

RAA

RAA Group
Annual Report 2015–16

raa.com.au



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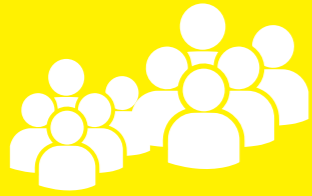


We do a lot more than you might think...



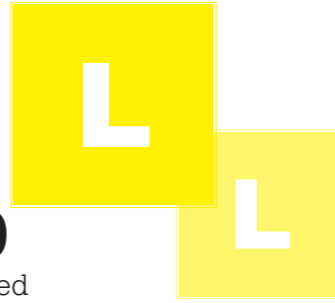
Highlights

More than
850
employees



RAA patrols attended
332,360
breakdowns

More than
12,000
lessons delivered
to learner drivers



Holidays
booked for
over **8,000**
travellers



Over
600
personal loans
settled worth over
\$13m



\$5.5m
Group operating
profit after tax



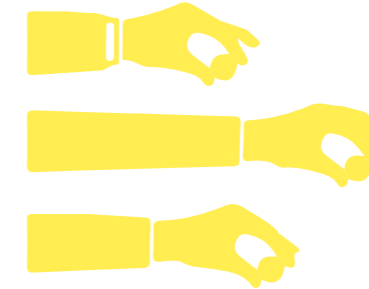
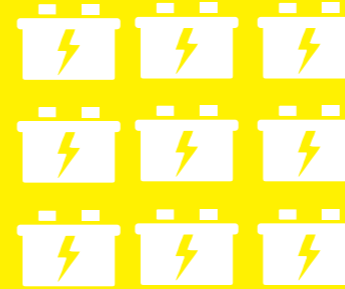
\$329m
Total Income



Over
4,000
kilometres
of South
Australian
roads audited by
our road safety
team



Over
38,000
car batteries recycled



Over
\$200,000
donated in community
sponsorships

20%
of members now receive RAA
documents via email



RAA services
received a
93%
quality
satisfaction
rating from
our members



Responded to almost
260,000
security alarms



Over
80,000
new insurance policies

Our Members

569,525
Road Service members

282,817
Insurance members

11,838
Security members

194,129
members hold two or
more products with us

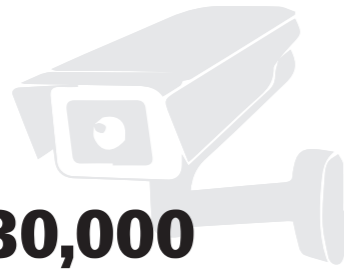
Members saved
\$11m
thanks to our retail
partners

Members received
\$16m
through
RAA member
product discounts

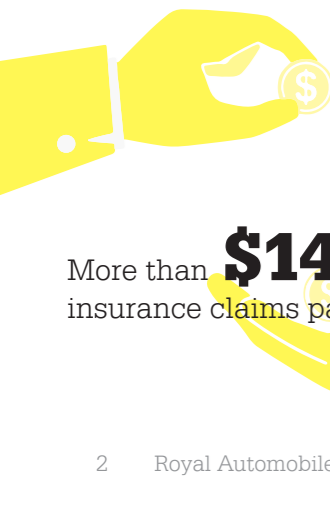


30,000

homes, businesses and
personal security systems
monitored

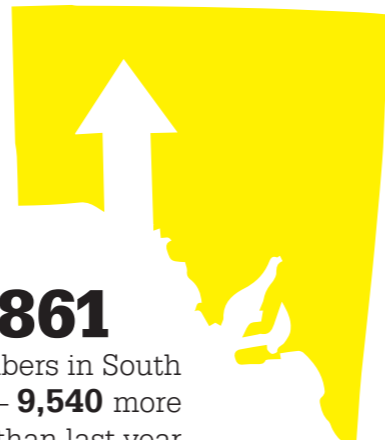


More than
\$145m
insurance claims paid



664,861

RAA members in South
Australia – **9,540** more
members than last year



Message from the President and Chairman



2015–16 has been another year of big savings for you, our members.

Through our member discounts and benefits, RAA members saved a record \$27 million over the past 12 months, with \$11 million of this total saved through our More for Members partners. We also saved members an estimated \$12 million in the metropolitan area by advising them when to fill up to avoid fuel spikes.

Our focus is to continue this drive for savings, whilst ensuring we continue to offer you high-quality products and services that are useful to your everyday life. Our road service, insurance covers, personal loans, security services, drive school and travel offerings all serve that purpose.

Our marketing campaign, 'we do a lot more than you think', highlights the breadth of RAA's products and services. We've also rolled out TV ads for products and services that haven't traditionally had their own marketing, showcasing more broadly the great products we have on offer.

