152)
Payments to contractors for roadside assistance	(13,642)	(12,316)
Depreciation and amortisation	(6,215)	(3,959)
Other expenses	(50,540)	(34,843)
Total expenses	(116,074)	(95,270)
Operating profit/(loss) from continuing operations before tax	47,621	(5,812)
Income tax benefit/ (expense)	(1,609)	(2,763)
Operating profit/(loss) from continuing operations after tax	46,012	(3,049)
Net profit/ (loss) after tax for the period	46,012	(3,049)
Other comprehensive income		
Prior year earnings equity accounting adjustment	-	2,652
Actuarial gain / (loss) on defined benefit plan	72	(1,804)
Fair value adjustments relating to disposed assets	(922)	(168)
Net fair value gains on financial assets	14	-
Income tax on items of other comprehensive income	211	(204)
Other comprehensive income for the period net of tax	(625)	476
Total comprehensive income	45,387	(2,573)
Transfer of unrealised fair value adjustment of equity investment	(34,473)	-
Total income for the period attributable to Members	10,914	(2,573)

Discussion and Analysis of the Statement of Comprehensive Income

The Group's Revenue of \$125.9m increased by \$38.9m (44.6%) during the financial year. This arose primarily from the consolidation of RAA Insurance revenue of \$34.2m from 28 February 2010 and increased income from the investment portfolio of \$5.6m through the gain on sale of equities and fixed interest.

The results include share of net profits from RAA Insurance prior to consolidation. During the year the Group recognised a fair value gain of \$34.5m for the revaluation of the initial 50% shareholding in RAA Insurance Holdings to a fair value of \$50.5m.

As a service organisation, the employee benefit expense comprises the major item of expenditure. The growth in employee benefit expense during the year of \$1.5m (3.5%) is due to increases in labour costs.

Depreciation and amortisation expense increased by \$2.3m due to the amortisation of identifiable intangible assets recognised on acquisition of RAA Insurance.

Other expenses increased by \$15.6m predominantly due to the inclusion of RAA Insurance expenditure of \$24.5m. This is partially offset by improved performance of the investment portfolio with no investment losses recorded during the financial year.

The consolidated income attributable to Members for the financial year increased to \$10.9m from a loss of \$2.6m, primarily as a result of improved performance of the investment portfolio, gain on sale of equities and the additional contribution derived from RAA Insurance in the last four months of the financial year.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Consolidated 2010 \$'000	RAA of SA 2009 \$'000
Current Assets		
Cash and cash equivalents	23,915	6,910
Trade and other receivables	40,978	11,143
Inventories	1,484	1,281
Deposits in trust account	708	455
Other current assets	1,216	872
Financial assets	91,888	48,235
Deferred acquisition costs	2,635	-
Total Current Assets	162,824	68,896
Non-current Assets		
Other receivables	984	-
Financial assets	1,001	960
Investments in associates	2,329	16,332
Property, plant and equipment	48,459	51,220
Intangible assets	23,778	3,127
Goodwill	58,201	-
Deferred tax asset	10,001	6,250
Total Non-Current Assets	144,753	77,889
Total Assets	307,577	146,785
Current Liabilities		
Trade and other payables	10,488	10,866
Unearned income	81,104	23,446
Interest bearing loans and borrowings	5,000	-
Deposits in trust account	708	455
Provisions	7,719	4,087
Current tax liability	2,172	-
Outstanding claims liability	22,156	-
Total Current Liabilities	129,347	38,854
Non-Current Liabilities		
Interest bearing loans and borrowings	20,000	-
Provisions	1,249	3,225
Deferred tax liability	12,942	6,489
Outstanding claims liability	435	-
Total Non-Current Liabilities	34,626	9,714
Total Liabilities	163,973	48,568
Net Assets	143,604	98,217
Equity		
Retained earnings	95,683	84,094
Reserves	47,921	14,123
Total Equity	143,604	98,217

Discussion and Analysis of the Statement of Financial Position

The movement in the Statement of Financial Position from 30 June 2009 to 30 June 2010 is largely due to the consolidation of RAA Insurance arising from the acquisition of the remaining 50% shares in RAA Insurance.

The Group's current assets increased by \$93.9m (136.3%) during the financial year to \$162.8m largely as a result of RAA Insurance trade and other receivables of \$37.4m and financial assets of \$60.9m. The Group's Investment Portfolio is included in Financial Assets and totals \$91.9m at year end. Non-current assets increased by \$66.9m (85.8%) due to the recognition of goodwill and identifiable intangible assets on acquisition of RAA Insurance of \$58.2m and \$22.3m respectively less amortisation.

Current and non-current liabilities rose by \$115.4m (237.6%) with the recognition of unearned insurance premium revenue of \$57.7m, outstanding insurance claims liability provision of \$22.6m and interest bearing loans and borrowings of \$25m. The loan was drawn to partly fund the acquisition of RAA Insurance, with the remaining balance paid in cash. The Group also recognised an increase in tax liabilities due to the consolidation of RAA Insurance.

The Group's total equity increased by \$45.4m (46.2%) predominantly as a result of the unrealised fair value gain of \$34.5m recognised in reserves for the revaluation of the initial 50% shareholding in RAA Insurance. Improved performance of the investment portfolio, gain on sale of equities and the additional revenue derived from RAA Insurance were also contributing factors to the increase.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2010

	Consolidated	RAA of SA
	2010	2009
	\$'000	\$'000
Cash flows from operating activities		
Receipts from members and customers (inc.GST)	165,884	131,191
Payments to suppliers and employees (inc.GST)	(155,078)	(128,799)
Interest received	653	754
Dividends received	306	465
Rental income received	439	297
Income tax paid	(163)	-
Net cash from operating activities	12,041	3,908
Cash flows from investing activities		
Proceeds from sale of fixed assets and intangibles	5,506	3,031
Proceeds from the sale of investments	54,665	-
Proceeds from held-to-maturity investments	1,000	-
Dividends received	1,315	-
Purchase of fixed assets and intangibles	(5,734)	(3,656)
Purchase of financial assets	(30,631)	-
Purchase of held-to-maturity-investments	-	(1,000)
Acquisition of subsidiary	(46,157)	-
Net cash used in investing activities	(20,036)	(1,625)
Cash flows from financing activities		
Proceeds from borrowings	25,000	-
Net cash used in financing activities	25,000	-
Net increase/(decrease) in cash	17,005	2,283
Cash and cash equivalents at beginning of the year	6,910	4,627
Cash and cash equivalents at end of the year	23,915	6,910

Discussion and Analysis of the Statement of Cash Flows

Cash flows from the Group's operating activities increased from \$3.9m to \$12.0m (208.1%) during the financial year. The increase was primarily due to \$8.4m received from RAA Insurance operations.

Cash flows from investing activities increased from \$1.6m cash outflow to \$20m cash outflow. This was principally due to the net cash outflow of \$46.2m for the acquisition of RAA Insurance partially offset by \$24m net cash inflow from the sale and purchase of investments. The Association also borrowed \$25m to help finance the acquisition of RAA Insurance.

Overall cash and cash equivalents increased from \$6.9m to \$23.9m during the year.