

Moving forward

Group Annual Report
2017/18




RAA

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Member satisfaction

90%

Member discounts

\$38.1m

Total revenue

\$403m

Net assets

\$234m

Total members

720,670

Profit

\$10.7m

We're here for South Australians



RAA exists to serve our members and provide South Australians with peace of mind on the road, at home or away.

We are South Australia's largest club with over 720,000 members. It's because of our unwavering commitment to our members, that RAA is proud to have remained one of South Australia's most trusted organisations.

Our goal is to help keep life moving for our members, whether it's on the road with our 24/7 roadside assistance, in our network of retail outlets, or while they're travelling abroad. From Tumby Bay to Kingston, wherever our

members are in South Australia, RAA will always be there for them.

We've been putting South Australians first since 1903. And today our dedication to the community extends beyond road service, insurance and travel, to a wide range of freely-accessible safety and education programs, community grants and sponsorships and many other programs.

As a forward-thinking organisation, we continue to embrace new technologies and ideas that advance and revolutionise the growing number of products and services we provide.

Serving our members, investing in the community and creating great careers for South Australians continue to be the cornerstones upon which RAA keeps life moving in South Australia.

Representing South Australians is a privilege and a responsibility we do not take for granted.

While much has changed since RAA was established in 1903, what is most important has not changed at all – RAA continues to exist to serve our members.

President's report



RAA has again, over the last financial year, experienced very strong membership growth and is proud to serve more than 720,000 South Australian members.

South Australians are increasingly seeking to engage with organisations they can trust and genuinely share their values.

RAA has always put our members at the heart of our business, and this has been integral to our past and continued success.

Elizabeth Perry
RAA President and
Chairman of the Board

RAA is the state's largest mutual and is at the forefront of South Australian organisations that exist to serve their members rather than shareholders. Like other mutuals, we endeavour to act with honesty, integrity and genuine community spirit. These qualities underpin the trusted relationships between RAA and the people of South Australia.

Throughout the year, I have had the privilege of attending our Gold 50 events around the state for our loyal members who have been with us for more than half a century. I am very appreciative of the trust, pride and esteem these members have for their RAA. The anecdotes and stories they tell of their years of membership and what the organisation has meant to them, shows that we create true value and a sense of community for our members.

The RAA Board is determined to increase the opportunities we have to deliver value, and this year's \$38.1 million in benefits to members is a highlight we are particularly proud of.

The RAA Board is also committed to a program of continuing innovation, and ensuring our product and service delivery meets and exceeds the changing expectations of all our members.

During 2017/18, we invested in new developments in our insurance, security and travel businesses. We also launched RAA's first 'store of the future' at Colonnades and are planning more network refurbishments in the near future. The work we are undertaking in digitising our services is also another example of how we are making it easier for our customers to connect with us when and where they choose.

One of our consistent priorities is to ensure that we are a leading voice in South Australia in road safety. We will continue to find the most effective way to advocate for safer roads, safer vehicles and safer people.

It is pleasing to report that RAA's advocacy activities have resulted in the South Australian Government commissioning a review of the state's speed camera system, \$2.5 million in funding to begin upgrading Horrocks Highway and a commitment towards publishing real-time petrol prices – all priorities that RAA called for on behalf of our members.

RAA has continued to educate and help lead this state on the future of transport and mobility. This year, the FLEX driverless bus was launched and is piloted at Flinders University. This was a watershed moment for autonomous innovation in South Australia and RAA is proud to be a key collaborator.

Over the past year, and in my second year as President, I have valued the collective experience and wisdom of our group of fellow directors. RAA Board members have a shared vision of enhancing and expanding our members' experience, together with Group Managing Director Ian Stone and his executive team, who are delivering upon this vision.

During the year, we were sorry to lose the services of Geoff Rohrsheim and Tony Sharley, both of whom made valuable contributions to the board's deliberations. We have been pleased to fill a casual vacancy with George Freney, who provides strong entrepreneurial and information technology experience. Moving into 2018/19, we are also sorry to lose Jim McDowell, who has stepped down from the board to take up a position in the state government.

On behalf of my board colleagues, I acknowledge the hard work and dedication of the wider RAA team – employees, contractors and suppliers – who have embraced and helped facilitate the changes that are vital to our organisation's progress, while continuing to deliver the trusted and reliable service RAA is known for.

I would also like to thank you, our members, for your continued support and whom our organisation exists to serve.



Advocating for motorists

RAA is South Australia's peak motoring body, representing the views and interests of over 720,000 South Australians. We advocate for all road users across South Australia to ensure transport systems are safe, effective and affordable.

RAA's advocacy ahead of this year's state election resulted in the major parties committing to key initiatives to reduce road trauma and create savings for South Australian motorists.

We lobbied for petrol price transparency, providing motorists with real-time pricing at the petrol pump. Visibility of petrol prices across the state would allow motorists to shop the cheaper petrol price, prompting responsible pricing from retailers. Following bipartisan support for this policy, RAA is working with

the State Government to progress price transparency.

Ensuring the state's safety camera network was enhancing road safety rather than raising revenue was another priority RAA called for. As a result of our efforts, the new State Government has commissioned an audit of speed cameras to ascertain their effectiveness in reducing road trauma.

With our members electing Horrocks Highway between Roseworthy and Clare as the worst in RAA's 2017 Risky Roads survey, we set about advocating for investment to remediate this important corridor. In response to our lobbying, the State Government has recently announced funding for upgrading a section of this highway, with further investment to come.

Group Managing Director's report



In 2017/18, RAA continued to prove itself to be an even stronger, more commercially focused business with an unwavering commitment to providing great value and service to its 720,000 members and their families.

Ian Stone
Group Managing Director

While delivering the best road service remains a fundamental part of our membership offering, RAA continues to evolve and expand its products and services; demonstrating our ability to innovate quickly and find new ways to help our members.

