

The Royal Automobile Club of Queensland Limited
and its controlled entities

Financial report

for the year ended 31 December 2009

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Statements of comprehensive income

for the year ended 31 December 2009

	Note	RACQ		RACQ and controlled entities	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue	2	119,838	111,203	174,677	163,098
Expenses					
Advertising and promotions		(373)	(1,581)	(10,342)	(10,109)
Communication and information technology		(351)	(388)	(12,184)	(11,015)
Personnel expenses	3(b)	(6,000)	(18,380)	(81,472)	(83,882)
Motor vehicles		(133)	(118)	(3,709)	(3,390)
Payments to contractors for roadside assistance and provision of other member services		(77,000)	(66,000)	(45,129)	(41,610)
Property and related costs		(4,040)	(4,161)	(10,322)	(10,057)
Other expenditure		(7,708)	(7,103)	(13,104)	(12,403)
Results from operating activities		24,233	13,472	(1,585)	(9,368)
Share of net profit of associate accounted for using the equity method	23	-	-	27,556	(18,098)
Finance income		1,343	1,348	46,869	30,904
Finance expenses		(541)	(300)	(4,657)	(25,243)
Net financing income	3(c)	802	1,048	42,212	5,661
Profit/(loss) before income tax		25,035	14,520	68,183	(21,805)
Income tax benefit/(expense)	4	(909)	2,684	(4,878)	9,961
Profit/(loss) for the period		24,126	17,204	63,305	(11,844)
Other comprehensive income					
Net change in fair value of financial assets held as available-for-sale		-	-	21,882	(34,276)
Change in fair value of financial assets sold held as available-for-sale		-	-	(14,974)	426
Income tax (expense)/benefit on income and expenses recognised directly in equity	4	-	-	(2,072)	10,155
Other comprehensive income for the period, net of income tax		-	-	4,836	(23,695)
Total comprehensive income for the period		24,126	17,204	68,141	(35,539)

The statements of comprehensive income are to be read in conjunction with the notes to the financial statements set out on pages 37 to 64.

Balance sheets

as at 31 December 2009

	Note	RACQ		RACQ and controlled entities	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets					
Cash and cash equivalents	5	4,262	5,018	4,262	5,018
Trade and other receivables	6	416,506	394,984	3,947	4,611
Inventories	7	133	136	483	448
Other investments	8	-	-	127,109	166,355
Other current assets	9	21	21	353	604
Total current assets		420,922	400,159	136,154	177,036
Non-current assets					
Investments accounted for using the equity method	10	-	-	107,818	80,262
Other investments	8	339	-	363,399	279,212
Intangible assets	29	-	-	719	719
Investment property	11	865	875	14,394	14,650
Property, plant and equipment	13	63,768	58,035	63,774	58,050
Deferred tax assets	12	-	707	-	-
Total non-current assets		64,972	59,617	550,104	432,893
Total assets		485,894	459,776	686,258	609,929
Current liabilities					
Trade and other payables	14	50,367	53,379	22,293	26,832
Unearned subscriptions		58,051	53,153	58,051	53,153
Current tax payable		93	258	473	21
Employee benefits	15	1,233	1,112	7,977	7,325
Total current liabilities		109,744	107,902	88,794	87,331
Non-current liabilities					
Employee benefits	15	380	332	3,488	3,190
Deferred tax liabilities	12	102	-	8,632	2,205
Total non-current liabilities		482	332	12,120	5,395
Total liabilities		110,226	108,234	100,914	92,726
Net assets		375,668	351,542	585,344	517,203
Accumulated funds					
Reserves	16	52,542	52,542	77,472	72,636
Retained profits	17	323,126	299,000	507,872	444,567
Total accumulated funds		375,668	351,542	585,344	517,203

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 37 to 64.

Cash flow statements

for the year ended 31 December 2009

	Note	RACQ		RACQ and controlled entities	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities					
Subscriptions and entrance fees received		123,918	113,769	123,918	113,769
Distribution and services charge – RACQ Insurance		12,024	11,999	41,379	46,299
Other cash receipts in the course of operations		1,002	(689)	33,719	33,891
Cash payments in the course of operations		(125,453)	(115,040)	(193,329)	(174,548)
Income taxes paid		(265)	(445)	(72)	(1,966)
Net cash provided by/(used in) operating activities	27(ii)	11,226	9,594	5,615	17,445
Cash flows from investing activities					
Interest received	3(c)	84	150	22,521	21,217
Dividends received	3(c)	-	-	5,044	6,916
Rentals received	3(c)	1,259	1,198	3,350	3,197
Payments for investments		-	-	(281,082)	(190,115)
Proceeds from sale of investments		-	-	257,113	152,282
Payments for property, plant and equipment	13	(13,625)	(7,485)	(13,625)	(7,485)
Proceeds from sale of property, plant and equipment		300	911	308	911
Net cash (used in)/provided by investing activities		(11,982)	(5,226)	(6,371)	(13,077)
Net increase/(decrease) in cash held		(756)	4,368	(756)	4,368
Cash and cash equivalents at beginning of the financial year		5,018	650	5,018	650
Cash and cash equivalents at end of the financial year	27(i)	4,262	5,018	4,262	5,018

The cash flow statements are to be read in conjunction with the notes to the financial statements set out on pages 37 to 64.