Most recently, you may have seen our new travel TV commercial and multichannel marketing campaign, which we are particularly excited about.

We launched our new travel product - SA Holiday Experiences - so South Australians can easily explore their own backyard.

RAA has been helping South Australians to explore the furthest corners of our beautiful state for over 100 years, but in recent years our local travel focus has been somewhat reduced.

With SA Holiday Experiences, we are reinstating RAA as the number one expert on travelling in South Australia and adding in some major technology benefits for our members and customers. In effect we're returning to our roots of local drive holidays.

What makes the 100 handmade experience holidays truly unique is you

can book them online in real time, and RAA is the only travel provider offering this service with local suppliers in South Australia.

The expansion of our products and services and increased member savings wouldn't have been possible without another strong financial performance this year. Our sales revenue has grown by 3.2% to \$329 million, and our net assets by 2.2% to \$227 million, making us one of the largest and most successful organisations in our state.

Our financial performance has also allowed us to continue our support for the South Australian community. We've distributed more than \$200,000 in sponsorship and support for important projects around the state this year, including \$50,000 for safety improvements across communities in regional South Australia.

All of RAA's achievements over the past 12 months wouldn't have been possible without the commitment and expertise of our 850-strong RAA workforce, and this doesn't go unnoticed. In our latest survey, members rated our service at 93% across the RAA Group – an outstanding effort and a demonstration of our commitment to our members.

Most importantly a big 'thank you' to all of our 664,861 members. Whether a new member, a 10 year member or a 50 plus member - thank you for continuing to put your trust in us.

You continue to be the reason RAA exists, and the focus of everything we do.

As I enter my last few months as President I'd like to close by thanking my fellow Board members, stakeholders and RAA employees for their commitment, vision and support. I am honored to have led RAA over these past three years and to have played a part in taking the RAA Group into a new age of membership and helping lay the strategic foundations for future growth and prosperity. I am very confident in our future.

David Cross
President and Chairman of the Board

Message from the Group Managing Director



RAA membership continued to grow this year, with a record of close to 665,000 members.

South Australians know us for our high-quality road service, and this year we expanded our offering to cover bicycle riders as well. Our road service team is now busy repairing bikes, cars, motorbikes and mobility scooters when they breakdown – helping everyone to keep mobile no matter what their mode of transport.

RAA now monitors over 30,000 home, business and personal security systems. We continue to lead the way in personal security and launched a wireless personal alert system during the year.

Our finance offering was very popular again this year. We settled over 600 personal loans worth over \$13 million collectively.

RAA's Travel Agency booked holidays for over 8,000 passengers, which was up 17% on last year. We are also particularly excited about our brand-new SA Holiday Experiences, which offers over 100 unique and exclusive holiday experiences within our magnificent state.

The dedication of our people and our strong offerings again shone through in our solid financial performance, generating an operating profit after tax of \$5.5 million. This was achieved with growth in total income to \$329 million, an increase of \$10 million. Our net assets also now stand at \$227 million.

Our insurance business performed strongly again, paying out more than \$145 million in claims and issuing over 81,000 new insurance policies.

This year also saw the devastating Pinery bushfires destroy 82,600 hectares of land in the Balaklava–Roseworthy area in South Australia's mid-north.

Unfortunately, more than 100 members and their families were directly affected through damage to their properties and vehicles.

While this was an extremely difficult time for both our members and staff, I am very proud of RAA's response. Our insurance experts worked around the clock, processing claims in record times and organised emergency payments within 24 hours.

We were also at the emergency relief centres, reassuring affected members and processing claims face to face.

Over \$5 million was paid out to RAA members to help them get their lives back on track after the Pinery bushfires.

Our advocacy work has been a strong focus again over the past year. Our road safety team received more than 530 reports of roads about which our members were concerned. More than 300 of these roads have now been addressed by the road authorities, which is a great result.

As well as fixing our roads of today, we have also been investigating the future mobility needs of our members and how we might be able to address those needs.

We have also launched a focus on innovation to ensure we have a workforce of people who are agile and future-focused.

I would like to thank all of our dedicated employees at RAA for another great year. I'm very much looking forward to the year ahead.