Having identified three broad ecosystems in our members' lives – motor, home and travel – we have structured and resourced RAA to focus on the development of customised services and solutions in these categories. Whether on the road, in the home or travelling, our members are more likely to find a way in which RAA can help them every day.

The organisation delivered another strong year of financial performance in 2017/18, earning a net profit of \$10.7 million. RAA recorded \$403 million in revenue and net assets stood at \$234 million. This is complemented by the \$38.1 million of value that has been returned to members and their communities during the year.

Results were underpinned by a great year in motoring and insurance. In 2017/18, we attended 345,000 breakdowns, some of the highest demand for our road service in recent history, and realised 3.4 per cent growth in road service. This year's deployment of our road service management system provides RAA with an innovative new technology platform that completely modernises RAA's end-to-end road service systems and will ensure RAA continues to provide an unrivalled service in years to come.

Despite increased competition in the market, RAA's insurance business grew by 16.9 per cent in comprehensive car insurance and 14.5 per cent in home insurance in 2017/18. More than 61,200 claims were processed quickly and efficiently for our members, resulting in \$240 million in paid claims. The speed, efficacy and hassle-free way we process claims is testament to the quality and professionalism of our insurance team.

It is also why RAA was again named the best Small-Medium Australian General Insurance Company of the Year at the 2017 Australian Insurance Industry Awards.

Our entry into security services continues to make progress, with over 15,000 homes, people and businesses now monitored by RAA. During 2017/18, we responded to 253,000 high priority alarms, dispatched more than 2,200 security patrols and were recognised as an approved supplier in the South Australian Government's Personal Alert Rebate Scheme.

Encouraged by our members' trust to support them in their homes, RAA launched Trade Assist during the year. This innovative new service offers our members ease in organising reliable, experienced and licensed local tradespersons that will turn up on time, every time, and all with one phone call to RAA.

Travel income increased 11 per cent in 2017/18, demonstrating that South Australians are choosing to plan and book their travel with an organisation they trust. Travel insurance also grew 24 per cent during the period.

RAA is not just a great place to work, but a place in which our employees can build rewarding and meaningful careers. We take great pride in creating a diverse and inclusive workplace, aware that differing backgrounds, perspectives and life experiences deliver a more meaningful experience.

I take this opportunity to thank our staff, contractors and suppliers who worked hard to ensure we continue to deliver outstanding service to our members.

I also acknowledge President and Chairman Elizabeth Perry and the Board of Directors for their support of me and my executive team and for their continuing commitment to a member-focused strategy designed to ensure the viability and vitality of our organisation.

Driving an autonomous future

RAA has long recognised that driverless vehicles have the potential to be far more than just exciting pieces of technology.

The evolution of autonomous technology has the potential to solve real personal and social issues, by enhancing mobility for children, the elderly and disabled. At the same time, there is potential to significantly reduce traffic collisions, and the resulting deaths, injuries and related costs.

It's for this reason that RAA is proud to partner with the South Australian

Government and Flinders University to embark on the future of mobility and innovative transport solutions in our state.

Flinders Express (FLEX) is South Australia's first driverless shuttle that is being piloted at Flinders University's Tonsley campus, transporting passengers between the campus and nearby public transport links.

As part of RAA's involvement in this trial, we are engaging with our members both before and after their experiences on FLEX to gauge their levels of acceptance and any

apprehension they may have. We will then use this information to inform our advocacy, public policy and community education programs.

While we do not know the extent of what the future holds for autonomous technology and transportation, what we do know is that RAA will remain at the forefront of mobility technology and help drive our members towards innovative technologies that will make their lives easier.



Image courtesy of Eddie Major / Flinders University

MANAGEMENT REPORT

Delivering for our members



As a membership organisation, we are focused on what's best for our members.

Not because it's what's expected from us – but because we're proud to do more for South Australia.

This year our membership base increased by seven per cent to just over 720,000 members. We now provide services to 65 per cent of South Australian homes.

Our members place their trust in us to protect some of their most valuable assets and give them peace of mind, which empowers us to advocate for our members' needs and support community projects that promote better lives for South Australians.

Improving member satisfaction

Member satisfaction scores continue to remain strong, with 90 per cent of members satisfied that the organisation is meeting their needs. To ensure we continue to meet our members' needs and remain relevant into the future, an innovation program has been established at RAA. The program will help us adapt to key trends and evolve our product and service offering, so we can continue to keep life moving here in South Australia.

Delivering member value

Member value programs exceeded expectations, with a total of \$38.1 million delivered as benefits to members. This included \$21 million through member loyalty product

discounts, \$200,000 in community sponsorships, and a further \$17.1 million that was saved by members who utilised discounts through our More For Members program.

The More For Members program leverages a number of RAA partnerships to provide additional discounts and benefits to members.

This year we offered discounts via retail partners such as Repco and through our Royal Adelaide Show, Adelaide Crows and Port Adelaide Football clubs, and Festival Centre sponsorships.

Making member communications easier

Digital platforms continue to remain a key focus for the organisation to streamline processes and interactions with members. Electronic voting was introduced this financial year which provided members with a quick, online and hassle-free way to participate in our board election. We also continued to focus on electronic communication channels to not only reduce the amount of paper usage, but to deliver important RAA documents to members faster and more conveniently than the letterbox. Today, 43 per cent of RAA members now choose to receive their important RAA documents via email.

The myRAA app is another way we are helping members get the most from their membership. Downloaded 65,000 times, it helps members stay up-to-date with all of the great benefits and discounts on offer, and also houses a personalised digital membership card.

A new *samotor* website launched during the year is providing our members with access to ongoing news and information in addition to our quarterly printed publication. Visits to the website increased by 309 per cent within the first month of its introduction, demonstrating that our members value engaging, relevant and timely news.