Statements of changes in equity

for the year ended 31 December 2009

	RACQ \$'000				RACQ and controlled entities \$'000			
	Investment revaluation reserve	General reserve	Retained profit	Total equity	Investment revaluation reserve	General reserve	Retained profit	Total equity
2009								
Balance at beginning of year	-	52,542	299,000	351,542	30,439	42,197	444,567	517,203
Profit for the year	-	-	24,126	24,126	-	-	63,305	63,305
Movement in the comprehensive income for the period	-	-	-	-	4,836	-	-	4,836
Balance at end of year	-	52,542	323,126	375,668	35,275	42,197	507,872	585,344
2008								
Balance at beginning of year	-	52,542	281,796	334,338	54,134	42,197	456,411	552,742
Profit for the year	-	-	17,204	17,204	-	-	(11,844)	(11,844)
Movement in the comprehensive income for the period	-	-	-	-	(23,695)	-	-	(23,695)
Balance at end of year	-	52,542	299,000	351,542	30,439	42,197	444,567	517,203

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 37 to 64.

I Significant accounting policies

The Royal Automobile Club of Queensland Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is 2649 Logan Road, Eight Mile Plains, Queensland, 4113. The consolidated financial report of the Company for the year ended 31 December 2009 comprises the company and its subsidiaries (together referred to as the 'consolidated entity') and the consolidated entity's interest in associates.

This financial report was authorised for issue by the Directors on 23 March 2010.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS (AIFRS). The financial reports of the Company and the consolidated entity also comply with IFRS and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The financial report is presented in Australian dollars. It has been prepared on the basis of historical cost except that financial assets classified as available-for-sale are stated at their fair values.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report.

The following standard, amendment to standards and interpretations has been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2009, but have not been applied in preparing this financial report.

- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 31 December 2010 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 9 replaces the classification and measurement requirements for financial assets that are currently contained in AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new standard, financial assets are to be measured at either amortised cost or fair value. AASB 9 will become mandatory for the Group's 31 December 2013 financial statements.

It is expected that the application of AASB 9 will result in varying financial impact to the profit and loss depending on which approach is ultimately adopted.

(c) Basis of consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entities ("the consolidated entity").

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Investments in controlled entities are carried in the Company's financial statements at cost. Loans to controlled entities are at call and, accordingly, are disclosed as current. Dividends are recognised in the income statement when they are declared by the controlled entities.

I Significant accounting policies (cont'd)

(ii) Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the consolidated entity holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the consolidated entity has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The consolidated entity's investment includes goodwill identified on acquisition net of any accumulated impairment losses. The consolidated financial statements include the consolidated entity's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the consolidated entity, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the consolidated entity's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the consolidated entity has an obligation or has made payments on behalf of the investee.

Movements in reserves are recognised directly in consolidated reserves. Dividends received are recognised as a reduction in the carrying value of the investment.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the consolidated entity's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Unearned member subscriptions

The 365-day method is used to calculate the amount of unearned member subscriptions. This involves the spread of subscription income using a time based method so as to calculate the portion of the subscription applicable to the unexpired period of a membership term.

(e) Income tax

The assessable income of the Company for income tax purposes comprises only certain income deemed to be derived from non-member activities. Conversely, allowable deductions for income tax purposes are limited to certain expenses and statutory deductions.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

I Significant accounting policies (cont'd)

(f) Employee benefits

(i) Wages, salaries, annual leave and sick leave

The liabilities for employee benefits for wages, salaries, annual leave and sick leave represent the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date which are expected to be settled within 12 months of the balance date. The provisions have been calculated at undiscounted amounts based on wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(ii) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

(iii) Defined benefit superannuation funds

The consolidated entity's net obligation in respect of defined benefit superannuation funds is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets are deducted.

The discount rate is the yield at the balance sheet date on Commonwealth Government bonds that have maturity dates approximating the expected terms of the consolidated entity's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

Where the calculation results in a benefit to the consolidated entity, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The Group recognises all actuarial gains and losses arising from defined benefit plans directly in the Income Statement.

