

2010–11 Members' Report



RAA President and Chairman of the Board, Ray Grigg (left), and Managing Director, Ian Stone.

MEMBERS FIRST

RAA remains committed to putting the interests of our members first. Our top priority is to maintain or improve the level of service and benefits we offer our members.

Our 24-hour Roadside Assistance Centre (RAC) handled over one million calls during the year, with 80.1% of inbound calls requesting assistance answered within 30 seconds. Over this period the RAC focused on continued improvements to call handling efficiency and the service that members receive when contacting the Centre. The Centre also managed in excess of 17,200 incidents relating to Plus/Premium members who required extended benefits and assistance beyond basic road service.

Over the past year RAA responded to 329,528 vehicle breakdowns in metropolitan Adelaide. Almost 88% of our attendances resulted in members being able to continue their journey. Over 95% of metropolitan breakdowns were attended within an hour, with an average wait of less than 30 minutes. Ongoing surveys throughout the year revealed that 97.6%

of members felt their request for roadside assistance had been answered promptly.

To ensure that we can continue to deliver outstanding roadside service to our members, the Automotive Training team conducted a comprehensive training needs analysis encompassing the entire Patrol work group. The purpose of this exercise was to clearly identify and to understand the skills and training required to maintain our superior service and roadside 'go' rate.

Outside the metropolitan area, RAA's network of contractors throughout regional South Australia and Broken Hill attended 82,610 vehicle breakdowns.

RAA's Technical and Automotive team received in excess of 50,000 telephone and 1,200 email queries from members on a diverse range of vehicle-related matters. During the year, the team rolled out new RAA Approved Repairer signage across metropolitan and country locations, making it easier for the South Australian community to identify high-quality car-repair businesses. There are now more than 470 RAA Approved Repairers throughout SA who comply with RAA's technical and service standards.

Over the last year RAA undertook 5,645 vehicle inspections for members, along with a further 2,083 for RAA Approved Vehicle Dealers, a service that removes some of the risk for members when they purchase a used vehicle. Behind the scenes, the Automotive Support team worked on improving roadside safety and ensuring Patrols have the most appropriate tools and equipment. New Patrol van livery and safety equipment were launched and will be progressively rolled out.

One of the highlights for the Board and our organisation over the past year has been the maintenance of high levels of member satisfaction. Our ongoing surveying revealed that the satisfaction of our almost 600,000 members remains at recognised 'best practice' levels, with 93% of members either very satisfied or satisfied with the overall service they receive, across all areas of the business.

Our More For Members program continues to grow in popularity. In the 2010-11 financial year members who used More For Members collectively saved in excess of \$12 million.

TAKING CARE OF BUSINESS

The year 2010-11 has seen RAA maintain its sound financial position, which in turn means that the organisation is supported by a solid foundation from which to continue to expand member benefits and to take advantage of business opportunities, in line with the objectives stated in our 2018 Strategic Plan.

During the year, the Board approved a new Investment Strategy for the organisation. The purpose of the strategy is to establish a Prudential Reserve to ensure RAA's financial security, while a Strategic Reserve funds new business areas for future member benefits and products. Underpinning the strategy is a desire to reduce risk in the current volatile economic conditions.

This year, in order to minimise the risks associated with any major threat to the delivery of services from our centre at Mile End, we relocated our Disaster Recovery site. In the event of any unanticipated disruption to business at Mile End, members will continue to receive services as normal through the relocated site.

A new constitution for RAA was approved by members during the year. This revised constitution enables a more flexible governance platform to accommodate new membership structures.

2010-11 was a record breaking year for RAA Insurance, recording Gross Written Premiums of \$120 million, an increase of 10% on the previous year. We grew our total insurance covers by 5.9%, compared with the previous financial year, helping to insure more South Australians despite the insurance market becoming increasingly crowded with new internet insurers.

The Insurance business is also working to implement a new computer system to help improve our service delivery next year.

Our Secure Services business area continued to grow and now monitors some 12,000 clients. RAA is now regarded as a major player in the retirement village personal alert system market, while continuing to be a trusted provider of home and small business security and personal alert monitoring.

Our Travel business also saw an expansion during the year. To ensure a better and more comprehensive service for our members and to attract additional business to Travel services, we established a greater presence in shopping centres. In order to make travel services more accessible to regional and rural members the decision was made to put Holiday Savings online.