Ian Stone
Group Managing Director

Road Service



569,525 members hold Road Service



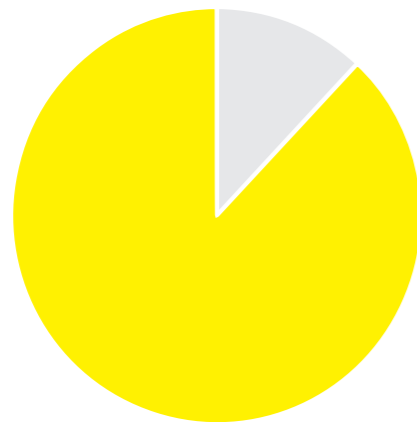
RAA patrols responded to 332,360 calls for roadside assistance in South Australia

Attended **255,312** breakdowns in the metropolitan area

Attended **77,048** breakdowns in country areas

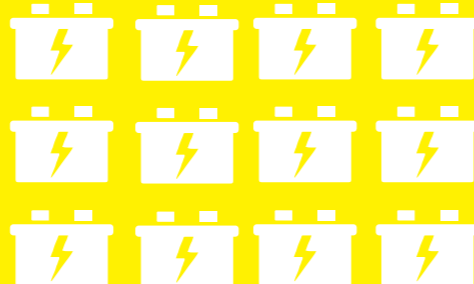


RAA patrols fixed over **88%** of breakdowns at the roadside in the metropolitan area

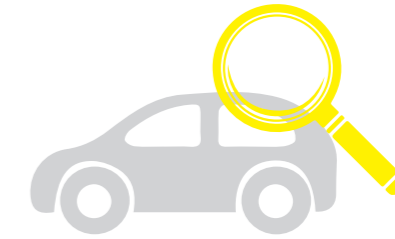


59,800

new batteries sold to motorists



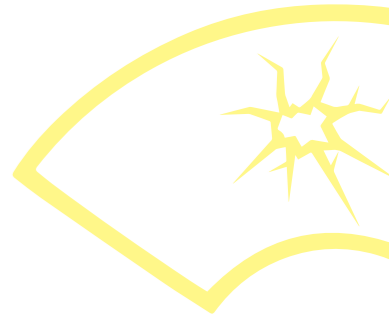
Members saved **\$84,000** from RAA's intervention in repair cost disputes



7,814

vehicles independently inspected for our members, 300 more inspections than last year

2,976 vehicle windows repaired by RAA Auto Glass



93% of breakdowns in the metropolitan area attended within an hour with an average wait time of 33.3 minutes

Managed over

993,000

calls in the 24/7 Roadside Assistance Centre



This year, RAA introduced new road service for bicycles

Whether it's a punctured tyre or a mechanical repair like a broken chain or a loose pedal that needs tightening, our patrols can now help bicycle riders with these issues

Insurance

RAA is South Australia's largest personal insurance provider

More than **\$145m** paid out in insurance claims for our members

81,193 new insurance policies
Almost a quarter of all South Australians are now insured with RAA

Online claim lodgement time cut

Members can now easily submit a motor or home claim on any computer or mobile device in less time



Over **\$5.5m** paid out in record time to RAA members for Pinery bushfire claims, helping members in a time of need

Providing emergency assistance and reassurance to members is always our first priority. Our Claims team was on the ground at local response centres to assist with processing claims face to face and helping members after the devastation caused by the Pinery bushfires



More than **\$50,000** for South Australian safety initiatives through our Regional Safety Grants

Just some of the projects RAA is proud to have helped:

Security system to help a school that was victim to a number of break-ins

Helmets for Riding for the Disabled in Whyalla and the Yorke Peninsula



Funding to replace a rusted inflatable rescue boat trailer

Choice Award winner

RAA Comprehensive Car Insurance named 'the best performer' in a comparison of insurance companies across the country



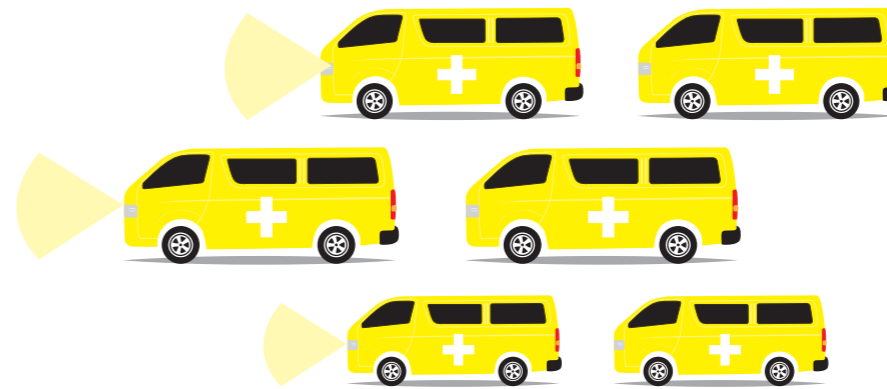
New insurance covers

Additional insurance benefits exclusive to our members, such as if a car is insured with us from new and is written off, we'll replace it with a brand new equivalent for life