(iv) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits, other than defined benefit superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attaching to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating the terms of the consolidated entity's obligations.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are initially measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The cost of replacing an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the property, plant and equipment part will flow to the consolidated entity and its cost can be measured reliably. The costs of day-to-day servicing and maintaining of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated. The depreciation rates used for each class of asset in the current and comparative periods are as follows:

	Depreciation rate	Depreciation method
■ Buildings (investment and owner occupied)	2 ½%	Straight line
■ Plant and equipment	5 – 40%	Straight line

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

I Significant accounting policies (cont'd)

(h) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated entity's contractual rights to the cash flows from the financial assets expire or if the consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in Note I(l).

(ii) Held-to-maturity investments

If the consolidated entity has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

(iii) Available-for-sale financial assets

The consolidated entity's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair values and changes therein, other than impairment losses (see Note I(k)), are recognised directly in the Statements of Comprehensive Income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(iv) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(i) Investment Property

Investment properties comprise investment interests in land and buildings held for the purpose of either capital appreciation or to produce rental income, or both. The consolidated entity has chosen the 'cost model' approach in accounting for investment properties. Accordingly investment properties are recorded at cost less any accumulated depreciation and any accumulated impairment losses.

Investment properties are depreciated on a straight line basis at 2.5% per annum. External valuations by independent valuers are obtained every three years and on an annual basis management assess the properties for impairment.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is determined on the basis of normal selling prices. Marketing, selling and distribution expenses are estimated and deducted to establish net realisable value.

(k) Impairment

The carrying amounts of the consolidated entity's assets other than inventory and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

I Significant accounting policies (cont'd)

(k) Impairment (cont'd)

An impairment loss is recognised whenever the carrying amount of an asset (or its cash generating unit) exceeds its recoverable amount. Impairment losses are recognised in profit or loss, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in profit or loss.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit and loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

The recoverable amount of the consolidated entity's receivables carried at cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(l) Finance income and expense

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the consolidated entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings and any impairment attributable to financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(m) Revenue

(i) Member subscriptions

Member subscriptions comprise amounts received from members net of GST. The earned portion of subscriptions received is recognised as revenue evenly over the membership period (365 days).

(ii) Entrance fees

Entrance fees are recognised as revenue upon receipt.

(iii) Member services

Member services comprise revenue from the provision of member-related services to members and is recognised as it accrues.

(iv) Rental income

Rental income from investment properties is recognised in the Income Statement on a straight-line basis over the term of the lease.

(v) Sale of non-current assets

The gain or loss from sale of assets is included in the Income Statement of the consolidated entity and is brought to account at the date an unconditional contract is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(vi) Other revenue

Other revenue is recognised as it is earned. Other revenue primarily relates to the distribution and services fees the consolidated entity receives from an associated entity RACQ Insurance Limited.

I Significant accounting policies (cont'd)

(n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Operating leases

Payments made under operating leases are recognised in the Income Statement on a straight line basis over the term of the lease.

(p) Significant estimates, judgements and assumptions

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, external advice and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities estimates. These accounting policies have been consistently applied by each entity in the consolidated entity. The consolidated entity's most significant estimates relate to:

- the carrying value of available-for-sale financial assets in unlisted entities. The performance of these assets is regularly monitored and compared with the original performance expectations investment case as well as general market movements
- calculation of the position of the defined benefit superannuation plan. Details of the assumptions involved in this estimate are set out in Note 15.

(q) Financial risk management

OVERVIEW

The Company and Group have exposure to the credit risk, liquidity risk and market risk from its use of financial instruments.

This note presents information about the Company's and consolidated entity's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring risk management policies. The Audit and Risk Management Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Company and consolidated entity, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and consolidated entity's activities. The Company and consolidated entity, through their management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Management Committee oversees how management monitors compliance with the Company's and consolidated entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and the consolidated entity. The Audit and Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

I Significant accounting policies (cont'd)

(q) Financial risk management (cont'd)

CREDIT RISK

Credit risk is the risk of financial losses to the Company and consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's and consolidated entity's receivables from customers and investments in fixed interest securities. It arises also from receivables due from subsidiaries and associates.

(i) Trade and other receivables

The Company's and consolidated entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's and consolidated entity's customer base, including the default risk has only a marginal influence on credit risk. The Company's and consolidated entity's customers consist primarily of 1,183,802 (2008: 1,164,607) members domiciled in Queensland.

Based on a history of rare write-offs of receivables due from customers, the Company and consolidated entity have established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a collective loss allowance determined based on historical data of defaults.

(ii) Investments

The Company and consolidated entity have an investment policy in place which details the investment strategy, the investments the Company and consolidated entity are allowed to invest in, as well as an investment portfolio structure that details the share of each investment class in the investment portfolio. According to the policy the consolidated entity invests in:

- Equity securities
- Fixed interest securities; and
- Investment properties.

The consolidated entity limits its exposure to credit risk by only investing in fixed interest securities that comply with Board-approved exposure limits that are reviewed on a regular basis. Given these exposure limits, management does not expect any counterparty to fail to meet its obligations. As at 31 December 2009, over 95% (2008: 90%) of investment securities were Standard & Poor's rated A or above.