Assisting members with Trade Assist

We are always looking for ways to add value and remove worry for our members and our members have told us that finding qualified tradespeople at a fair price is a concern for them.

Following a successful pilot last year, we're proud to offer Trade Assist – a reliable service that connects South Australians with a range of trades including plumbers, electricians and locksmiths, that will turn up on time, every time.

Trade Assist is available around the clock for emergency call-outs and from 7am to 6pm for non-emergencies. Upon arrival, our licensed tradespeople provide an upfront quote for the cost of the job, which means our customers can be confident that they won't receive any nasty surprises.

Trade Assist is available across metropolitan Adelaide with RAA members saving 20 per cent off the labour component of members' bills.

Contributing to our community



RAA is committed to devoting time and resources to projects, initiatives and activities that have a positive and lasting effect on our community.

As South Australia's principal membership organisation, we take seriously our broader obligations as a responsible corporate citizen and will continue to proactively support the communities and members we serve.

Advocacy

Part of our role as the state's peak motoring organisation is to provide a strong voice for our 720,000 members and their families.

As South Australia's largest association, RAA is proud to be South Australia's advocate for safe, affordable and sustainable mobility. We work hard to influence government and decision makers to secure better transport outcomes for South Australians.

We represent our members' interest in areas such as fuel and energy, road

safety, traffic and road infrastructure, transport funding, as well as public and active transport.

At the same time, RAA plays an important role in helping the state adjust to new and alternative technologies and fuels, including electric and autonomous vehicles.

We have been directly involved in driverless car trials in South Australia and will continue to remain one step ahead to help demystify the future for our members.

Road safety

As part of RAA's service to the South Australian community, we conduct road reviews and assessments, and investigate transport network issues identified by our members.

Through our 'Report a Road' scheme, RAA receives over 200 reports of road issues per year, which we subsequently investigate and seek resolution for with the authorities responsible. This service has proven effective in addressing many issues across the transport network that have been a source of frustration in the community.

Last year, more than 3000 members participated in our risky roads survey by submitting roads they wanted us to assess. We used this to establish our

2018 policy priorities, and have been working with government to have these addressed.

Community sponsorship

In addition to delivering benefits to our members, RAA also works across the community to build a stronger, safer South Australia.

On behalf of our members, we invested \$200,000 in South Australian communities during the year – identifying and supporting those local projects that may not receive funding from elsewhere, but are critical to our communities.

Some of the important local projects we supported during 2017/18 include the free New Year's Eve shuttle bus service at Glenelg, the South Australian Metropolitan Fire Service's statewide road awareness program for secondary school students, the purchase of new firefighting equipment for the Country Fire Service, funding for surf lifesaving clubs to enhance public safety on the beach, as well as supporting disadvantaged children through our partnership with the Smith Family.

Community education

As the leading road safety educator in the state, RAA continued to deliver its suite of free education programs across all ages, from primary school age to retirees.

This year, 20,000 primary school students, and 8,000 high school students participated in our Street Smart programs, where we deliver South Australian youths age appropriate road safety information, with an emphasis on pedestrian, passenger and cycling safety.

For older drivers, we delivered over 120 Years Ahead presentations during 2017/18, complete with content designed to maintain more mature drivers' control in the car. We also continued our CarFit program with the University of South Australia – a free, practical program designed to maximise comfort and safety for older drivers.

Investing where it matters most

Supporting community groups is an important part of RAA's commitment to South Australia. It is also well supported by our members, with more than 85 per cent of members surveyed telling us that our community sponsorships are one of the reasons they choose RAA.

This year, we entered a partnership with the first Women's Aboriginal AFL Academy, established by the Port Adelaide Football Club.

The academy is dedicated to the academic success of school-aged Aboriginal and Torres Strait Islander

female footballers, and is comprised of a squad of 29 students from years 11 and 12, who earn credit points towards their Certificate of Education and Certificate III in Fitness.

The players' hard work and dedication over 35 weeks is rewarded with an end of season trip overseas.

The Women's Aboriginal AFL Academy is just one of many community groups and valued South Australian initiatives that RAA is proud to support.



(Pictured left to right) PAFC player Joel Garner, WAAA student Colleen Karpany and PAFC player Lindsay Thomas

Our people



Our people are steadfast in their passion for delivering the best possible member experience, as well as contributing to a dynamic and inclusive organisational culture.

It's RAA's employees that drive our culture and make RAA a great place to work and build a career.

A diverse and inclusive organisation

During the year, RAA launched our first diversity and inclusion program, designed to help build a workforce that is more representative of the South Australian community.

By attracting, retaining and promoting diversity, complete with a broader range of experiences and opinions, we can better understand and serve our members. Strengthening our inclusive leadership capability through a series of development initiatives for our people leaders was a key activity we undertook this year towards our diversity and inclusion goal.

Gender equality has long been a strength of RAA's, and this year we achieved 44 per cent of management roles held by women.

Flexibility in our work place

We made further progress on our Future Work project this year, which is set around designing the workplace and work practices needed for the future.

Flexible working has been identified as a key driver to support our employees to work more collaboratively, which will ultimately better serve our members.

Seven teams from across the organisation piloted various options for flexible work practices and conditions, aided by some new technology. RAA is now defining the next step, with a view to positioning the organisation as an adaptable, market leading organisation.

Attracting and investing in our people

RAA is committed to attracting, developing and retaining high-calibre employees with the skills and knowledge necessary to drive our business growth into the future.

Our investment in developing our people and providing access to training and professional development supports their success and helps them

perform their roles – ultimately creating a great outcome for our members.

The organisation delivers both bespoke and generalist programs, across a myriad of learning channels, including in the classroom, online, via coaching and mentoring, or through external partners.

In 2017/18 all RAA people leaders completed inclusive leadership training, while 100 per cent of our employees participated in cyber security training. Our member-facing call centre people received ongoing member service training throughout the year.

