

RAA Group

Annual Report

2014



Mission:

Serve our members.

Strategic Intent:

Invest in providing a range of trusted services that help keep our employees and our members safe, secure and mobile.





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Highlights



Expanded the Street Smart event to reach more than

7000
school students

Total Income
\$287
million

Group Profit after Tax and Other Income

\$18
million

Insurance paid

\$109 million

in claims and

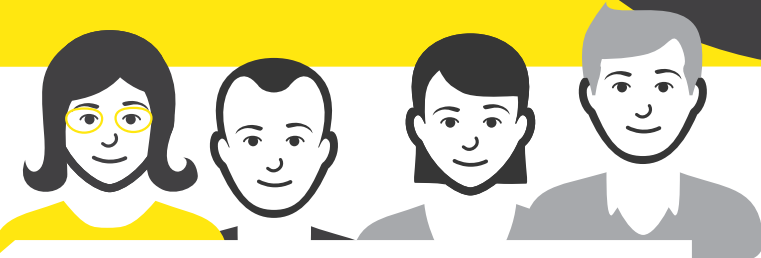
63,000

new insurance policies were taken out during the year



92%

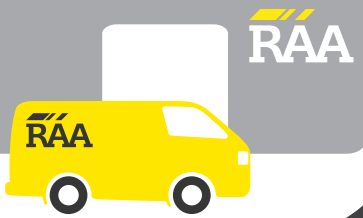
service quality satisfaction rating was achieved across RAA Group



Introduced our new extended membership structure

This allowed us to welcome

85,548
new Insurance and Secure Services members



Grew the number of monitored security members and commercial customers by 15% to over

24,000



3104

bookings were completed through our travel agency for nearly

6000

passengers



Members saved over

\$20 million

through our More For Members program and product discounts



Our patrols attended

nearly **370,000**

breakdowns in metro and country South Australia

Message from the President and Chairman



The 2014 financial year saw the introduction of a new age in RAA membership.

RAA has grown and evolved as an organisation over its 110 year history. Today we offer the South Australian community much more than road service, so our membership structure also needs to evolve.

We have changed what it means to be an RAA member. While roadside assistance remains at the heart of our membership, now our Insurance and Security Monitoring customers have also become members. The membership cards and levels remain the same; we've just expanded the definition of membership – and members now have more opportunities to save.

The introduction of this extended membership structure is the result of a strategic Board-endorsed decision that has been developed over the past three years. It also lays the foundation for the next phase of our strategic intent – to provide members with further trusted products, services and opportunities.

Having achieved this membership milestone, it is also pleasing that RAA reported a strong financial result for the year, recording Group Profit after Tax and Other Income for the year of \$18 million. Insurance delivered excellent performance again this year, with above-budget contribution to the Group enabling continued investment in strategic initiatives.

Member satisfaction is also a key measure of our success and we achieved an impressive 92 per cent quality satisfaction rating across the RAA Group. Our patrols attended nearly 370,000 breakdowns in metropolitan and country South Australia and were able to get 89 per cent of metropolitan members straight back on the road.

Members saved over \$20 million through our More For Members program and product discounts across RAA's various services, including Travel, Secure Services, Battery, Insurance, Road Service and Shop. This is in line with our strategy of providing an ever-expanding suite of useful and relevant benefits to our members.

Positioning RAA as a sustainable, member-centric business into the future remains a key Board priority. The Board has recently reviewed the RAA's Constitution and Membership Regulation to ensure they reflect the new membership structure and support our strategic intent.

On behalf of our members we continue to work at influencing government policy, industry practice and general public awareness in order to make South Australia a state where people of all ages are safe and mobile. During the state and federal elections we campaigned for greater funding for roads and driver education. Through the RAA Regional Safety Grants program, we distributed \$55,000 to improve safety in regional communities like Tintinara, Port Elliot and Whyalla. Our sponsorship efforts also reach across the state, encompassing the Elizabeth Riders Committee Extreme Mentoring program and the Yankallilla ROY (Re-engaging Our Youth) transport project.

Ray Grigg finished his tenure as RAA President in November, 2013 and remains an active and valued member of the Board. We thank him for his significant contributions during his term as President. Ray's achievements as President include the final consolidation of Insurance into the RAA Group and the introduction of the Gold50 appreciation events, events at which Ray shared his passion and enthusiasm with our longest standing and most loyal members from around the state. Ray also served as President of the Australian Automobile Association (AAA) and of the regional body of Fédération Internationale de l'Automobile (FIA) during his tenure, strengthening RAA's presence in the global arena.

RAA employs over 850 people, and the Board thanks every one of them for their exceptional efforts in supporting members, and each other, during a year of change in processes, structures and systems.

Finally, we thank you, our members, for your loyalty and support of RAA. The new membership structure allows us to explore more opportunities for growth and identify further innovative ways to serve all our members. We look forward to sharing the benefits with you in the years ahead.

A handwritten signature in black ink, appearing to read 'David Cross'. The signature is fluid and cursive, written on a white background.