(iii) Guarantees

Refer to Note 22 regarding Deed of cross guarantee.

LIQUIDITY RISK

Liquidity risk is the risk that the Company and the consolidated entity will not be able to meet its financial obligations as they fall due. The Company's and consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity on a daily basis to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The major source of revenue for the Company and the consolidated entity is membership subscription income. The risk of cash outflow exceeding cash inflows is mitigated predominantly through the use of a fixed cost operating structure based on estimated future demand. Estimated future demand can depend on a number of factors which cannot be predicted with significant accuracy such as adverse weather conditions or upward volatility in the price of fuel. The consolidated entity budgets contain amounts conservatively calculated to cover the cost of such factors which in the past have generally proved more than adequate.

The already strong net cash from operating activities of the consolidated entity is further supported by a program of regular maturities of fixed interest investments throughout the year.

The consolidated entity also has a 50% investment in RACQ Insurance Limited. Dividends from RACQ Insurance depend on its performance. RACQ Insurance underwrites personal lines of insurance comprising home, motor and compulsory third party policies. The risks of underwriting are managed by RACQ Insurance through a number of risk management strategies, the primary one being reinsurance.

I Significant accounting policies (cont'd)

(q) Financial risk management (cont'd)

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's and consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company and the consolidated entity have not entered into derivatives or off-balance sheet transactions in order to manage market risks.

CURRENCY RISK

The Company and the consolidated entity are not materially exposed directly to foreign exchange risk since all transactions including investments and all monetary assets and liabilities are denominated in Australian Dollars.

INTEREST RATE RISK

The Company and the consolidated entity are not materially exposed to interest rate risk since all financial liabilities are non-interest bearing and investment maturity durations vary across the portfolio thereby diversifying interest rate risk exposure. Refer note 19 for details of interest rate exposures on financial assets.

EQUITY PRICE RISK – INVESTMENTS IN EQUITY SECURITIES

At least 95% of the market value of the equity securities portfolio comprises stock that forms part of the Standard & Poor's ASX200 Index. Strategic investments in unlisted companies require Board approval.

OTHER MARKET PRICE RISKS

Investments in property are restricted to direct property investments or unlisted property trusts with listed property trusts included in the equity securities portfolio. All property investments have to adhere to Board approved investment property guidelines that are reviewed on a regular basis.

The Company and the consolidated entity have not entered into derivative financial instruments or commodity contracts.

CAPITAL MANAGEMENT

The Board's policy is to maintain accumulated funds and reserves at a healthy level and returns from investments provide funds to continue to provide quality assistance products and value for money for the benefits of current and prospective members of the Company. Measures to pursue the Board's policy regarding capital management are mainly focused on members and membership growth. These measures are defined in an annual process whose result is an annual budget. The Board of Directors monitors capital management based on surplus after tax before share of associates and consolidated group surplus.

There were no changes in the consolidated entity's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements

2 Revenue

Gross subscriptions and entrance fees
 Decrease/(increase) in unearned subscriptions
 Member subscription revenue
 Member services revenue

Other revenue

Distribution and services
 charge – RACQ Insurance Limited
 Other revenue

Total revenue

	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gross subscriptions and entrance fees	112,653	103,426	112,653	103,426
Decrease/(increase) in unearned subscriptions	(4,899)	(4,092)	(4,899)	(4,092)
Member subscription revenue	107,754	99,334	107,754	99,334
Member services revenue	1,153	960	26,924	25,421
Other revenue				
Distribution and services charge – RACQ Insurance Limited	10,931	10,909	37,617	35,956
Other revenue	-	-	2,382	2,387
	10,931	10,909	39,999	38,343
Total revenue	119,838	111,203	174,677	163,098

3 Profit before tax

a) Profit before tax has been arrived at after charging/(crediting) the following items:

Depreciation of:

Buildings
 Plant and equipment
 Depreciation – investment property
 Operating lease rental expense

(b) Personnel expenses

Wages and salaries
 Contribution to defined contribution superannuation funds
 Expense related to defined benefit superannuation funds

(c) Net financing income

Interest income on available-for-sale financial assets
 Interest income on bank deposits
 Dividend income on available-for-sale financial assets
 Net gain/(loss) on disposal of available-for-sale financial assets transferred from equity
 Rent received from other parties
 Rent received from associated company
 Finance income
 Impairment loss on trade receivables
 Impairment loss on available-for-sale financial assets
 Other finance expense
 Finance expense
 Net finance income and expense