In December 2010, RAA introduced electric mobility scooters into our RAA shops. Their introduction was accompanied by a number of additional services, including information via *samotor*, to support members who were contemplating the purchase of a scooter. This focused approach to the introduction of mobility scooters to the shop has resulted in a very positive response to this addition to our product range.

ON YOUR BEHALF

RAA continues to advocate on behalf of our members and provides a strong and consistent voice in the media and to relevant politicians, government and other stakeholders. During the year, RAA gave informed opinion and commented on a

range of issues in the media relevant to members, including national and state road safety strategies, road infrastructure (specifically further funding for the completion of South Road) international drivers, the State Budget, the abolition of registration stickers, the danger of driving while fatigued, the fuel cycle and car safety ratings.

In line with our commitment to improving our communication with members and the broader community, RAA expanded its participation in social media through Facebook and Twitter.

During the year, RAA's newly appointed President Ray Grigg was also appointed President of the Australian Automobile Association (AAA) and of the Federal Internationale de l'Automobile (FIA) Regional body, strengthening RAA's presence in the global arena.

RAA continues to represent our members' wider interests and concerns through participation in a number of significant state and national advisory bodies. These include the SA Road Safety Advisory Council, the SA Black Spot State Level Crossing Advisory Committee Consultative Panel, the National Motor Vehicle Theft Reduction Council and the AAA Public Policy Forum.

KEEPING OUR MEMBERS SAFE ON THE ROADS

Within South Australia and nationally and internationally, RAA continued its commitment to keeping people safe in their cars and on safer roads.

This year, in partnership with the University of South Australia's School of Occupational Therapy, RAA launched its latest program for RAA Members. The RAA Carfit program is a 20-minute one-on-one information session with drivers in their own cars. The program, which aims to make sure that drivers are as comfortable and as safe as possible when driving, demonstrates the importance RAA puts on safe drivers and in particular on providing advice and information for drivers as they age. Similarly, our highly popular road safety awareness program, Years Ahead, delivered 91 presentations throughout the year and involved just over 3000 participants.

In a first for RAA, we collaborated with *The Advertiser* to produce two road safety workbooks for primary school children. Delivered in the first week of term one, and with related media articles and web content, the workbooks were a fun and educational way for children to learn basic road safety. RAA will expand the initiative next year to include a pre-school book.

In March we held another Street Smart event at the Entertainment Centre. Attracting a near-capacity audience of 3500 year 10 and 11 students, Street Smart 2011 both alerted young South Australians to the state's alarming youth road toll and reinforced the vital importance of young people driving sensibly and responsibly. Supported by SAPOL, the Metropolitan Fire Service and SA Ambulance Service, Street Smart was hosted by Dr Bill Griggs, Head of Trauma at the Royal Adelaide Hospital.

The launch of the United Nations Decade for Action on Road Safety was an event of major significance for the organisation, given that road safety signifies one of RAA's key concerns. RAA placed 1328 black fatality markers in Victoria Square to represent the number of lives lost on South Australian roads over the past 10 years. Our Easter campaign launched in Rundle Mall continued the theme of road safety by highlighting the need to take rest breaks when travelling long distances.

RAA's commitment to road safety and to improvements in road infrastructure extends further than our state and national boundaries. In 2011, RAA's Transport Planner was seconded to work in Indonesia as part of the International Road Assessment Program (IRAP).

IN APPRECIATION

Early in 2011, the Board became aware that over 14,000 members have been with RAA for more than 50 years. The RAA Board and Senior Management team felt that this kind of loyalty deserved to be recognised and rewarded. As a result, the decision was made to introduce Gold50 events. Over the next three years, members who have been with us for more than 50 years will receive an invitation from the President to attend a morning tea to thank them for their continued trust in and loyalty to RAA.

OUR PEOPLE

During the year the RAA Board farewellled two long standing Directors – Juliet Brown (a past President) and Michael Shanahan.

Michael's connection to the rural community ensured a strong voice on behalf of regional members around the boardroom table. Juliet contributed not just with her legal background but also her club and insurance understanding. Both Juliet and Michael will be missed for their business acumen, strategic thinking and determination to do the very best for RAA Members.

In accordance with the Association's Constitution, the Board appointed Karen Thomas and Geoff Rohrsheim to fill the casual vacancies created by the retirements of the two directors.