David Cross

President and Chairman of the Board

Message from the Group Managing Director



RAA membership reached a pivotal point in its evolution during the past financial year, with a major technology project required to introduce the new membership structure.

Implementation of the new system and the extended member structure has been a significant operational achievement.

It has affected everyone in the organisation but our unwavering commitment has been to make the upgrades and transitions required behind the scenes as seamless as possible for our members.

Financial soundness enables us to build a sustainable RAA for all members so I am pleased to report the Group achieved solid performance for the financial year. Our net assets now stand at \$206 million and we recorded a Net Profit After Tax of \$16 million. This was achieved with growth in Total Income to \$287 million, an increase of \$30 million over last financial year. Our investment income was strong due to good performance in our investment portfolio.

Insurance performed strongly, paying out \$109 million in claims and issuing 63,000 new insurance policies during the financial year. Our Insurance team was also honoured to receive the highest possible five-star rating from the independent research company, CANSTAR, for outstanding customer value.

Road Service performed well and Battery sales exceeded budget for the year, with over 62,000 new batteries sold, including more than 36,000 fitted on the roadside by our patrols.

Secure Services continued to grow RAA's presence in monitoring home, personal and commercial alarms. The number of monitored members and commercial customers reached 24,000 – a 15 per cent increase on last year. We continue to focus on delivering monitored security products that suit our member's needs, and the expansion into personal alert monitoring has been particularly successful. We've also completed a number of strategic acquisitions that have contributed to this growth.

Our Travel team booked holidays for 5,890 passengers and achieved outstanding growth in the rail travel sector, along with continued growth in cruising. In fact one of our best performing packages combined these options in a number of sell-out 'Rail and Sail' guided tours. Despite difficult economic conditions our Shops performed strongly in the second half of the year, with growth particularly evident in our luggage and mobility scooter ranges across metropolitan and country shops.

To ensure we stay in tune with members' needs, we asked you for your thoughts and opinions on RAA's products and services, and received more than 31,000 responses via focus groups, online and telephone surveys. Your feedback also helps us take action on the state's risky roads. While some risky roads have been addressed, we continue to meet with the relevant state and local government authorities regarding others, while keeping our members up to date with progress.

Our people and the service they deliver differentiate us in an increasingly competitive and diverse world. RAA employees are dedicated, skilled and passionate – which is why RAA delivers on the promise to serve our members. I congratulate all of our staff for their efforts in helping to deliver this significant progress in the 2013-14 financial year, while continuing to make serving our members the top priority.

I am confident that the changes and achievements of the past year have laid the foundation for the delivery of even greater benefits for our members and a bright future for RAA.

Ian Stone

Group Managing Director

Board of Directors



David Cross – President and Chairman of the Board

*BEC, CA, GAICD
Chair, Group Governance and Nominations Committee
Chair, Group Remuneration Committee*

Chair, Appeals Committee

Member, Audit, Risk and Compliance Committee

Member, Public Policy Committee

Member, Group Investment Committee

Member, Technology and Innovation Committee

Member, Mergers and Acquisitions Committee

David Cross joined the RAA Board in 2007 and is President and Chairman of the Board of the Association. David has significant experience as a CEO and senior finance executive, working primarily in large global businesses. He is the Chairman of RAA Insurance Ltd, Director of Operations (Asia Pacific) for Specsavers, and is a non-executive director of a number of businesses in the Asia Pacific region.



Elizabeth Perry – Vice-President

*LLB, MAICD
Chair, Audit, Risk and Compliance Committee*

Member, Group Governance and Nominations Committee

Member, Public Policy Committee

Member, Group Remuneration Committee

Member, Appeals Committee

Elizabeth Perry became a RAA Board Member in 2009 and is Vice-President of the Association. Elizabeth is a lawyer, practising in employment and industrial relations law and has more than 30 years of experience in the legal sector. She is a Director of RAA Insurance Ltd, Ritosa Pty Ltd, partner at EMA Legal, a member of Flinders University Council, and various law associations. Elizabeth was previously a director of the South Australian Museum (2005-2013) and board member of the South Australian Water Polo Association.



Ian Stone – Group Managing Director

BEC, CA

Ian Stone was appointed Managing Director of RAA in August 2009 and prior to that was Chief Executive Officer

from 2007. Ian has extensive senior management experience and expertise

in the motor, home and health insurance industry. He is a Director of RAA Insurance Ltd and various Australian automotive associated entities.



Kathy Gramp

BA, ACC, FCA, FAICD

Member, Audit, Risk and Compliance Committee

Member, Mergers and Acquisitions Committee

Kathy Gramp has been on the RAA Board since 2013. Kathy's experience spans a diverse range of Australian organisations. She is Deputy Chairman of Masonic Homes Ltd and a Director of Southern Cross Media Group Limited, Silver Chain Group, Adelaide Convention Centre and The Bushfire and Natural Hazard CRC. Kathy contributes to the community through the Leaders Institute of SA and as a member of the Council of Prince Alfred College.