Secure Services

Dispatched over **3,300** security patrols

And called emergency services **3,700** times on behalf of members



RAA monitors over **30,000** home, business and personal security systems

Responded to almost **260,000** security and personal alarms



This year, we grew our revenue by

9% in the provision of secure services



Approved supplier for the SA personal alert government rebate scheme

Over **500** members received a free personal alert system via the government rebate and RAA

Leading the way in providing personal alert monitoring to members, retirement villages and community care providers

Launched a wireless personal alert system



Travel

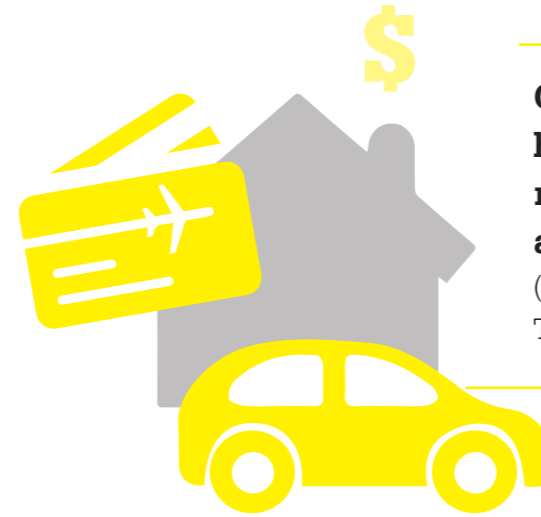


Launched South Australian Holiday Experiences



127 South Australian tourism suppliers have chosen to be part of our SA Holiday Experiences and represent all tourism regions in South Australia
Members can now book more than 100 experience holidays in South Australia – a service that isn't offered anywhere else

RAA Finance



Competitive personal loans to help with everything from home renovations to car purchases and holidays

(Motoring Club Finance Ltd
T/A RAA Finance)

Investment Notes

Secured fixed term investments with varying terms launched in **January 2016**

Over **600** personal loans settled, worth over **\$13m** and over **2,500** loan applications received



Shop



Mobility products were star performers
1,081 products sold, up **46%** on last year



Luggage and accessories continue to be strong shop products
Sales increase of **4%**

Network of **22** metropolitan and country RAA shops

5 exclusive RAA guided rail and sail holidays with **165** members enjoying these unique experiences



Trips booked for over **8,000** travellers with the number of trips booked up **17%** on last year

Advocacy, Education & Road Safety

Report a Road

Members reported **532** roads they were concerned about through Report a Road on the RAA website



301 of these nominations addressed by road authorities

RAA investigated **124** locations, with the remainder currently being investigated



over **34%** of all issues relate to the condition of the road surface

Provided advice to over **41,000** members on the purchase, use and maintenance of cars



Highways & roads

More than **4,000km** travelled assessing South Australian highways, including the Strzelecki and Birdsville tracks in the state's far north

Recommendations made to governments on traffic, roadside hazards, regional speed limits, cycling laws, intersections, bridges, and pavements

Street Smart Primary & Street Smart High

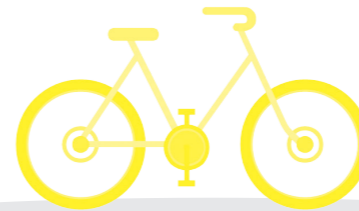


Delivered road safety lessons to more than **120** South Australian primary schools

More than **70** schools from around the state attended Street Smart High, South Australia's largest road safety event run by RAA and supported by MAC

Bike Ed

Teamed up with the Bike Ed program to repair primary school children's bikes as part of their Bike Ed lesson



Child safety

Assisted **11,991** members with advice and fitted **3,302** and checked **3,070** child restraints

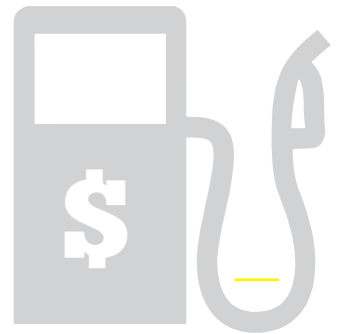
Legal Advisory Service

Assisted **3,855** members with free legal advice

Fair fuel prices

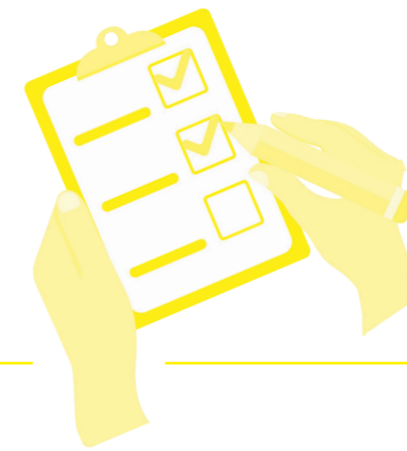
Saved members **\$12m** in the metropolitan area by advising them when to fill up to avoid fuel spikes