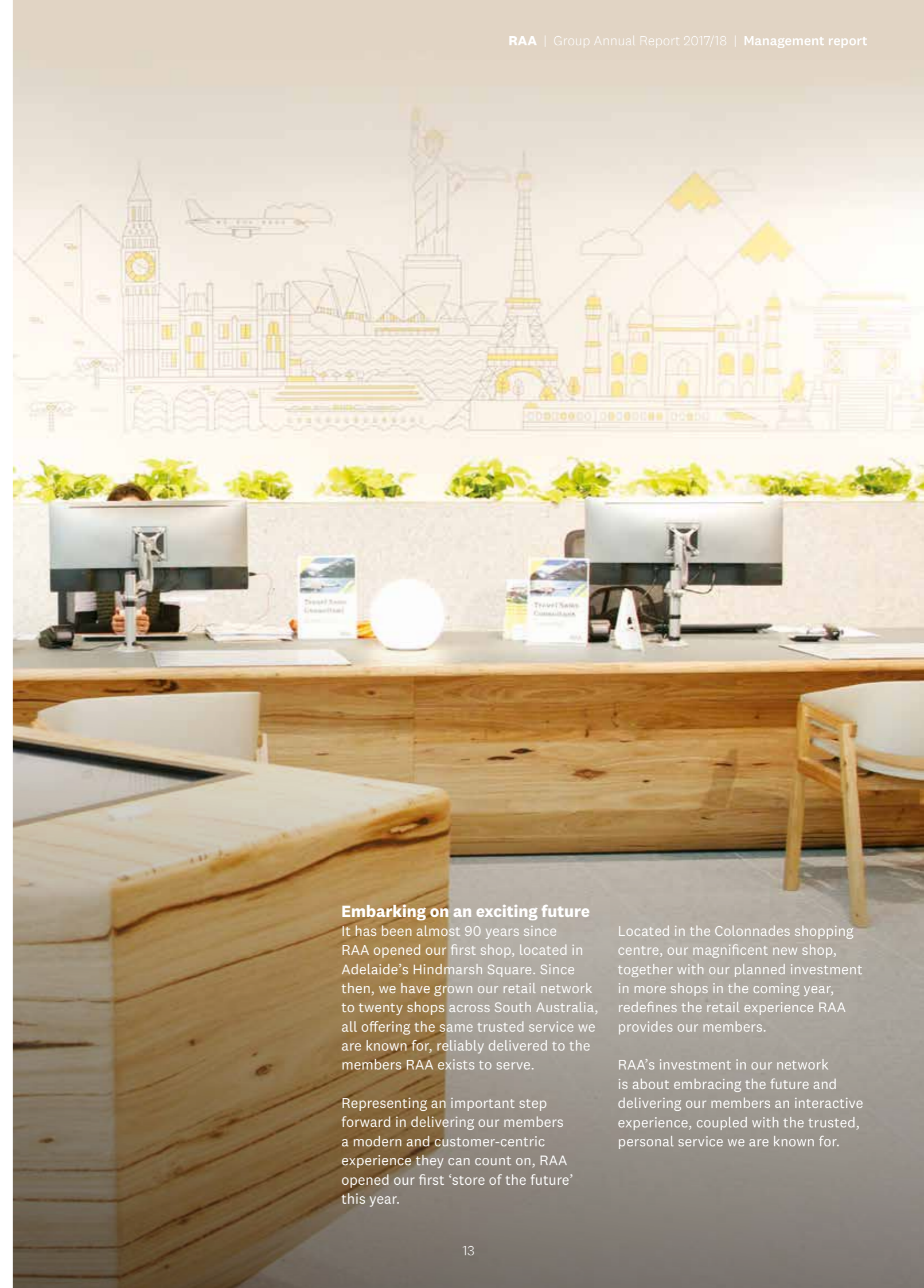
Wellbeing at the forefront

This year we reached a major milestone in the area of wellbeing, with RAA training 10 per cent of our workforce in mental health first aid.

As a result of our work in building awareness amongst our people about mental health and mental health first aid, we achieved a gold-level skilled workplace status with Mental Health First Aid Australia – a national not-for-profit organisation that delivers mental health training and conducts research.

RAA's progress in mental health awareness, first aid training and support, resulted in the organisation winning a Self-Insured Employer of the Year award from Self Insurers of South Australia.

The organisation takes a holistic approach to employee wellbeing, with a goal to support our people to manage their own needs. For example, around 50 employees participated in a development program designed to build resilience and respond to a changing environment. Early results have been positive and we're now considering its application more broadly across the organisation.



Embarking on an exciting future

It has been almost 90 years since RAA opened our first shop, located in Adelaide's Hindmarsh Square. Since then, we have grown our retail network to twenty shops across South Australia, all offering the same trusted service we are known for, reliably delivered to the members RAA exists to serve.

Representing an important step forward in delivering our members a modern and customer-centric experience they can count on, RAA opened our first 'store of the future' this year.

Located in the Colonnades shopping centre, our magnificent new shop, together with our planned investment in more shops in the coming year, redefines the retail experience RAA provides our members.

RAA's investment in our network is about embracing the future and delivering our members an interactive experience, coupled with the trusted, personal service we are known for.

Financial performance

RAA's strong financial position improved during 2017/18 as we rebounded from challenges experienced during 2016 due to extreme weather events.

RAA's performance was underpinned by strong growth and the efficient and effective operations of motoring and insurance.

This performance has allowed RAA to generate significant member value and invest in building sustainable and innovative operations.

Solid financial results

RAA reported a net profit after tax of \$10.7 million 2017/18. The profit was driven largely by an increase in members accessing insurance and road service products, along with a decrease in insurance claims. In addition, our business improvement program delivered above-budget cost savings.

The net asset position of RAA at the close of 2017/18 was a healthy \$234 million; up \$10.5 million from the previous year and is primarily reflective of the \$10.7 million net profit after tax.