Karen Thomas is Managing Partner with Adelaide law firm Fisher Jefferies and Presiding Officer of the Third Party Premiums Committee. Geoff Rohrsheim is an IT professional and Executive

Director of Chamonix Consulting as well as a board director on Netspot and SA Growth Investments.

The over 700 strong RAA workforce continues to be the backbone of the organisation. The commitment of our people to the members they serve, and their willingness to always put the member first, ensures a high level of service delivery. Apart from surveying our members as to their level of satisfaction, the number of calls we receive thanking RAA individuals for the support given to them throughout the year tells us that we have the right people with the right member focus.

COMMUNITY MINDED

RAA has continued to support a range of community organisations. For the third consecutive year we supported the Operation Flinders Foundation, a wilderness adventure program for young offenders and young South Australians at risk, which is designed to give these young people the opportunity to take a greater level of responsibility for their lives. We also continued our support for the charitable organisations, the Julian Burton Burns Trust, Carols by Candlelight and the Safety Marshalls at Clipsal 500.

Ray Grigg

President & Chairman of the Board

Ian Stone

Managing Director

PICTURED (from left to right): Wendy Greiner, Geoff Rohrsheim, Ian Stone, Rod Payze, Elizabeth Perry, Raymond Grigg, Karen Thomas, James Sarah, Ruth Robinson, David Cross, Leon Holmes, Sharon Starick, Peter Siebels.



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 Directors.

Directors	Board of Directors		Governance and Nominations Committee*		Remuneration Committee		Audit, Risk & Compliance Committee		Investment Committee		Public Policy Committee		Mergers & Acquisitions Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
JH Brown (ii)	9	9	2	2									1	1
DA Cross	10	10					4	4			4	3	1	1
WS Greiner	10	10					2	1			4	4		
RG Grigg	10	10	4	4	1	1	2	2	2	2	4	2	1	1
LC Holmes	10	10	4	3	1	1	2	1	5	5				
RJ Payze	10	9							5	5	2	2		
ED Perry	10	9			1	1	2	2			2	2		
RN Robinson	10	10	4	4							4	4		
GR Rohrsheim (i)	1	1												
JE Sarah	10	8					2	1	3	2				
MS Shanahan (ii)	9	6					2	2						
PR Siebels	10	8							5	5			1	-
SR Starick	10	10	2	2										
IH Stone	10	10	4	4	1	1	4	4	5	5	4	4	1	1
KN Thomas (i)	1	1												

* Members do not attend meetings of this Committee at which Board election matters are discussed if they are eligible for re-election at the AGM.

(i) Appointed 1 June 2011

(ii) Resigned 31 May 2011

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.

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 reviews 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 of Directors and senior managers 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 Management contain the following:

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

For Non-Executive Directors, the constitution of the Association specifies 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 22 November 2010 when members approved an aggregate remuneration of up to \$450,000 per year.

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

	Short Term Benefits Salary Fees	Post Employment Benefits Superannuation	Total
Specified Directors	\$	\$	\$
JH Brown (ii)	24,276	2,185	26,461
DA Cross	23,730	13,036	36,766
WS Greiner	-	29,027	29,027
RG Grigg	48,868	3,484	52,352
LC Holmes	-	41,209	41,209
RJ Payze	-	31,527	31,527
ED Perry	-	29,027	29,027
RN Robinson	26,630	2,397	29,027
GR Rohrsheim (i)	2,354	211	2,565
JE Sarah	26,630	2,397	29,027
MS Shanahan (ii)	26,461	-	26,461
PR Siebels	26,630	2,397	29,027
SR Starick	23,560	5,467	29,027
KN Thomas (i)	2,354	211	2,565
Total	231,493	162,575	394,068

(i) Appointed 1 June 2011

(ii) Resigned 31 May 2011

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 2011 is available electronically on the Association's website (www.raa.com.au) or by request.



PICTURED (from left to right): Dominic Jacob, Penelope Gale, Peter Hurcombe, Malcolm Butcher, Adam Thompson, Ian Stone (front), Mike Walters, Tom Griffiths, David McGown, David Russell.