Ray Grigg

F SAE-I/A, FAICD

Member, Group Investment Committee

Member, Group Remuneration Committee

Member, Appeals Committee

Ray Grigg joined the RAA Board in 2005. Ray spent 47 years with General Motors in Europe and Japan, and as Director and General Manager of Operations for General Motors-Holden Australia. He is a Director of RAA Insurance Ltd, Past President of RAA and the Automobile Association of Australia (AAA), Honorary Member of Fédération Internationale de l'Automobile (FIA), Deputy Chairman of Bedford Group Ltd and Patron and Business Ambassador of the Central Districts Football Club.



Rod Payze

BE, MSc, FIE Aust, FC ILT

Chair, Group Investment Committee

Member, Public Policy Committee

Rod Payze became a RAA Board Member in 2001. Rod is a Director of Flinders Ports Holdings Pty Ltd. He is a former Commissioner of Highways who served the South Australian Government as head of the Transport Agency for a number of years.



Ruth Robinson

*RDA, RDAT, GAICD
Member, Public Policy Committee*

Ruth Robinson joined the RAA Board in 2001. Ruth manages a mixed farm near Jamestown, where she runs a self-replacing flock of merino sheep. She also acts as Practice Manager for Voumard Lawyers, a regional law firm servicing the northern areas of South Australia. She has participated in and led several community advocacy organisations, and is currently a member of the SA Sheep Advisory Group.



Geoff Rohrsheim

*BE (Hons), MEngSc, AssDip (Computing), GAICD
Chair, Technology and Innovation Committee
Member, Group Governance and Nominations Committee
Member, Audit, Risk and Compliance Committee*

Geoff Rohrsheim became a RAA Board Member in 2011. Geoff is passionate about the IT industry and how IT can improve business performance in South Australia. Geoff is a Director of the Silver Lining IT Consulting Group, Chamonix IT Consulting and Kloud Solutions.



James Sarah

*BAppSc (Build), MBA, FAIB, FAICD
Member, Technology and Innovation Committee
Member, Mergers and Acquisition Committee*

James Sarah has been a RAA Board Member since 2005. James is Joint Managing Director of the Sarah Group and a Director of Masonic Homes Ltd. He is a graduate of Harvard Business School, and a Past President of the Property Council of Australia, Australian Institute of Building and Rotary Club of Hindmarsh.



Tony Sharley

*BAppSc, MAppSc, GAICD
Member, Group Governance and Nominations Committee
Member, Group Remuneration Committee*

Tony Sharley joined the RAA Board in 2012. Tony is General Manager of the Riverland's peak tourism body, Destination Riverland. He

is a strong advocate for a healthy Murray River and former manager of the award-winning Banrock Station. Tony is Chairman of the Conservation and Hunting Alliance of SA, Deputy Chairman of Regional Development Australia – Murraylands and Riverland, and Director of Riversmart Australia.



Peter Siebels

*BEC, FCA, CTA, MAICD
Member, Group Investment Committee
Member, Technology and Innovation Committee
Member, Mergers and Acquisition Committee*

Peter Siebels has been a RAA Board Member since 2008. Peter is a taxation and business advisory specialist and is currently KPMG's National Managing Partner, Private Enterprise. Prior to accepting this role he was a member of the National Board of KPMG Australia, Business SA, the State Theatre Company and the Walford Anglican School for Girls. He is Director of Emerald Valley Investments Pty Ltd, Board Member of Robert Gerard AO Athlete Development Fund, and Member of the Council of St Ann's College Inc.



Sharon Starick

*BAGSc, GAICD
Chair, Public Policy Committee
Member, Group Governance and Nominations Committee*

Sharon Starick joined the RAA Board in 2009. Sharon is a primary producer from the Murray Plains and is involved in rural and regional communities. She is Chair of Rural Business Support Services Inc., and a Director of the Grains Research and Development Corporation, Animal Health Australia and Chair of the SA Murray-Darling Basin Natural Resources Management Board.



Karen Thomas

*LLB (Hons), BEC
Chair, Mergers and Acquisitions Committee
Member, Group Remuneration Committee*

Karen Thomas became a RAA Board Member in 2011. Karen is the Managing Partner of the law firm Fisher Jeffries. Karen brings to the Board her skills and experience as a commercial lawyer, professional board member and private business owner.

A new age in RAA membership

We have changed what it means to be an RAA member.

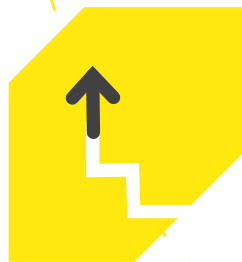
Road Service members remain the mainstay of RAA membership, but Insurance and Security Monitoring customers have also become members, which means that in June 2014 we welcomed **85,548** new members. They have received new membership cards to reflect their previous status as an Insurance or Secure Services customer, and they have the option to purchase Road Service as a separate product. Traditional membership cards and levels of membership remain the same; we've just expanded the definition of membership and in the process provided more opportunities to save, with a new multi-product savings structure.

Why change?