Effective working capital management continues to enable RAA to meet operational, capital and project expenditures, while meeting the Australian Prudential Regulation Authority (APRA) capital adequacy requirements of the insurance business.

Investment in member service

Our digital journey continued in 2017/18, with RAA investing \$7 million in the launch of a new and improved member portal and digital platform, required for renewal and payment of insurance and road service.

This year we completed our Common Access Road Service (CARS) system, which replaced our legacy technology. Our new system allows us to streamline the delivery of road service to members, provide greater efficiency and delivery of cost savings. We also transitioned all of our seven call centres and 600 phone lines to a new technology platform that has improved reliability and call tracking.

In addition to the immediate benefits realised, the investments in the business serve as a means to future-proof RAA, as older technologies become obsolete and are no longer supported by our partners.

Our business model

Our focus is to become the leading provider of high-quality home, travel and motor products and services for our members. This, in turn, provides the funds for reinvestment in member benefits, capital adequacy, productivity programs, new product innovation and partnerships.



This year we have grown our membership numbers to the highest levels achieved in our 115 year history by being a leading provider of high-quality home, travel and motor products and services.

This success allows us to reinvest in further member growth, efficient operations and business innovation.

Our approach to building a sustainable organisation is to maximise areas of competitive advantage, while focusing on building effective and cost-efficient operations to generate and sustain the funds for future growth.

Membership retention, services and loyalty programs drive revenue growth within our established categories of motor and insurance, leading to the generation of profits.

Our profits are reinvested in our member service areas such as advocacy and community programs, our loyalty discounts, and our More For Members program.

In addition, profits are used to fund projects within our core businesses, internal support services and business growth.

In order to ensure that we remain relevant and well positioned to serve our members in the future, RAA has committed funds to underpin innovation and support the development of new products and assets. These investments may ultimately become a part of RAA's core product offerings and, with further development, contribute to member growth, services and benefits through the generation of profits.

Group net revenue

2015/16	\$286,262
2016/17	\$311,026
2017/18	\$344,641

Normalised Group revenue represents RAA Group revenue as reported in our Financial Report, but excluding reinsurance and other recoveries revenue. We exclude this revenue as it is influenced by significant claim events and not growth in our business.

Profit/loss after tax

2015/16	\$5.5 million
2016/17	\$(2.3 million)
2017/18	\$10.73 million

The impact of the severe weather events on claims expense and the overall result can be seen in 2016/17. Improvements in cost management and operational efficiencies have seen our revenue growth translate to profit after tax from 2015/16 to 2017/18.

Net assets

2015/16	\$227 million
2016/17	\$224 million
2017/18	\$234 million

Our net asset movement year-on-year is a direct result of RAA's profit or loss after tax. Our strong net asset position demonstrates the financial stability of RAA.

Member loyalty discounts

\$21m

multi-product and long-term policy discounts in 2017/18.

More for Members discounts

\$17m

delivered to members in 2017/18.

Enhanced digital platform

\$7m

investment in systems architecture in 2017/18.

Business improvement

\$4.7m

savings generated through business improvement initiatives across the organisation in 2017/18.

Tax transparency

Our business strategy includes a focus on corporate responsibility and transparency.

As a major South Australian investor, taxpayer, employer and purchaser of products, we recognise our total contribution to the government's public finances is of interest to our members and the South Australian community.

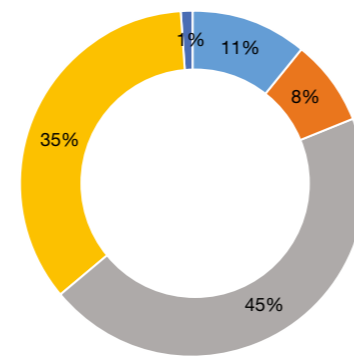
RAA's 2018 tax contributions		
Income tax	\$	5,122,855
Payroll tax	\$	3,769,802
Stamp duty on insurance premiums	\$	20,622,939
PAYG withholding on salaries and wages	\$	16,255,440
Other taxes - FBT and fuel excise	\$	519,830
TOTAL	\$	46,290,866

RAA contributes to our community by creating jobs and paying the appropriate amount of tax. As one of South Australia's largest employers, RAA collects a significant amount of income tax on employee salaries and wages, and makes payments of fringe benefits tax (FBT) and payroll tax to the Australian Taxation Office (ATO)/State Revenue Offices. RAA's services to the community result in collection of goods and services tax and stamp duty on insurance premiums which is remitted to the ATO/State Revenue Offices.

RAA pays income tax at the company tax rate of 30 per cent based on accounting profit before tax adjusted for differences between the accounting standards and the income tax legislation.

Historically, RAA was a mutual organisation for both accounting and tax purposes which meant that RAA did not pay income tax on net income generated from mutual services (for example, road service). RAA conducted a review of its tax mutuality status and concluded that RAA remains a mutual association for accounting purposes but is no longer a mutual for tax purposes from 1 July 2014. This means RAA pays income tax on all of its taxable income, including income generated from mutual activities such as road service.

RAA's estimated income tax payable for 2017/18 is \$5.122 million of which \$1.172 million has been paid during the year and the remainder is due on lodgement of the tax return.



- Income tax
- Payroll tax
- Stamp duty on insurance premiums
- PAYG withholding on salaries and wages
- Other taxes - FBT and fuel excise

The RAA Board has approved the RAA Tax Governance Framework and RAA has adopted the Board of Taxation's Voluntary Taxation Transparency Code.

The RAA Tax Governance Framework reflects RAA's low risk appetite and is consistent with RAA's overall strategy, approach to risk and RAA's core values. RAA makes decisions for commercial reasons and does not enter transactions for the primary purpose of obtaining a tax benefit. RAA takes advantage of available deductions, tax rebates, offsets and credits to achieve the best tax outcomes for the organisation.