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 Group Managing Director
- D Russell Insurance Chief Executive
- D McGown Group Chief Financial Officer
- P Hurcombe General Manager Strategy Risk and Investments
- T Griffiths General Manager Sales and Marketing
- D Jacob General Manager Automotive Services
- M Butcher General Manager Human Resources
- J Van Ruth General Manager Information Services (Resigned 30 September 2010)
- M Walters General Manager Information Services (Appointed 29 November 2010)
- P Gale General Manager Public Affairs
- A Thompson General Manager Commercial Business (Appointed 1 July 2010)

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

	2011 \$	2010 \$
Short-term employee benefits	2,312,334	1,854,988
Long-term employee benefits	3,693	13,157
Post-employment benefits	195,656	187,909
Termination benefits	12,243	51,963
	2,523,926	2,108,017

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Consolidated 2011 \$'000	Consolidated 2010 \$'000
Continuing operations		
Revenue	187,060	117,011
Other income	6,208	8,872
Unrealised gain on fair value adjustment of equity investment	-	34,473
Share of net profits of an associate	258	3,339
Total Revenue	193,526	163,695
Expenses		
Employee benefits	(53,938)	(45,677)
Payments to contractors for roadside assistance	(13,532)	(13,642)
Depreciation and amortisation	(6,226)	(6,215)
Finance costs	(1,770)	-
Other expenses	(103,608)	(50,540)
Total expenses	(179,074)	(116,074)
Operating profit/(loss) from continuing operations before tax	14,452	47,621
Income tax benefit/(expense)	(1,996)	(1,609)
Operating profit/(loss) from continuing operations after tax	12,456	46,012
Net profit/ (loss) after tax for the period	12,456	46,012
Other comprehensive income		
Actuarial gain/(loss) on defined benefit plan	(83)	72
Fair value adjustments relating to land and buildings	2,520	(922)
Net fair value gains on financial assets	136	14
Income tax on items of other comprehensive income	(834)	211
Other comprehensive income for the period net of tax	1,739	(625)
Total comprehensive income	14,195	45,387
Transfer of unrealised fair value adjustment of equity investment	-	(34,473)
Total income for the period attributable to Members	14,195	10,914

Discussion and Analysis of the Statement of Comprehensive Income

Total income attributable to members for the year is \$14.2m, as compared to \$10.9m in 2009/10, a \$3.3m improvement. This is comprised of Net Profit after tax of \$12.5m and Other Comprehensive Income after tax of \$1.7m. This is the first full year consolidation of the operating results of RAA Insurance into the RAA Group.

Other comprehensive income after tax of \$1.7m predominantly arises from an increase in Land and Buildings (net of tax) through the net fair value adjustment from the independent valuation conducted at year end by McGees Property.

Consolidated Operating Revenue of \$193.5m has increased \$29.8m (\$63.8m after excluding the \$34m unrealised fair value adjustment) due primarily to the full year consolidation of RAA Insurance revenue (previously only four months). Other revenue increases included Motoring Club sales of 4.2%, predominantly arising from a Membership Fees increase of \$3.8m, and an increase in Insurance Net Earned Premiums of \$9.63m (10% increase). Total revenue for the comparative period included \$34.5m unrealised gain on the fair value adjustment relating to the acquisition of the remaining 50% of RAA Insurance, a once off revaluation adjustment.

Total Expenses increased from \$116m to \$179m, comprising the full year consolidation of Insurance and general increases across the Group. The three major expenses of the Group comprise insurance claims costs, employee expenses and road side service contract charges. Insurance claims costs of \$68.6m increased marginally less than the increase in additional premium revenue, contributing to an increased underwriting result for Insurance. The number of staff in the Group increased from 683 to 712 full time equivalents, resulting from growth across the organisation.