For more than 110 years RAA has proudly served its members and we remain focused on providing even more trusted services and benefits for members into the future. The new structure will assist us to be more responsive to the changing needs of our members. This will include introducing new products, services and more benefits, or simply continuing to support members, whether they are on the road or not.

More members now have access to RAA's exclusive member benefits, savings and services including:

- Use of the membership card for savings with our More For Member partners
- RAA shop discounts
- New multi-product savings to reward members for their loyalty
- Member saving on car and motorhome hire, travel insurance, home security installations, auto glass, vehicle inspections, driving lessons, and personal alert systems
- Domestic and international travel services, plus holiday savings on accommodation, theme park and attraction tickets
- Vehicle technical advice line
- Child restraint fitting service
- Legal advisory service
- Advocacy for member interests
- Member's magazine, *samotor*
- Exclusive member events and competitions
- Voting rights.



More For Members: from strength to strength

More For Members has **saved over 220,000 RAA Members** in excess of \$6.6m over the last 12 months.

This represents **growth of 61%** on the savings that members received during the previous year, or 242% since 2010/11.



New partners joining the program means more opportunities for members to save

4 new More For Members partners: Bicycle Express; Clear Space Organising Services; Toys Paradise and Wallis, taking the total number of More For Members partners to **32**.



Your say

Thank you to the **31,000+ members** who responded with their thoughts and opinions on RAA's products and services. This contribution helps us improve our service to you.



raa.com.au /

The new RAA website makes it easier for members to transact and engage with us in a fast and easy manner – and it's now mobile device friendly.

myRAA

myRAA has been refreshed and members are now able to view and edit their details in real time as well as view up-to-the-minute details of the products they hold, plus the savings they've made with RAA and RAA's member partners.



samotor

With over **500,000 readers** and in its 101st year of publication, **samotor** is Australia's oldest motoring magazine. But it has moved with the times - launching a tablet version for iPad and Android devices.



Road Service with you on the road

RAA has **584,693** Road Service members

This means over **54%** of all fully licenced drivers in South Australia have RAA providing peace of mind for them on our roads

80% of new members took the extra protection of top Premium for as little as \$7 extra per month

Roadside assistance provided in metropolitan areas

290,270

95% of metropolitan breakdowns were attended within an hour, the average being

31.4 min

Roadside assistance provided in the country

78,933

Patrols were able to fix the problem on

89%

of metro occasions, allowing members to continue their journey with minimum fuss and inconvenience

Total patrols and contractors

218


Patrol vans

115

Including 90 of the new yellow vans (we'll continue with our van rebranding this year)

Number of cars towed in metropolitan Adelaide

41,607



Calls managed through our Roadside Assistance Centre

1,010,720

Overall satisfaction with call management

97%

93

Road Service and towing contractors visited throughout SA and NT to keep them aware and up to date

8

new country contractors were welcomed during the year ensuring timely assistance whenever and wherever members break down

62,248

A record number of batteries were sold during the year

Insurance

Proudly South Australia's largest personal lines insurance brand

Over the past five years the insurance marketplace has become increasingly competitive, with the number of companies providing general insurance growing exponentially. Despite this, Insurance has delivered strong results for the RAA Group and remained a market leader by providing value-for-money insurance products coupled with exceptional service to our members.

Value for money recognised

The National CANSTAR Insurance ratings help consumers to identify the very best insurance products. CANSTAR, a respected independent research company, researched and rated 42 insurers and 96 products to determine which offered outstanding value in the current Australian market. RAA received the highest possible, a five-star, rating for home and contents in South Australia – and we proudly display the award in recognition of this achievement.

Members recommend us

Members are at the centre of everything we do, so we've introduced a number of measures to track how well we are doing – and we're happy to report that the news is good.

Of all members who made a claim or purchased a new insurance product in the last year, 91 per cent were highly satisfied with RAA's service. This explains why our renewal retention rates are also amongst the highest in the industry and we couldn't be prouder of these results. And the areas of high satisfaction were related to staff being polite and friendly, and to professionalism, service, staff understanding the clients' needs and the overall way the request was handled.

Members with both Road Service and Insurance

	FY10	FY12	FY14
Motor Comprehensive	21%	22%	24%
Total Home	16%	18%	20%

There when you need us



We paid out

\$109 million

in claims to our members across motor, home and contents, boat and caravan during the 2013/14 financial year.



63,000

new insurance policies were taken out during the year, protecting our members and South Australia.

What's new?

The new membership structure allows us to recognise the loyalty of Insurance customers who may not have held Road Service. All Insurance customers are now RAA members and will receive all the benefits of this membership relationship, plus the option to purchase Road Service. This will allow us to continue increasing the ratio of members holding both Road Service and Insurance (see table to the left).

We've also completed our first full year of digital motor repair assessments. These have delivered process efficiencies in the motor assessing department, which means we can settle claims more quickly and effectively. We will continue working to improve the process for the benefit of our members.