RAA is committed to complying with all relevant tax laws, rulings and regulations and to maintain a transparent and proactive relationship with tax authorities. RAA has controls in place to ensure it pays the right amount of tax.

Risk management



The regulatory landscape is constantly evolving bringing increased complexity and challenges.

RAA must be prepared and equipped to meet emerging challenges and identify other potential sources of risk to our business and members.

During the year RAA adopted a new risk and compliance framework to support the business as it responds to new risks. The framework enables RAA to have a clear vision on how to manage risks related to our core businesses and key areas of growth.

The organisation also increased our focus on risk culture and behaviours with the introduction of a risk maturity tool. The tool helps to identify and address any areas of concern in risk management practices. It also measures the nature of risk management and the breadth and depth of risk management activities within RAA.

The tool captures and assesses the organisation's risk management practices, providing immediate feedback to management and those responsible for risk culture. By measuring the organisation level or maturity in regards to risk, and tracking progress to its maturity target, RAA can better understand the actions it needs to take to improve the efficiency and effectiveness of risk management.

Business continuity management was also adapted and updated to focus on different controls and responses that resonated with the new environments RAA faces.

Integrated risk management, with the inclusion of corporate values into RAA's risk culture continued to be embedded, while actions and controls were reviewed and updated.

We have also increased internal capability within RAA with the appointment of an in-house legal team, commencement of risk management workshops across the business and a large focus on cyber security.

With the introduction of the Mandatory Data Breach Obligations in February 2018, RAA has responded accordingly. We conducted a review of our operating procedures and continue to focus our activities around how to provide peace of mind for our members.



Executive team



The RAA Executive team is responsible for developing the corporate business strategy and realising competitive business performance.

In 2017/18 the composition of the team changed to meet our future business needs. The board approved the appointment of a General Manager Travel to help develop competitive product offerings for our travel customers.

After eight years of service we were sorry to lose Penny Gale from our Executive team. Penny made a significant contribution to RAA's advocacy efforts and was instrumental in the establishment of our innovation proposition. During the year, we welcomed Jayne Flaherty as our new General Manager Government and Public Policy.

Business culture is critical to achievements of the business strategy. RAA's culture puts members at its heart, supported by our business principles and code of conduct. Together these set out what we expect of our employees and drive an inclusive culture. Various indicators are used to monitor and

provide insight into our culture, including our employee engagement survey, health, safety and wellbeing measures, and diversity indicators.

Back row (left to right):

Tom Griffiths
Group Chief Finance, Membership and Brand Officer

Mike Walters
General Manager Information Services

Dominic Jacob
General Manager Automotive Services

Dougie Parr
General Manager Product Marketing and Distribution

Front row (left to right):

Jayne Flaherty
General Manager Government and Public Policy

Ian Stone
Group Managing Director

Belinda Vivian
General Manager People and Environment

David Russell
Chief Executive, Insurance

Board of directors



Elizabeth Perry
President and
Chairman of the Board
LLB, FAICD

Elizabeth Perry joined the RAA Board in March 2009 and is President and Chairman. Elizabeth is a company director and lawyer. She is Chairman of RAA Insurance Ltd, Deputy Chancellor of Flinders University, and a member of various law associations.



Peter Siebels
Vice President
BEc, FCA, CTA, GAICD

Peter Siebels joined the RAA Board in 2008 and is Vice President of the association. He is a professional director and advisor. He is currently Principal of 4D Advisory, a director of RAA Insurance Ltd, Fox Creek Wines Pty Ltd, the Electricity Industry Superannuation Scheme, and ECH Inc. Peter is also a council member of the University of Adelaide.



Ian Stone
Group Managing Director
BEc, FCA

Ian Stone was appointed Managing Director in August 2009, and was 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, as well as various Australian automotive associated entities.



Victoria Angove
BComm, GAICD

Victoria Angove joined the RAA Board in 2015. She is joint Managing Director of Angove's Pty Ltd, specialising in sales and marketing, export and public relations. She is a director of the Independent Winemakers Group and the Winemakers Federation of Australia.



David Cross
BEc, CA, GAICD

David Cross joined the RAA Board in 2007. He is the past President of RAA, and past Chairman of RAA Insurance Ltd. David is the Director of Global Strategy (Supply Chain) for Specsavers and is a non-executive director of a number of businesses in the Asia Pacific Region.



Kathy Gramp
BAcc, FCA, FAICD

Kathy Gramp joined the RAA Board in 2013. She is a director of the Silver Chain Group, Uniti Wireless Limited, Adelaide Community Healthcare Alliance, Codan Ltd, the Australian Institute of Company Directors and the Bushfire & Natural Hazards CRC. Kathy is also a member of the Prince Alfred College Council and Flinders University Council.



Ray Grigg
FSAE I/A, FAICD

Ray Grigg joined the RAA Board in 2005. Ray spent 47 years with General Motors across Europe, Asia and Australia. He is past President of RAA and the Automotive Association of Australia and past Chairman of RAA Insurance Ltd. He is an Honorary Vice President of Federation Internationale de l'Automotive (FIA) and Chairman of Bedford Phoenix Inc.



Jim McDowell
LLB (Hons)

Jim McDowell joined the RAA Board in 2016 and resigned in August 2018 to take up the position of Chief Executive of the Department of Premier and Cabinet. Jim was the former Chancellor of the University of South Australia and Chair of the Australian Nuclear Science & Technology Organisation, Total Construction Pty Ltd and the Defence CRC for Trusted Autonomous Systems. He was also a director of Codan Ltd, Austal Ltd and the Strategic Policy Institute. Jim is a director of Adelaide Football Club Ltd.