Successfully outlined city and country price discrepancies and brought the issue to the ACCC's attention



Asking You

RAA's Member Panel completed more than a dozen surveys to help us make decisions on issues that affect you



Monitoring our daily commute

Our Travel Time test compared more routes and transport options than ever before, even timing the drive while the Clipsal 500 road closures were in place



Driverless cars

Involved in the first driverless car trial in the Southern Hemisphere and worked with the Advanced Driverless Vehicle Initiative to educate members about the future of mobility and driverless cars



Driving School

12,894 lessons delivered, up **12%** on last year

596 corporate lesson participants, up **101%** on last year

keys2drive

71,694 free lessons for learner drivers and their supervising driver

Received government funding for a further 12 months



People

One of South Australia's largest employers



More than 850 staff members

and a strong internal development focus, with over a third of internal vacancies filled from existing staff

Executive Team

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



Dominic Jacob
General Manager Automotive Services

Penny Gale
General Manager Engagement & Innovation

David McGown
Group Chief Financial Officer

Douglas Parr
General Manager Secure Services

Mike Walters
General Manager Information Services

Ian Stone
Group Managing Director

Malcolm Butcher
General Manager People & Environment (Outgoing)

Belinda Vivian
General Manager People & Environment (Incoming)

David Russell
Chief Executive Insurance

Tom Griffiths
General Manager Sales & Marketing

Absent:
Peter Hurcombe
General Manager Strategy & Risk

RAA services received a 93% quality satisfaction rating from our members, recognising the great service delivered by RAA employees



Created a dedicated innovation team

This team will drive RAA in the changing world and will help to identify and create new products and services that members want and need in the future



Implemented in-house Mental Health First Aid training

Received a bronze recognition for training over **2.5%** of our workforce



Partnered with Jawun Indigenous program

RAA staff spent six weeks with Indigenous communities to identify key projects and share their knowledge and expertise by working on these projects together with the Indigenous communities



Corporate Governance

Principal activities

The principal activity of the Group in the course of the financial year was the provision of motoring, insurance, travel, finance and secure services to members. The audited financial report of the Group for the financial year ended 30 June 2016 is available on RAA's website raa.com.au or by request.

Directors

The names and particulars of the 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 that 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 Committee

Responsible for reviewing and reporting to the Board on internal and external audit performance, financial policies, statements and transactions, taxation and internal control.

Risk and Compliance Committee

Responsible for overseeing the coordination of RAA's risk and compliance 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 the significant information technology projects undertaken by RAA.

Appeals Committee

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

Summary of Meeting Attendance 2015/16

Directors	Board of Directors		Group Governance & Nominations*		Audit		Risk & Compliance		Investment		Group Remuneration		Mergers & Acquisitions		Public Policy		Technology & Innovation		Appeals	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Cross	10	10	8	7	6	6	5	4	6	5	4	4	0	0	3	2	6	6	0	0
Perry	10	10	7	6	6	6	5	5	6	6	4	4	0	0	3	3	0	0	0	0
Angove	10	9													2	1	3	3		
Gramp	10	9	1	1	6	4	5	4					0							
Grigg	10	9	1	1					6	6	4	4								0
McDowell	1	1																		
Payze	9	9							6	6					2	2				
Rohrsheim	10	9	7	7	6	5	5	4									6	6		
Sarah	10	10											0				6	6		
Sharley	10	9	4	2							4	3			3	1				
Siebels	10	10			6	6	5	5	6	6			0				6	5		
Starick	10	10	8	6											3	3				
Thomas	10	10	7	5							4	3	0							
Stone**	10	10	8	8	6	6	5	5	6	5	4	4	0		3	2	6	6	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.
**Ian Stone attends all committee meetings as an invitee excluding the Group Investment Committee, of which he is an RAA Insurance appointed member.

Board of Directors



David Cross

President & Chairman of the Board
BEC, CA, GAICD

David Cross joined the RAA Board in 2007 and is President of the Association. David has significant experience as a Chief Executive Officer 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.



Ian Stone

Group Managing Director
BEC, CA

Ian Stone was appointed Managing Director in August 2009 and formerly Chief Executive Officer from August 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.