Secure Services

The past year has seen Secure Services continue to grow its reputation as a provider of high-quality home, business and personal security products and monitoring services. Two major acquisitions helped us to achieve a 15 per cent growth in monitored members and commercial customers, to reach a figure of over 24,000.

We've worked to build our expertise in the supply of personal alert systems, achieving accreditation as a supplier under the government rebate scheme. We've also continued to develop fruitful relationships with community care providers and retirement villages.

Keeping you safe and secure

- Dispatched over 3300 security patrols in the past year
- Responded to over 80,000 alarms
- Called 000 emergency services over 3000 times on behalf of our customers/members
- Maintained over 2500 commercial/small business customers
- Monitored over 24,000 homes, businesses and individuals
- Surveyed over 800 South Australians regarding their personal security concerns and opinions.

What's new?

All home and personal monitored security customers are now RAA members under the new membership structure. This has involved a major technology system upgrade that allows us to look at the security needs of our Insurance members.

The development of a new technology platform for personal alert monitoring also provides us with more flexibility and opportunities in the future.

Technology also presents challenges throughout the industry and we continue to research the impacts and provide solutions for our members as the NBN rolls out across Australia.

Shop

Despite a tough economic and retail environment, Shop products delivered a strong performance in the second half of the year.

Our new improved website is proving to be more engaging and convenient.

Members continued to show their membership card and save in RAA's network of 22 metropolitan and country shops. We've continued to expand our product range, with mobility aids, including our scooter range, growing by 7 per cent.

During 2013-14 we relocated our Elizabeth and Marion stores into main mall shopping centres and refurbished or upgraded numerous country shops.



Advocacy and road safety

We advocate on behalf of our members, and all South Australians, to influence government policy, industry practice and general public awareness of mobility and safety issues. Education is a key facet of this work with campaigns and programs targeted at learner drivers, parents and the elderly.



South Australia's largest youth road safety event, Street Smart, went even bigger, reaching more schools and students across two days.

7000
high school
students

89%
said it had an impact on
their overall behaviour
and attitude to driving

Street Smart Primary

road safety lessons delivered to

83

South Australian Primary Schools



State and Federal election campaigns

We campaigned for greater funding for roads and learner driver training.



has delivered over

250,000

free lessons to learner drivers

We won Federal funding to help learner drivers gain more real-world, on-road driving experience before going solo. We're also managing the national program from RAA's head office in Adelaide.

We extended our Travel Time program

to include more routes and to compare modes of transport.

12 Travel Time runs per year

Victory for the bike!*

13 minutes quicker than car
14 minutes quicker than train
20 minutes quicker than bus



*multi-mode travel time survey, between Mitcham and the city



South Road upgrade

Lobbied for funding to upgrade two sections of South Road

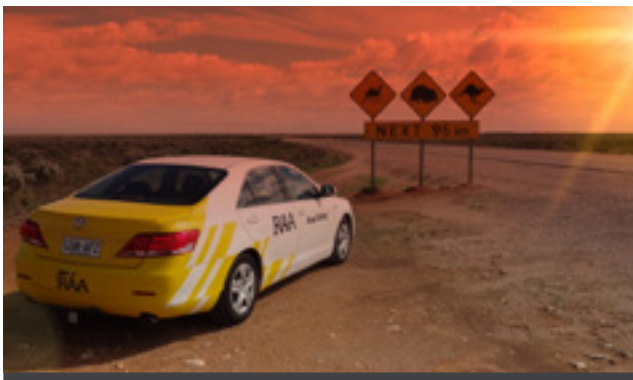
9km/h

Average speed on South Road between Torrens Road and Port Road*

11 minutes

what it takes to travel between these points.

*RAA Travel Time Survey



Audited roads on Kangaroo Island, Yorke Peninsula and the Riverland, in addition to our regular rotation of highway audits.

8900 km

of roads travelled during our highway audits and

60

traffic investigations conducted



\$54,720

distributed through the

RAA Regional Safety Grants Program

Driver Education Business

We provided

9600

lessons to

1400

learner drivers



Sponsored by RAA



Elizabeth Riders

29

safety presentations, workshops and community demonstrations around riding safety reaching over

8000 kids



Yankalilla ROY (Reengage our Youth) Project

7 youths

renovated a minivan and donated it to the community to help serve those in need

1600

Designated Drivers

Kept drivers and participants safe at events and festivals including McLaren Vale Sea & Vines, Clare Valley Gourmet Weekend, Barossa Gourmet Weekend

Travel



Local, national and global

RAA is committed to keeping our members safe and mobile. With our travel service and insurance products we can extend that trusted service to South Australian, national and international travellers. In the past year 3,104 bookings were completed through our travel agency for almost 6,000 passengers. In addition, 12,713 members took advantage of tours and ticket options.

Exclusive partnerships and benefits are a focus for our travel team – and the success of RAA's exclusive escorted 'rail and sail' packages demonstrates that this strategy is paying off for our members. Trips to Moreton Island, Perth and Tasmania were sold out months in advance, with fantastic participant feedback and some members booking their third 'rail and sail' experience.