Geoff Rohrsheim
BE (Hons), MEngSc, Ass Dip
(Computing), GAICD

Geoff Rohrsheim joined the RAA Board in 2011 and resigned in June 2018. During his time as a director he was also a director of RAA Insurance Ltd, Chamonix IT Management Consulting Pty Ltd, Business SA, Cevo Pty Ltd, Hatch Creations Pty Ltd, Expose Pty Ltd and Seeley International Pty Ltd.



James Sarah
BAppSc (Build),
MBA, FAIB, FAICD

James Sarah joined the RAA Board in 2005. He is joint Managing Director of the Sarah Group specialising in construction and housing. James is past President of the Property Council and Institute of Building.



Tony Sharley
BAppSc, MAppSc,
GAICD

Tony Sharley joined the RAA Board in 2012 and resigned in March 2018. He is the Managing Director of Luxury River Trails Pty Ltd. Tony is a committee member of Nature Foundation SA and Director of Country Arts SA and RiverSmart Australia.



Sharon Starick
BAGSc, GAICD

Sharon Starick joined the RAA Board in 2009. Sharon is a primary producer from the Murraylands 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 and Livestock Biosecurity Network.



Karen Thomas
LLB (Hons), BEc

Karen Thomas joined the RAA Board in 2011. Karen is the Senior Litigation and 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. Karen is chair of the Helpmann Academy for the Visual and Performing Arts Inc, a member of the Board of Examiners established under the Legal Practitioners Act 1981, and a board member of the Queen Adelaide Club Ltd, as well as a number of private companies.

Activities of the board

Principal activities

The principal activity of RAA 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 RAA for the financial year ended 30 June 2018 is available on RAA's website raa.com.au, or by request.

Directors

Information on the directors for the Royal Automobile Association of South Australia Inc. ('RAA') during the financial year is set out on page 20.

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. The primary functions are as follows:

Group Governance, Nominations and Remuneration Committee

Responsible for ensuring that RAA's corporate governance framework practices and procedures are relevant and appropriate. The committee ensures that the board and its committees operate effectively and efficiently, reviews the remuneration of non-executive directors, the Managing Director and senior executives, and is 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 RAA in line with the investment policy set and agreed by the board.

Appeals Committee

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

Changes to board composition

At the 2017 Annual General Meeting (AGM) the members approved a resolution to amend the constitution to provide for the reduction in the number of directors from 12 to nine by 2020.

Since the 2017 AGM three directors have resigned, Mr Tony Sharley, Mr Geoff Rohrsheim and more recently Mr Jim McDowell.

The board appointed Mr George Freney to fill the position vacated by Mr Geoff Rohrsheim as a casual vacancy, as there was an immediate need to replace the information technology skills on the board. The board determined not to fill the additional two vacancies and allocate these as a reduction in the number of directors.

Summary of Meeting Attendance 2017/18

Directors	Board of Directors		Group Governance Nominations and Remuneration**		Audit		Risk and Compliance		Group Investment		Appeals	
	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended
Perry	10	10	8	8	7	7	5	5	3	3	0	
Angove	10	9							1	0		
Cross	9	9	3	3	7	4	5	3				
Gramp	10	9	2	2	7	5	5	3				
Grigg	10	10	5	4					3	3	0	
McDowell	10	9	8	6					3	2		
Rohrsheim ⁺	9	8			4	2	3	1				
Sarah	10	10	2	1								
Sharley ⁺⁺	7	7	3	1								
Siebels	10	10	3	3	7	7	5	5	3	3	0	
Starick	10	9	6	4								
Thomas	9	9	7	7								
Stone	10	10	8	8	7	6	5	5	3	3		

*A meeting was held which the Director was available to attend (and not subject to a leave of absence).

**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. ⁺ Resigned 29 June 2018. ⁺⁺ Resigned 26 March 2018.

Remuneration report

Non-Executive Directors' remuneration 2017/18

The Group Governance, Nominations and 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.

	Short-term benefits Salary/Fees	Post employment benefits Superannuation	Total
Specified Directors	\$	\$	\$
ED Perry (President)	73,666	12,500	86,166
PR Siebels (Vice President)	54,043	5,134	59,177
VM Angove	39,403	3,743	43,146
DA Cross	39,403	3,743	43,146
KJ Gramp	39,403	3,743	43,146
RG Grigg	39,403	3,743	43,146
J McDowell	40,685	3,865	44,550
GR Rohrsheim	18,603	24,543	43,146
JE Sarah	39,403	3,743	43,146
AJ Sharley	15,464	17,978	33,442
SR Starick	39,403	3,743	43,146
KN Thomas	39,403	3,743	43,146
TOTAL	478,282	90,221	568,503

Executive team

Remuneration packages for senior executives are reviewed in 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 Governance, Nominations and 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.

	Consolidated 2018 \$	Consolidated 2017 \$
Short-term employee benefits	3,025,016	3,055,643
Long-term employee benefits	88,158	89,206
Post-employment benefits	174,971	257,380
	3,288,145	3,402,229



George Freney
BE Chem (Hons),
GDipFin, GAICD

George Freney joined the RAA board in July 2018. George is passionate about entrepreneurship and how technology is changing how the world works. He is a successful entrepreneur who brings with him 12 years of experience as an investor, advisor, founder, director and executive in the technology sector. He is a Partner of 11point2, Director of Up Ventures Pty Ltd and a member of the Port Adelaide Football Club Brand and Marketing Committee.