Elizabeth Perry

Vice-President
LLB, FAICD

Elizabeth Perry joined the RAA Board in March 2009 and is Vice-President of the Association. Elizabeth is a Partner with EMA Legal, specialising in employment and industrial relations. She is a Director of RAA Insurance Ltd, Ritosa Pty Ltd, Ankara Pty Ltd, and Deputy Chancellor of the Flinders University Council, and a member of various law associations.



Victoria Angove

BCom, GAICD

Victoria Angove joined the RAA Board in 2015. Victoria has a strong sales and marketing background, specialising in export, public relations and national account management with experience gained in the local, Asian, North American and European markets. She is an Executive Director of Angove's Pty Ltd and Director of the Winemakers Federation of Australia.



Kathy Gramp

BAcc, FCA, FAICD

Kathy Gramp joined the RAA Board in 2013. Kathy's experience spans a diverse range of Australian organisations. She is Deputy Chairman of Masonic Homes Ltd, Director of the Silver Chain Group, Codan and the Australian Institute of Company Directors, and Member of the Flinders University Council. Kathy contributes to the community through the Leadership Institute of SA and as a member of the Council of Prince Alfred College.



Ray Grigg

F SAE-I/A, FAICD

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. He is past President of RAA and the Automobile Association of Australia (AAA) and past Chairman of the Board of RAA Insurance Ltd. He is a Honorary Member of Federation Internationale de l'Automobile (FIA), Chairman of Bedford Group and Patron and Business Ambassador of the Central Districts Football Club.



Jim McDowell

LLB (Hons)

Jim McDowell joined the RAA Board in 2016. Jim is Chancellor of the University of South Australia and Chair of the Australian Nuclear Science and Technology Organisation. He is also Chairman of Total Construction Pty Ltd and the duMonde Group Pty Ltd, as well as a Director of Codan Limited and Austal Limited. Jim is the former Chief Executive Officer of BAE Systems Saudi Arabia and Chief Executive of BAE Systems Australia Limited.



Geoff Rohrsheim

BE (Hons), M.Eng.Sc, Ass Dip (Computing), GAICD

Geoff Rohrsheim joined the RAA Board in 2011. Geoff is passionate about the IT industry and how IT can improve business performance in South Australia. Geoff is a Director of RAA Insurance Ltd, Chamonix IT Consulting, and Business SA.



James Sarah

BAppSc (Build), MBA, FAIB, FAICD

James Sarah joined the RAA Board in 2005. James is Joint Managing Director of the Sarah Group and a Director of Masonic Homes Ltd. A graduate of Harvard Business School, past President of the Property Council, Institute of Building and Hindmarsh Rotary Club; James contributes valuable business, advocacy and community service skills and experience.



Tony Sharley

BAppSc, MAppSc, GAICD

Tony Sharley joined the RAA Board in 2012. Tony is a strong advocate for a healthy Murray River. He is the past General Manager of the Riverland's peak tourism body, Destination Riverland, and former manager of the award-winning Banrock Station. Tony is a Committee Member of Nature Foundation SA and Director of Country Arts SA.



Peter Siebels

BEC, FCA, CTA, GAICD

Peter Siebels joined the RAA Board in 2008 and is currently a professional Director and Advisor. Peter was previously a taxation specialist with KPMG and enjoyed a 30 year career with that firm including serving on its National Board and as National Managing Partner Private Enterprise. He is currently Principal of 4D Advisory, a Director of Fox Creek Wines, the Electricity Industry Superannuation Scheme, Meals on Wheels SA, and ECH, and a Council member of the University of Adelaide.



Sharon Starick

BAGSc, GAICD

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 and the SA Murray-Darling Basin NRM Board, and Director of Animal Health Australia.



Karen Thomas

LLB (Hons), BEc

Karen Thomas joined the RAA Board in 2011. Karen is the Managing Partner of law firm Fisher Jeffries. Karen brings to the Board her skills and experience as a commercial lawyer, professional board member and private business owner. She has a keen interest in the development of public infrastructure and better roads.

Remuneration Report

The Group Remuneration Committee reviews the remuneration packages of all Non-Executive Directors, the Managing Director and Senior Executives on an annual basis and makes recommendations to the Board.

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 2015–16:

	Short-Term Benefits Salary/Fees	Post Employment Benefits Superannuation	Total
Specified Directors	\$	\$	\$
Cross (President)	74,872	7,113	81,985
Perry (Vice President)	38,871	17,518	56,389
Angove (i)	37,155	3,530	40,685
Gramp	37,436	3,556	40,992
Grigg	37,436	3,556	40,992
McDowell (ii)	2,592	246	2,838
Payze (iii)	35,300	3,354	38,654
Rohrsheim	18,919	24,573	43,492
Sarah	37,436	3,556	40,992
Sharley	27,036	13,956	40,992
Siebels	38,542	3,661	42,203
Starick	39,719	3,773	43,492
Thomas	39,719	3,773	43,492
Total	465,033	92,165	557,198

(i) Commenced 1 July 2015
(ii) Commenced 1 June 2016
(iii) Resigned 24 May 2016

Remuneration packages for Senior Executives 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 Group 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 salary, superannuation, non-cash benefits and at-risk components based on achievement of agreed targets.