Buildings	417	418	417	418
Plant and equipment	6,219	5,586	6,228	5,601
Depreciation – investment property	10	10	301	301
Operating lease rental expense	1,342	1,256	1,342	1,256
Wages and salaries	7,709	7,933	77,773	70,118
Contribution to defined contribution superannuation funds	629	402	6,037	3,719
Expense related to defined benefit superannuation funds	(2,338)	10,045	(2,338)	10,045
	6,000	18,380	81,472	83,882
Interest income on available-for-sale financial assets	-	-	22,437	21,067
Interest income on bank deposits	84	150	84	150
Dividend income on available-for-sale financial assets	-	-	5,044	6,916
Net gain/(loss) on disposal of available-for-sale financial assets transferred from equity		-	15,954	(426)
Rent received from other parties	114	98	2,205	2,097
Rent received from associated company	1,145	1,100	1,145	1,100
Finance income	1,343	1,348	46,869	30,904
Impairment loss on trade receivables	-	-	(54)	(27)
Impairment loss on available-for-sale financial assets	-	-	(2,179)	(23,445)
Other finance expense	(541)	(300)	(2,424)	(1,771)
Finance expense	(541)	(300)	(4,657)	(25,243)
Net finance income and expense	802	1,048	42,212	5,661

	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
4 Income tax				
Recognised in the income statement				
Current tax expense:				
- Current year	100	283	535	602
- Adjustments for prior years	-	47	(12)	44
	100	330	523	646
Deferred tax expense:				
- Origination and reversal of temporary differences	809	(3,014)	4,355	(10,607)
- Benefit of tax loss recognised	-	-	-	-
Total income tax expense in income statement	909	(2,684)	4,878	(9,961)
Deferred tax recognised directly in equity				
- Relating to other financial assets current	-	-	(658)	1,105
- Relating to other financial assets non-current	-	-	2,730	(11,260)
Total income tax recognised directly in equity	-	-	2,072	(10,155)
Prima facie tax expense calculated at 30% (2008: 30%) on operating profit before tax	7,511	4,356	20,455	(6,542)
Movement in income tax expense due to:				
- Non-deductible expenses	-	-	-	-
- Share of associate's net profit	-	-	(8,267)	7,679
- Mutual income and related deductions	(6,602)	(7,040)	(6,602)	(7,040)
- Tax offset in franked dividends	-	-	(1,229)	(4,065)
- Other non deductible expenses	-	-	521	7
Income tax expense/(benefit) on operating profit	909	(2,684)	4,878	(9,961)
5 Cash and cash equivalents				
Cash at bank and on hand	4,262	5,018	4,262	5,018
6 Trade and other receivables				
Current				
Receivables due from controlled entities	412,942	391,526	-	-
Receivables due from associate	1,256	1,102	1,256	1,102
Trade receivables	2,308	2,356	2,691	3,509
	416,506	394,984	3,947	4,611

The Company's exposure to credit and currency risk and impairment loss related to trade receivables are disclosed in Note 19.

	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
7 Inventories				
Inventories stated at lower of cost and net realisable value	133	136	483	448
8 Other investments				
Current				
Debt securities available-for-sale	-	-	117,337	159,455
Interest bearing deposits available-for-sale	-	-	9,772	6,900
	-	-	127,109	166,355
Non-current				
Surplus – Defined benefit superannuation fund	339	-	339	-
Equity securities available-for-sale	-	-	104,877	109,117
Debt securities available-for-sale	-	-	249,985	159,397
Other unlisted investments available-for-sale	-	-	8,198	10,698
Total other financial assets	339	-	363,399	279,212

Interest-bearing available-for-sale financial assets, with a carrying amount of \$377,093,000 as at 31 December 2009 (2008: \$325,752,000) have stated interest rates of 3.20 to 8.50 percent (2008: 4.20 to 8.60 percent) and mature one to four years.

The Company's and consolidated entity's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 19.

Sensitivity analysis – equity price risk

At least 95% of the market value of the equity securities portfolio comprises stock that form part of the Standard & Poor's ASX 200 index. For such investments classified as available-for-sale, a 1 percent increase in the ASX 200 index at the reporting date would have increased equity by \$894,867 after tax (2008: \$925,595); an equal change in the opposite direction would have decreased equity by \$894,867 after tax (2008 a decrease of \$925,595).

9 Other current assets

Prepayments	21	21	353	604
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10 Investments accounted for using the equity method

Investment in RACQ Insurance Limited (refer Note 23)	-	-	107,818	80,262
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	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
11 Investment property				
Balance at 1 January	925	925	16,122	16,122
Acquisitions	-	-	45	-
Accumulated depreciation	(60)	(50)	(1,773)	(1,472)
Balance at 31 December	865	875	14,394	14,650
Balance of accumulated depreciation at 1 January	50	40	1,472	1,171
Depreciation expense	10	10	301	301
Balance of accumulated depreciation at 31 December	60	50	1,773	1,472

The carrying amount of investment property is the deemed cost of the property. Depreciation of 2.5% of the building component of the property is being charged on a straight line basis.