Payments to Contractors for Roadside Assistance of \$13.5m decreased by 0.8% over the prior year, reflecting lower job call outs for the year due to benign weather conditions. Depreciation and Amortisation expenses of \$6.2m were flat for the year. Other Expenses of \$103.6m (including Insurance claims costs of \$68.6m) increased by \$53.1m due to the full year consolidation of Insurance.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Consolidated 2011 \$'000	Consolidated 2010 \$'000
Current Assets		
Cash and cash equivalents	19,919	23,915
Trade and other receivables	48,683	40,978
Inventories	1,850	1,484
Deposits in trust account	393	708
Other current assets	1,205	1,216
Financial assets	104,445	91,888
Deferred acquisition costs	2,892	2,635
Total Current Assets	179,387	162,824
Non-current Assets		
Other receivables	1,054	984
Pension assets	919	1,001
Investments in associates	3,560	2,329
Property, plant and equipment	54,572	48,459
Intangible assets	22,407	23,778
Goodwill	58,041	58,041
Deferred tax asset	7,405	10,001
Total Non-Current Assets	147,958	144,593
Total Assets	327,345	307,417
Current Liabilities		
Trade and other payables	9,808	10,488
Unearned income	88,850	81,104
Interest bearing loans and borrowings	5,000	5,000
Deposits in trust account	393	708
Provisions	8,611	7,719
Current tax liability	-	2,172
Derivative financial instruments	210	-
Outstanding claims liability	25,278	22,156
Total Current Liabilities	138,150	129,347
Non-Current Liabilities		
Interest bearing loans and borrowings	16,500	20,000
Provisions	1,404	1,249
Deferred tax liability	13,058	12,782
Outstanding claims liability	434	435
Total Non-Current Liabilities	31,396	34,466
Total Liabilities	169,546	163,813
Net Assets	157,799	143,604
Equity		
Retained earnings	108,081	95,683
Reserves	49,718	47,921
Total Equity	157,799	143,604

Discussion and Analysis of the Statement of Financial Position

The value of net assets as at 30 June 2011 is \$157.8m (30 June 2010: \$143.6m). This increase of \$14.2m is comprised of the net profit contribution of the Group after tax of \$12.5m and the increase in Reserves of \$1.7m, predominantly a result of the net revaluation of Land and Buildings of \$1.7m.

Total assets of the consolidated Group increased by \$19.9m for the financial year to \$327.3m. This increase was largely driven by a \$12.6m increase in the Financial Assets of the Group to \$104.4m and an increase in Receivables of \$7.7m primarily due to an increase in pay by the month insurance customers. Non Current Assets increased due to the movement in Property, Plant and Equipment arising from the revaluation of Land and Buildings and the development of the new insurance and membership computer system.

Total liabilities increased by \$5.7m to \$169.5m in the year to 30 June 2011. This was largely due to an increase in unearned income, which relates to growth in both the membership and insurance businesses, and some movement in outstanding claims liability in accordance with the growth in Insurance. Offsetting this, Non Current Liabilities decreased by \$3m due to principal repayments made against the Westpac loan facility.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

	Consolidated	Consolidated
	2011	2010
	\$'000	\$'000
Cash flows from operating activities		
Receipts from members and customers (inc.GST)	262,947	165,884
Payments to suppliers and employees (inc.GST)	(245,713)	(155,078)
Interest paid	(1,770)	-
Interest received	4,224	653
Dividends received	1,712	306
Rental income received	161	439
Income tax paid	(2,129)	(163)
Net cash from operating activities	19,432	12,041
Cash flows from investing activities		
Proceeds from sale of fixed assets and intangibles	500	5,506
Proceeds from the sale of investments	75,998	54,665
Proceeds from held-to-maturity investments	-	1,000
Dividends received	-	1,315
Purchase of fixed assets and intangibles	(8,347)	(5,734)
Purchase of financial assets	(87,106)	(30,631)
Acquisition of shares in associate	(973)	-
Acquisition of subsidiary	-	(46,157)
Net cash used in investing activities	(19,928)	(20,036)
Cash flows from financing activities		
Proceeds from borrowings	2,500	25,000
Repayment of borrowings	(6,000)	-
Net cash used in financing activities	(3,500)	25,000
Net increase/(decrease) in cash	(3,996)	17,005
Cash and cash equivalents at beginning of the year	23,915	6,910
Cash and cash equivalents at end of the year	19,919	23,915

Discussion and Analysis of the Statement of Cash Flows

Cash flow continued to remain strong, with both the Motoring Club and insurance operations providing positive cash flows from Operating activities. The cash balance at the end of the year was \$19.9m (2010 \$23.9m).

Cash flows from the Group's operating activities increased by \$7.4m to \$19.4m during the financial year. \$15.0m of this positive cash flow was contributed by Insurance operations. Cash flows from investing activities remained stable during the year.

Cash flow from financing activities reflects a net repayment of loans outstanding of \$3.5m. Interest bearing loans with Westpac decreased from \$25m to \$21.5m, comprising \$6m of principal repayments made during the year and an offsetting drawdown of \$2.5m to partly fund the development of a new insurance and membership software system.