Executive Team

The aggregate compensation paid and provided for the Senior Executives during the financial year was:

	Consolidated 2016 \$	Consolidated 2015 \$
Short-term employee benefits	3,376,036	3,068,360
Long-term employee benefits	38,741	111,061
Post-employment benefits	277,240	243,860
	3,692,017	3,423,281

Statement of Comprehensive Income

For the year ended 30 June 2016

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Continuing operations		
Revenue – Association	109,715	108,926
Revenue – Insurance	214,276	201,514
Revenue	323,991	310,440
Other Income	5,457	8,809
Share of net profit / (loss) of associates and joint ventures	(41)	57
Total income	329,407	319,306
Expenses		
Employee benefits	(72,502)	(69,768)
Payments to contractors for roadside assistance	(15,990)	(14,764)
Cost of sales	(20,446)	(19,948)
Depreciation and amortisation	(7,424)	(6,927)
Finance costs	(341)	(524)
Insurance claims expense	(137,945)	(119,349)
Outwards reinsurance premium expense	(26,899)	(24,554)
Other expenses	(42,289)	(41,485)
Total expenses	(323,836)	(297,319)
Operating profit before income tax from continuing operations	5,571	21,987
Income tax expense	(40)	(4,819)
Operating profit after tax from continuing operations	5,531	17,168
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net fair value gain/(loss) on financial assets and derivatives	(663)	(713)
Income tax on items of other comprehensive income	199	209
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial gain/(loss) on defined benefit plan	(104)	125
Income tax on items of other comprehensive income	31	(38)
Other comprehensive income/(expense) for the year net of tax	(537)	(417)
Total comprehensive income for the year net of tax	4,994	16,751

Discussion and analysis of the Statement of Comprehensive Income

2015–16 was a challenging year for the RAA Group, with profit dropping from the prior year due to a reduced Insurance underwriting result and investment returns. Despite the lower profit result, both revenue and net assets continued to rise during the year and significant discounts were passed back to members.

The RAA Group continued to show stable income growth of \$10.1m (3.2%) to \$329.4m. Insurance had a strong year, contributing a \$12.8m increase in Insurance revenue from the prior year. Association revenue increased by \$789k, after increasing discounts back to members of \$4.6m compared to \$2.2m in the prior year. In total \$13.7m of discounts were given back to members via both Insurance and the Association.

Total expenses increased by \$26.5m, from \$297.3m to \$323.8m. The four major expenses of the Group comprise Insurance claims expense and outwards reinsurance premium expenses, employee benefits and cost of sales.

Insurance claims of \$137.9m increased by \$18.6m as a result of five major claim events realised during the year, resulting in increased claims and also natural growth of the book. Outwards reinsurance premiums of \$26.9m increased by \$2.3m, this increase was due to the quota share reinsurance program, which began in 2014-15.

Employee benefits, which include all salaries, wages, allowances and superannuation contributions, increased by \$2.7m to \$72.5m or 3.9%, driven by Insurance growth. Cost of sales of \$20.4m increased by 2.5%, lower than the increase in sales of goods of 3.1%, showing a slightly better margin for sales of goods in the current year.

Statement of Financial Position

As at 30 June 2016

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Current assets		
Cash and cash equivalents	19,789	15,625
Trade and other receivables	96,873	85,919
Inventories	2,530	2,530
Deposits in trust account	807	704
Other current assets	1,499	1,205
Financial assets	154,455	149,865
Deferred acquisition costs	4,876	4,289
Total current assets	280,829	260,137
Non-current assets		
Trade and other receivables	1,865	1,427
Pension asset	1,122	1,324
Financial assets	6,934	2,547
Investments in joint ventures	2,971	3,206
Investments in associates	4,228	4,479
Property, plant and equipment	53,094	51,887
Intangible assets	39,978	41,740
Goodwill	58,041	58,041
Deferred tax asset	7,430	4,724
Total non-current assets	175,663	169,375
Total assets	456,492	429,512
Current liabilities		
Trade and other payables	16,581	9,833
Unearned income	126,021	116,125
Interest bearing loans and borrowings	-	250
Deposits in trust account	807	704
Provisions	12,465	12,093
Current tax liability	(558)	2,456
Outstanding claims liability	45,716	38,644
Total current liabilities	201,032	180,105
Non-current liabilities		
Interest bearing loans and borrowings	10,000	10,000
Provisions	1,860	1,502
Deferred tax liability	15,361	15,047
Outstanding claims liability	939	552
Total non-current liabilities	28,160	27,101
Total liabilities	229,192	207,206
Net assets	227,300	222,306
Equity		
Retained earnings	173,853	168,395
Reserves	53,447	53,911
Total equity	227,300	222,306