The fair value of the investment property has been determined by an independent valuation carried out as at 31 December 2009 by McGees AAPI to be \$22,490,000. The basis of valuation was open market value for existing use.

12 Tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets \$'000		Liabilities \$'000		Net \$'000	
	2009	2008	2009	2008	2009	2008
RACQ and controlled entities						
Property, plant and equipment	-	-	(802)	(802)	(802)	(802)
Other investments current	-	-	(815)	(1,473)	(815)	(1,473)
Other investments non-current	3,422	7,420	(14,567)	(11,745)	(11,145)	(4,325)
Employee benefits	3,477	3,884	(102)	-	3,375	3,884
Other items	34	32	-	-	34	32
Tax value of loss carry forwards recognised	721	479	-	-	721	479
Tax assets/(liabilities)	7,654	11,815	(16,286)	(14,020)	(8,632)	(2,205)
Set off of tax	-	-	-	-	-	-
Net tax assets/(liabilities)	7,654	11,815	(16,286)	(14,020)	(8,632)	(2,205)
RACQ						
Property, plant and equipment	-	-	-	-	-	-
Other investments current	-	-	-	-	-	-
Employee benefits	-	707	(102)	-	(102)	707
Other items	-	-	-	-	-	-
Tax value of loss carry forwards recognised	-	-	-	-	-	-
Tax assets/(liabilities)	-	707	(102)	-	(102)	707
Set off of tax	-	-	-	-	-	-
Net tax assets/(liabilities)	-	707	(102)	-	(102)	707

12 Tax assets and liabilities (cont'd)

Movement in temporary differences during the year

	RACQ \$'000			RACQ and controlled entities \$'000				
	Balance 1 Jan 09	Recognised in profit or loss	Recognised in equity	Balance 31 Dec 09	Balance 1 Jan 09	Recognised in profit or loss	Recognised in equity	Balance 31 Dec 09
Property, plant & equipment	-				(802)			(802)
Other investments current	-				(1,473)		658	(815)
Other investments non-current	-				(4,325)	(4,090)	(2,730)	(11,145)
Employee benefits	707	(809)		(102)	3,884	(509)		3,375
Other items	-				32	2		34
Tax value of losses	-				479	242		721
	707	(809)		(102)	(2,205)	(4,355)	(2,072)	(8,632)

	RACQ			RACQ and controlled entities				
	Balance 1 Jan 08	Recognised in profit or loss	Recognised in equity	Balance 31 Dec 08	Balance 1 Jan 08	Recognised in profit or loss	Recognised in equity	Balance 31 Dec 08
Property, plant & equipment	-	-	-	-	(802)	-	-	(802)
Other investments current	-	-	-	-	(368)	-	(1,105)	(1,473)
Other investments non-current	-	-	-	-	(22,832)	7,247	11,260	(4,325)
Employee benefits	(2,306)	3,013		707	741	3,143	-	3,884
Other items	-	-	-	-	(76)	108	-	32
Tax value of losses	-	-	-	-	370	109	-	479
	(2,306)	3,013	-	707	(22,967)	10,607	10,155	(2,205)

13 Property, plant and equipment

	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Freehold land				
At cost	16,441	16,441	16,441	16,441
	16,441	16,441	16,441	16,441
Buildings				
At cost	17,194	17,194	17,194	17,194
Accumulated depreciation	(2,893)	(2,476)	(2,893)	(2,476)
	14,301	14,718	14,301	14,718
Plant and equipment				
At cost	58,120	66,052	58,227	66,159
Accumulated depreciation	(31,194)	(40,061)	(31,295)	(40,153)
	26,926	25,991	26,932	26,006
Capital works in progress				
At cost	6,100	885	6,100	885
Total property, plant and equipment net book value	63,768	58,035	63,774	58,050

13 Property, plant and equipment (cont'd)

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Freehold land

	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Carrying amount at beginning of year	16,441	17,137	16,441	17,137
Additions	-	-	-	-
Disposals	-	(696)	-	(696)
Transfer from investment properties	-	-	-	-
Carrying amount at end of year	16,441	16,441	16,441	16,441

Buildings

Carrying amount at beginning of year	14,718	15,136	14,718	15,136
Disposals	-	-	-	-
Transfer from investment properties	-	-	-	-
Transfer from capital works in progress	-	-	-	-
Depreciation	(417)	(418)	(417)	(418)
Carrying amount at end of year	14,301	14,718	14,301	14,718

Plant and equipment

Carrying amount at beginning of year	25,991	25,055	26,006	25,098
Additions	7,525	6,600	7,525	6,600
Transfer from capital works in progress	885	128	885	128
Disposals	(1,256)	(206)	(1,256)	(219)
Depreciation	(6,219)	(5,586)	(6,228)	(5,601)
Carrying amount at end of year	26,926	25,991	26,932	26,006