FINANCIAL STATEMENTS

Statement of profit or loss

For the year ended 30 June 2018

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
Revenue	402,888	464,411
Other income	6,157	4,937
Share of net profit/(loss) of associates and joint ventures	67	(414)
Total income	409,112	468,934
Expenses		
Employee benefits	(80,858)	(75,457)
Payments to contractors for roadside assistance	(16,958)	(16,464)
Cost of sales	(11,766)	(21,209)
Depreciation and amortisation	(8,491)	(7,854)
Finance costs	(551)	(315)
Insurance claims expense	(197,236)	(273,694)
Outwards reinsurance premium expense	(32,207)	(34,102)
Other expenses	(45,540)	(43,531)
Total expenses	(393,607)	(472,626)
Operating profit(loss) before income tax from continuing operations	15,505	(3,692)
Income tax (expense)/benefit	(4,783)	1,373
Profit/(loss) after tax for the year	10,722	(2,319)

Discussion and analysis of the statement of profit or loss

RAA made a \$10.7 million profit after tax (2017: \$2.3 million loss) in the year ended 30 June 2018. This result was driven largely by the performance of the insurance and motoring businesses. Gross written insurance premium exceeded \$250 million in 2018, and this, along with favourable weather conditions resulting in no significant claims events, led to an outstanding result for this business.

Specifically, the profit was driven by an increase in insurance premium revenue of \$40 million (net of reinsurance premium expense) along with a decrease in insurance claims expense of \$77 million, partially offset by a decrease in reinsurance and other recoveries revenue of \$95 million. Further to this, road service revenue increased by \$2.8 million (4.5 per cent) on prior year and cost of sales reduced by \$9.4 million (44 per cent).

Within this overall result, \$21 million of discounts were returned to members.

Statement of financial position

As at 30 June 2018

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
Current assets		
Cash and cash equivalents	40,550	18,913
Trade and other receivables	154,638	176,211
Inventories	1,988	2,375
Deposits in trust account	2,336	1,042
Other current assets	2,934	3,089
Financial assets	170,823	144,412
Deferred acquisition costs	5,511	5,094
Total current assets	378,780	351,136
Non-current assets		
Trade and other receivables	2,484	2,130
Pension asset	1,261	1,252
Financial assets	10,351	11,529
Investments in joint ventures	3,077	2,832
Investments in associates	3,735	3,913
Property, plant and equipment	54,998	54,522
Intangible assets	39,034	37,059
Goodwill	61,199	61,199
Deferred tax asset	8,605	8,261
Total non-current assets	184,744	182,697
Total assets	563,524	533,833
Current liabilities		
Trade and other payables	36,325	17,660
Unearned income	169,025	145,957
Deposits in trust account	2,336	1,042
Provisions	14,468	13,204
Current tax liability	4,191	(1,082)
Outstanding claims liability	61,657	102,586
Total current liabilities	288,002	279,367
Non-current liabilities		
Interest-bearing loans and borrowings	20,000	10,000
Provisions	2,141	1,993
Deferred tax liability	17,394	17,544
Outstanding claims liability	2,064	1,351
Total non-current liabilities	41,599	30,888
Total liabilities	329,601	310,255
Net assets	233,923	223,578
Equity		
Retained earnings	182,513	171,707
Reserves	51,410	51,871
Total equity	233,923	223,578

Discussion and analysis of the statement of financial position

Net assets for the 2017/18 year totalled \$234 million, an increase of \$10 million on prior year as a result of the current year profit offset by a small reduction in unrealised investment gains.

The increase in total assets of \$30 million (5.6 per cent) is due to a \$25 million increase in financial assets being RAA's investment portfolio plus loans to related parties. Further to this, the \$22 million increase in cash arising from operating activities was offset by a \$22 million decrease in trade and other receivables arising from the receipt of reinsurance recoveries relating to the 2016/17 weather events.

Total liabilities increased by \$19 million (6.2 per cent) due to the drawdown of a \$10 million bank loan facility to assist in funding business operations and projects. A \$23 million (16 per cent) increase in unearned income, a reflection of the growth in insurance premiums, and an \$18 million (107 per cent) increase in trade and other payables following the move to remit goods and services tax and stamp duty upon receipt of premium payments also contributed to the increase in total liabilities. This increase was partially offset by a \$41 million (28 per cent) decrease in the outstanding claims liability following the payment and recovery of claims relating to the 2016/17 weather events.

Statement of cash flows

For the year ended 30 June 2018

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
Cash flows from operating activities		
Receipts from members and customers (inclusive of GST)	491,243	444,615
Payments to suppliers and employees (inclusive of GST)	(449,101)	(446,999)
Interest paid	(551)	(315)
Interest received	526	315
Rental income received	42	51
Income tax paid	158	(355)
Net cash from/(used in) operating activities	42,317	(2,688)
Cash flows from investing activities		
Proceeds from sale of fixed assets and intangibles	725	653
Proceeds from the sale of financial assets	497	22,944
Distributions received	6,715	5,486
Dividends received	153	-
Purchase of fixed assets and intangibles	(11,557)	(10,511)
Purchase of financial assets	(25,881)	(11,700)
Investment in related parties	-	-
Net cash from/(used in) investing activities	(29,348)	6,872
Cash flows from financing activities		
Loans to related parties	(1,332)	(5,060)
Proceeds from borrowings	10,000	-
Repayment of borrowings	-	-
Net cash used in financing activities	8,668	(5,060)
Net increase/(decrease) in cash	21,637	(876)
Cash and cash equivalents at beginning of the year	18,913	19,789
Cash and cash equivalents at the end of the year	40,550	18,913

Discussion and analysis of the statement of cash flows

RAA's cash position at 30 June 2018 was \$40.5 million (2017: \$18.9 million) with a net cash inflow from operating activities of \$42.3 million (2017: outflow of \$2.7 million) the result of good working capital management and positive trading conditions.

Net cash used in investing activities was \$29.3 million (2017: inflow of \$6.8 million) as a result of the reinvestment of surplus operational cash into financial assets and ongoing investment in our digital infrastructure.

Net cash from financing activities was \$8.7 million (2017: outflow of \$5 million) due to the \$10 million loan drawdown, net of \$1 million net loans to related parties.

RAA continually monitors surplus cash to ensure that sufficient liquid funds are held to meet the day-to-day needs of business operations. The most effective use of RAA cash is considered regularly by the Group Investment Committee.

Notes