Discussion and analysis of the Statement of Financial Position

Total equity as at 30 June 2016 was \$227.3m compared to \$222.3m at 30 June 2015, an increase of 2.2%, further enhancing the strength of the Group.

Total assets of the Group increased by \$27m to \$456.5m. Cash and cash equivalent reserves increased during the year, as well as growth in Financial assets and Trade and other receivables.

Total liabilities of the Group increased by \$22m to \$229.2m. This was primarily due to an increase in Unearned income, off the back of strong insurance growth and an increase in Outstanding claims liability, due to 2015–16 being a high-claims year for Insurance. The interest-bearing loans and borrowings balance remained stable at \$10m in order to fund investments and projects.

Statement of Cash Flows

For the year ended 30 June 2016

	Consolidated 2016 \$'000	Consolidated 2015 \$'000
Cash flows from operating activities		
Receipts from members and customers (inclusive of GST)	388,452	368,284
Payments to suppliers and employees (inclusive of GST)	(370,695)	(362,739)
Interest paid	(341)	(524)
Interest received	674	3,578
Rental income received	55	98
Income tax paid	(4,475)	(2,863)
Net cash from operating activities	13,670	5,834
Cash flows from investing activities		
Proceeds from sale of fixed assets and intangibles	670	332
Proceeds from the sale of financial assets	8,791	13,823
Distributions received	5,481	311
Dividends received	409	1,629
Purchase of fixed assets and intangibles	(8,888)	(8,839)
Purchase of financial assets	(11,982)	(14,791)
Investment in related parties	-	(4,500)
Net cash used in investing activities	(5,519)	(12,035)
Cash flows from financing activities		
Loans to related parties	(3,737)	(4,300)
Proceeds from borrowings	-	90
Repayment of borrowings	(250)	-
Net cash used in financing activities	(3,987)	(4,210)
Net increase/(decrease) in cash	4,164	(10,411)
Cash and cash equivalents at beginning of the year	15,625	26,036
Cash and cash equivalents at the end of the year	19,789	15,625

Discussion and analysis of the Statement of Cash Flows

Good cash reserves and strong cash flows resulted in a cash balance at the end of the year of \$19.8m. Cash flow from the Group's operating activities was \$13.7m, with the operating inflows totalling \$389.2m, an increase on prior year of \$17.2m. This increase is net of \$13.7m of member discounts recognised as a reduction in cash inflows. Operating outflows totalling \$375.5m was an increase on the prior year of \$9.4m, reflecting the increased insurance claim payments for the year.

Net cash used in investing activities was an outflow of \$5.5m during the year, including additional purchase of investments and fixed assets and intangibles. Net cash from financing activities was an outflow of \$4m as a result of loans granted to related parties to fund our new Road Service system.

The closing cash balance for the Group was \$19.8m, a strong position for meeting project commitments and investments planned in 2016–17.

The full RAA Group Financial Report 2015-16 can be viewed online at raa.com.au

Shops

Metropolitan

Phone.....	(08) 8202 4600
Adelaide.....	41 Hindmarsh Square
Colonnades.....	Shop 25, Centro Colonnades
Elizabeth	Shop 147, Elizabeth Shopping Centre
Marion.....	Shop 2042, Westfield Marion
Mile End	101 Richmond Road
Modbury.....	33 Smart Road
West Lakes.....	Shop 31, Westfield West Lakes

Regional

Berri.....	(08) 8582 2744
Broken Hill	(08) 8088 4999
Clare.....	(08) 8842 2575
Gawler.....	(08) 8202 8377
Kadina	(08) 8821 1111
Mount Barker.....	(08) 8398 2134
Mount Gambier.....	(08) 8725 4101
Murray Bridge.....	(08) 8532 1935
Naracoorte.....	(08) 8762 2247
Port Augusta.....	(08) 8642 2576
Port Lincoln.....	(08) 8682 2934
Port Pirie.....	(08) 8632 3035
Renmark.....	(08) 8586 3160
Victor Harbor	(08) 8552 1033
Whyalla.....	(08) 8645 8188