Capital works in progress

Carrying amount at beginning of year	885	128	885	128
Additions	6,100	885	6,100	885
Transfers to property, plant and equipment and buildings	(885)	(128)	(885)	(128)
Carrying amount at end of year	6,100	885	6,100	885

Valuations

An independent valuation of freehold land and buildings was carried out as at 31 December 2009 by McGees AAPI. The basis of valuation was open market values for existing use and resulted in a valuation of \$62,390,000. As the Company adopts the cost basis for land and buildings, the independent valuation is not recognised in these financial statements. Based on current circumstances there is no evidence to suggest that the carrying value of land and buildings is impaired.

14 Trade and other payables

	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade payables	11,527	11,724	12,833	13,893
Shortfall – Defined benefit superannuation fund	-	2,358	-	2,358
Amounts owing to controlled entity	35,714	35,714	-	-
Other payables and accruals	3,126	3,583	9,460	10,581
	50,367	53,379	22,293	26,832

15 Employee benefits

Current

Liability for annual leave
Liability for long service leave

Non-current

Liability for long service leave

Number of employees

Number of employees at year end

	RACQ		RACQ and controlled entities	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Liability for annual leave	774	731	5,491	5,217
Liability for long service leave	459	381	2,486	2,108
	1,233	1,112	7,977	7,325
Liability for long service leave	380	332	3,488	3,190
Number of employees at year end	76	72	1,104	1,098

Superannuation plan

The consolidated entity and certain related entities contribute to a defined benefit employee superannuation plan. In the 2000 year the plan introduced an Accumulation Division.

In the case of the Accumulation Division the consolidated entity and certain related entities have a legally enforceable obligation to contribute to the Division in respect of employees who have chosen that Division.

In the case of the Defined Benefit Division, employer contributions are based on the advice of the plan's actuary. Contributions in excess of those specified in Superannuation Industry (Supervision) legislation are not legally enforceable except in the event of a shortfall in the plan's assets to meet payments due to employees. Employees' contributions are based on various percentages of their gross salaries.

The Defined Benefit Division provides defined benefits based on years of service and final average salary. In accordance with the Trust Deed, the consolidated entity and certain related entities are under a legal obligation to make up any shortfall in the Defined Benefit Division's assets to meet payments due to employees.

An actuarial assessment of the Defined Benefit Division as at 1 July 2008 was carried out by Mr J Hotz, FIAA in November 2008. The actuary concluded that the assets of the Defined Benefit Division were sufficient to meet all benefits payable in the event of the Defined Benefit Division's termination, or the voluntary or compulsory termination of employment of each employee of the consolidated entity and certain related entities.

The accrued benefits, plan assets at net market value and vested benefits of the plan are set out below. Accrued benefits are benefits which the plan is presently obliged to pay at some future date, as a result of membership of the plan. Vested benefits are benefits which are not conditional upon the continued membership of the plan or any factor, other than resignation from the plan.

Details of contributions to the above plan during the year and contributions payable at 31 December 2009 are as follows:

	RACQ		RACQ and controlled entities	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Employer contributions to the plan				
Defined Benefit Division	359	-	3,609	-

15 Employee benefits (cont'd)

Defined benefit plan sponsored by the Company (either individually or jointly with other entities in the consolidated entity and other related parties).

	Plan assets at net market value \$'000	Total accrued benefits \$'000	Excess/ (deficit) \$'000	Total vested benefits \$'000
RACQ Superannuation Fund 2009	20,277	19,938	339	15,671
RACQ Superannuation Fund 2008(i)	20,604	17,619	2,985	14,528

(i) Plan assets at net market value, accrued benefits and vested benefits have been calculated at 30 June 2008 being the date of the most recent financial statements of the plan.

Actuarial assumptions

- Discount rate 4.80% pa
- Rate of investment returns 6.20% pa
- Rate of salary increases 4.00% pa
- Over the long term credited interest rates will approximate the investment returns of the assets backing the defined benefit liabilities
- Rates of death and disablement and early retirement and resignation based on documented past experience
- Contributions tax of 15% on employer contributions including members packaged contributions.

The major categories of plan assets as a percentage of total plan assets are as follows:

- Australian equities 23.00%
- International equities 16.00%
- Australian fixed interest securities/cash 46.00%
- Alternative assets 3.00%
- Property 12.00%

16 Reserves

Investment revaluation
General

	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Investment revaluation	-	-	35,275	30,439
General	52,542	52,542	42,197	42,197
	52,542	52,542	77,472	72,636
Reconciliation of movements during the year				
(a) Investment revaluation reserve				
Balance at the beginning of year	-	-	30,439	54,134
Increase/(decrease) in market value of available-for-sale financial assets during year (net of tax)	-	-	4,836	(23,695)
Balance at end of year	-	-	35,275	30,439
(b) General reserve				
Balance at the beginning of year	52,542	52,542	42,197	42,197
Balance at end of year	52,542	52,542	42,197	42,197
Total reserves	52,542	52,542	77,472	72,636

16 Reserves (cont'd)

Investment revaluation reserve

As a result of the nomination of 'other investments' being as available-for-sale assets under AASBI 39, movements in fair value of these assets other than impairments are adjusted through this reserve.