Cruising remains one of the biggest growth trends in travel globally and RAA's cruise sales maintained steady growth, supported by partnerships with Cruiseco and our 'rail and sail' packages.

Rail was an outstanding performer, enjoying over 90 per cent year-on-year growth, with many members taking advantage of exclusive deals and benefits on the Indian Pacific, Ghan, Overland and Queensland Rail journeys.

What's new

The 'Member Holiday Savings' brochure is released twice yearly and showcases travel products that offer exclusive member savings, benefits and deals. This year we expanded the international and theme park partner offers to provide even more member benefits.

We reviewed product and pricing for Travel Insurance, with these improvements resulting in strong growth of 17 per cent on the previous year's results.

We're going social – we've increased our social media presence across Twitter, Facebook and Instagram. Our video library is also growing, especially our section on cruising and South Australian adventures.



Our people

Exceptional service requires exceptional people. RAA's member satisfaction results show that our employees are delivering top service – whether it's on the road or the phone, in our shops or behind the scenes. And a lot of work goes on behind the frontline to support them in this achievement.

We've worked hard to earn our reputation as an employer of choice in South Australia, and RAA employees have a tendency to stay with us. Our Whyalla sales team manager June Azzopardi retired this year after 27 years of continuous service to the Whyalla community. And over 29 RAA employees celebrated more than 20 years of employment with us – including insurance assessor Malcolm Myles and travel consultant Teresa Roj, each of whom celebrated an impressive 40-year milestone.

It's been an extra-busy year for RAA people with the implementation of a new technology platform for membership and the new membership structure. This provided significant development opportunities for staff, with some stepping into project leadership roles, while others had the opportunity to take on greater responsibilities. Our training team prepared and delivered training packages across the business for the project while continuing to develop e-learning packages to maintain employee knowledge and skills.

RAA now employs over 850 people. Thirty-six per cent of the 140 positions recruited during the year were filled from within the business, and internal development of our employees remains a focus.

Work Health and Safety initiatives include the introduction of a 'Work Safely, Home Safely, Every Day' logo as the masthead for the RAA Safety Leadership Culture Development Program. A number of health and wellbeing initiatives were introduced and maintained during the year.

Our injury management survey results show a 96 per cent rating of 'good' or 'excellent' for the overall experience of employees involved in RAA's injury-management process.

In accordance with the requirements of the Workplace Gender Equality Act 2012, in May 2014 RAA lodged its annual compliance report with the Workplace Gender Equality Agency. To view a copy of the report go to www.raa.com.au/about-us/annual-report.



Executive Team

The Executive team had authority and responsibility for planning, directing and controlling the activities of the RAA Group during the financial year.



Ian Stone
Group Managing Director



Dominic Jacob
General Manager Automotive Services



Peter Hurcombe
General Manager Strategy, Risk and Investments



David McGown
Group Chief Financial Officer



Malcolm Butcher
General Manager Human Resources



Penny Gale
General Manager Public Affairs



Douglas Parr
General Manager Secure Services



Mike Walters
General Manager Information Services



David Russell
Chief Executive Insurance



Tom Griffiths
General Manager Sales and Marketing

Corporate Governance

Principal activities

The principal activity of the Group in the course of the financial year was 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 2014 is available electronically on RAA's website www.raa.com.au or by request.

Directors

The names and particulars of Directors of the Royal Automobile Association of South Australia Inc. ('RAA') during the financial year are disclosed herein.

Directors' meetings

The table below 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 he/she was a Director or Committee Member.

Board Committees

Each Committee operates under a Charter approved by the Board. Their primary functions are as follows:

Group Governance and Nominations Committee

Responsible for ensuring RAA'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.

Audit, Risk and Compliance Committee

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.

Group Investment Committee

Reviews the investments of the Group in line with the Investment Policy set and agreed by the Board.

Group Remuneration Committee

Reviews the remuneration of Non-Executive Directors, the Managing Director and senior executives.

Mergers and Acquisitions Committee

Provides advice to the Board on development opportunities regarding current businesses or new areas of interest.

Public Policy Committee

Assists the Board in reviewing RAA public policies and ensuring they are relevant and appropriate.

Technology and Innovation Committee

Reviews significant information technology projects undertaken by RAA.

Appeals Committee

Reviews appeals by members whose membership has been refused or cancelled.

Summary of meeting attendance 2013/14

Directors	Board of Directors		Group Governance & Nominations*		Audit, Risk & Compliance		Group Investment		Group Remuneration		Mergers and Acquisitions		Public Policy		Technology & Innovation		Appeals	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Cross	10	10	7	7	6	6	3	2	1	1	3	3	4	4	6	5	0	0
Perry	10	10	8	7	6	6			1	1			2	2			0	0
Gramp	10	9			3	3					1	1						
Grigg	10	9	4	4	3	3	5	4	2	2	2	2	2	2	1	1	0	0
Payze	10	10					5	5					4	3				
Robinson	10	9	3	3									4	4				
Rohrshiem	10	10	6	5	3	3									6	6		
Sarah	10	10	1	1	3	3									5	5		
Sharley	10	10	4	4					2	2			2	2				
Siebels	10	8					5	4			3	3			6	4		
Starick	10	9	7	5									2	2				
Thomas	10	9					3	2	2	2	3	2						
**Stone	10	10	8	7	6	6	5	5	2	2	3	2	4	4	6	6	0	0

*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.

**Stone attends all Committee meetings as an invitee.

Remuneration report

The Group 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 in the light of performance and other relevant factors, the aim being to retain and attract executives of sufficient calibre to facilitate the effective management of RAA. The Remuneration Committee seeks the advice of external advisers on remuneration packages that reflect the market.

For Non-Executive Directors, the Constitution of RAA 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. At the date of this report the latest determination was at the Annual General Meeting held on 18 November 2013, at which members approved an aggregate remuneration up to \$600,000 per year. The Non-Executive Directors' remuneration during the financial year appears below.

Non-Executive Directors' Remuneration 2013/14

	Short Term Employment Benefits	Post Employment Benefits	Total
Specified Directors	\$	\$	\$
RG Grigg	31,046	20,204	51,250
DA Cross	57,410	5,310	62,720
K Gramp	32,311	2,989	35,300
RJ Payze	15,969	21,830	37,799
ED Perry	39,387	3,643	43,030
RN Robinson	32,311	2,989	35,300
GR Rohrsheim	21,631	15,111	36,742
JE Sarah	32,311	2,989	35,300
A Sharley	28,711	6,589	35,300
PR Siebels	32,311	2,989	35,300
SR Starick	33,631	3,111	36,742
KN Thomas	33,631	3,111	36,742
Total	390,660	90,865	481,525

Remuneration packages for the Managing Director and Senior Executives contain the following:

- Salary
- Benefits – including the provision of motor vehicles, fringe benefits tax and superannuation; and
- At-risk component – performance-based payment dependent on the achievement of agreed targets.

Senior Executives' Remuneration 2013/14

	Consolidated 2014 \$	Consolidated 2013 \$
Short-term employee benefits	2,933,970	2,804,891
Long-term employee benefits	94,203	82,292
Post-employment benefits	216,013	199,473
	3,244,186	3,086,656

Statement of comprehensive income

For the year ended 30 June 2014

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Continuing Operations		
Revenue – Association	102,500	93,058
Revenue – Insurance	176,616	157,604
Total Revenue	279,116	250,662
Other income	7,235	6,332
Share of net profits of associates and joint ventures	330	154
Total Income	286,681	257,148
Expenses		
Employee benefits	(65,545)	(59,934)
Payments to contractors for roadside assistance	(14,654)	(14,297)
Cost of sales	(16,720)	(13,792)
Depreciation and amortisation	(8,573)	(6,271)
Finance costs	(639)	(1,271)
Insurance claims expense	(109,225)	(98,038)
Outwards reinsurance premium expense	(14,874)	(11,956)
Other expenses	(37,522)	(33,261)
Total Expenses	(267,752)	(238,820)
Operating profit before income tax from continuing operations	18,929	18,328
Income tax expense	(2,965)	(3,043)
Operating profit after income tax from continuing operations	15,964	15,285
Net profit after tax for the period	15,964	15,285
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net fair value gains on financial assets and derivatives	2,345	3,266
Income tax on items of other comprehensive income	(704)	(980)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial gain/(loss) on defined benefit plan	347	498
Fair value adjustments relating to land and buildings	117	-
Income tax on items of other comprehensive income	(139)	(149)
Other comprehensive income for the year net of tax	1,966	2,635
Total comprehensive income for the year net of tax	17,930	17,920

Discussion and analysis of the Statement of Comprehensive Income

2013/14 was another successful year for the Group. Operating profit before tax increased by \$601k (3.3%) to \$18.9m. Total comprehensive income for the year is \$17.9m, which is comprised of operating profit after tax and other comprehensive income.

The Group continued to show strong income growth of 11.5% to \$286.7m. Insurance had a great year contributing a \$19.0m increase in insurance revenue off the back of its highest underwriting result on record. Association revenue also increased during the year and contributed an additional \$9.4m on the prior year. Good growth occurred in Secure Services and Battery products.

Total expenses increased by \$29.0m from \$238.8m to \$267.8m. The four major expenses of the Group comprise employee benefits, cost of sales, insurance claims expense and outwards reinsurance premium expense.

Employee benefits, which include all salaries, wages, allowances and superannuation contributions, increased by \$5.6m to \$65.5m, with \$2.5m of this increase due to additional resources required for major project work carried out during the year. Cost of sales of \$16.7m increased from the prior year by \$2.9m due to the on-going success of Woolworths gift cards sold at a discount to members. This is also reflected in the increase in sales of goods.

Insurance claims of \$109.2m increased by \$11.2m as a result of multiple weather events during the year which meant increased claims for those months. Outwards reinsurance premium of \$14.9m increased by \$2.9m due to the growth in the home portfolio of policies and average sums insured.

Statement of financial position

As at 30 June 2014

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Current Assets		
Cash and cash equivalents	26,036	16,945
Trade and other receivables	71,364	63,845
Inventories	2,370	2,205
Deposits in trust account	430	472
Other current assets	1,247	1,415
Financial assets	140,854	140,309
Deferred acquisition costs	3,817	3,613
Total Current Assets	246,118	228,804
Non-Current Assets		
Trade and other receivables	1,401	1,278
Pension asset	1,276	1,038
Financial assets	45	-
Investments in associates	3,538	3,538
Property, plant and equipment	51,126	53,238
Intangible assets	41,255	33,138
Goodwill	58,254	58,254
Deferred tax asset	5,141	4,279
Total Non-Current Assets	162,036	154,763
Total Assets	408,154	383,567
Current Liabilities		
Trade and other payables	12,925	10,719
Unearned income	114,431	106,910
Interest bearing loans and borrowings	-	2,430
Deposits in trust account	430	472
Provisions	11,049	10,699
Current tax liability	2,320	3,938
Outstanding claims liability	35,871	30,351
Total Current Liabilities	177,026	165,519
Non-Current Liabilities		
Interest bearing loans and borrowings	10,157	15,326
Provisions	1,462	1,462
Deferred tax liability	13,817	12,901
Outstanding claims liability	137	734
Total Non-Current Liabilities	25,573	30,423
Total Liabilities	202,599	195,942
Net Assets	205,555	187,625
Equity		
Retained earnings	151,140	134,933
Reserves	54,415	52,692
Total Equity	205,555	187,625

Discussion and analysis of the Statement of Financial Position

The value of total equity as at 30 June 2014 is \$205.6m compared to \$187.6m at 30 June 2013, an increase of 9.6%.

Total assets of the Group increased by \$24.6m to \$408.2m. This increase was largely driven by new software intangible assets to the value of \$10.0m and additional cash and cash equivalents which was high at year end, in preparation for new investments scheduled for the first quarter in 2014/15.

Total liabilities of the Group increased by \$6.7m to \$202.6m. This was primarily due to an increase in unearned income, which relates to growth in both Insurance and Road Service of \$7.5m and an increase in the outstanding claims liability due to a weather event occurring in June. The interest bearing loans and borrowings balance decreased by \$7.6m to \$10.2m as we repaid some of our debt.

Statement of cash flows

For the year ended 30 June 2014

	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Cash flows from operating activities		
Receipts from members and customers (inclusive of GST)	338,693	303,091
Payments to suppliers and employees (inclusive of GST)	(313,374)	(280,734)
Interest paid	(639)	(1,271)
Interest received	4,313	4,273
Rental income received	98	86
Income tax paid	(5,371)	(1,725)
Net cash from operating activities	23,720	23,720
Cash flows from investing activities		
Proceeds from sale of fixed assets and intangibles	521	488
Proceeds from the sale of investments	14,587	70,136
Distributions received	580	896
Dividends received	912	870
Purchase of fixed assets and intangibles	(15,563)	(6,923)
Purchase of financial assets	(7,887)	(85,679)
Net cash used in investing activities	(6,850)	(20,212)
Cash flows from financing activities		
Loans to related parties	(124)	-
Proceeds from borrowings	50	50
Repayment of finance leases	(7,705)	(4,082)
Net cash from/(used in) financing activities	(7,779)	(4,032)
Net increase/(decrease) in cash	9,091	(524)
Cash and cash equivalents at beginning of the year	16,945	17,469
Cash and cash equivalents at the end of the year	26,036	16,945

Discussion and analysis of the Statement of Cash Flows

Cash flow growth continued with both Road Service and Insurance providing strong cash flows from operating activities. Total cash operating inflow was \$343.1m and after meeting operating outflow, the net cash flow from the Group's operating activities was \$23.7m.

Net cash used in investing activities was an outflow of \$6.9m during the year, due to the purchase of additional fixed and intangible assets, offset by proceeds from the sale of investments.

Net cash from financing activities was an outflow of \$7.8m as a result of repayments on the Group's interest bearing loans and borrowings.

The closing cash balance for the Group was \$26.0m, a strong position in order to meet project commitments and investments planned in 2014/15.

The full RAA Group Financial Report 2014 can be viewed online at raa.com.au

contact details/shops

Metropolitan

Opening hours Mon–Fri 8.30am–5pm
Sat 9am–noon
Phone (08) 8202 4600
Adelaide 41 Hindmarsh Square
Colonnades Shop 25, Centro Colonnades
Elizabeth Shop 147, Elizabeth
Shopping Centre
Gawler 151 Murray Street
Marion Shop 2042,
Westfield Marion
Mile End 101 Richmond Road
Modbury 33 Smart Road
West Lakes Shop 31,
Westfield West Lakes

Regional

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Kadina (08) 8821 1111
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Naracoorte (08) 8762 2247
Port Augusta (08) 8642 2576
Port Lincoln (08) 8682 2934
Port Pirie (08) 8632 3035
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