General reserve

The amount standing to the credit of the general reserve resulted from prior period allocations of retained profits for non-specific purposes.

	RACQ		RACQ and controlled entities	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Retained profits at beginning of year	299,000	281,796	444,567	456,411
Net profit attributable to members of the parent entity	24,126	17,204	63,305	(11,844)
Retained profits at the end of the year	323,126	299,000	507,872	444,567

17 Retained profits

18 Leases and commitments

Operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:

Within one year	1,224	1,275	1,224	1,275
One year or later and no later than five years	1,750	2,645	1,750	2,645
Later than five years	-	-	-	-
	2,974	3,920	2,974	3,920

The consolidated entity leases property under operating leases expiring within one to five years. Leases generally provide the consolidated entity with a right to renewal at which time all terms are renegotiated.

Capital expenditure commitments

Contracted but not provided for and payable:

Within one year	2,287	1,210	2,287	1,210
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Operating lease revenue as lessor

Future revenues not provided for in the financial statements

Within one year	1,293	1,249	3,419	3,268
One year or later and no later than five years	1,364	3,785	1,409	6,912
	2,657	5,034	4,828	10,180

The consolidated entity leases out investment property under operating leases. During the year income of \$3,350,000 was recognised (2008: \$3,197,000).

Direct operating expenses including repairs and maintenance associated with holding these investment properties were \$727,000 (2008: \$268,000).

19 Financial instruments

Fair values of financial assets and liabilities

Valuation approach

Fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

Listed shares, unsecured and convertible notes, and government and semi-government stocks and bonds are traded in an organised financial market. The fair values of these investments, except convertible notes, are determined by valuing them at the current quoted market bid price. The fair values of convertible notes are determined by valuing them at the current quoted market offer price, with the debt and equity conversion option component parts separately valued.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the future cash flows or amounts due to or from third parties. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows.

The carrying amounts of the following financial assets and financial liabilities approximate their fair value:

- Cash
- Receivables
- Inventories
- Unearned subscriptions
- Payables
- Interest bearing liabilities
- Employee benefits.

Risk management

The Company and the consolidated entity are not materially exposed to foreign exchange risk or commodity price risk. The Company and the consolidated entity have not entered into any off-balance sheet financial instruments during the year ended 31 December 2009.

Credit risk

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the Balance Sheet, is the carrying amount, net of any provision for impairment. The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers. The consolidated entity is not materially exposed to any individual customer or counter-party. The credit risk on investments is minimised by investing primarily in major financial institutions and blue-chip equities.

The Company's and consolidated entity's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying Amount			
	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Australia	416,506	394,984	3,947	4,611

19 Financial instruments (cont'd)

The Company's and consolidated entity's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying Amount			
	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Receivables due from controlled entities	412,942	391,526	-	-
Receivables due from associate	1,256	1,102	1,256	1,102
Trade receivables	2,308	2,356	2,691	3,509
	416,506	394,984	3,947	4,611

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
	Balance at 1 January	11	11	41
Balance at 31 December	11	11	41	41

Based on historic default rates, management believes that no further impairment allowance is necessary in respect of trade receivables not past due or past due by up to 60 days.

Interest rate risk

The consolidated entity's investments in fixed-rate debt securities are exposed to a risk of change in their fair values due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2009	Note	Effective interest rate	Fixed interest maturing in:				Total \$'000
			Floating interest rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	Non-interest bearing \$'000	
<i>Financial assets</i>							
Cash	5	3.64%	4,262	-	-	-	4,262
Receivables	6	-	-	-	-	3,947	3,947
<i>Other financial assets</i>							
Investments – current	8	5.51 %	-	127,109	-	-	127,109
Investments – non-current	8	5.83 %	-	-	249,985	113,414	363,399
			4,262	127,109	249,985	117,361	498,717
<i>Financial liabilities</i>							
Payables	14	-	-	-	-	22,293	22,293
Employee benefits	15	-	-	-	-	11,465	11,465
			-	-	-	33,758	33,758

19 Financial instruments (cont'd)

2008	Note	Effective interest rate	Floating interest rate \$'000	Fixed interest maturing in:			Total \$'000
				1 year or less \$'000	Over 1 to 5 years \$'000	Non-interest bearing \$'000	
<i>Financial assets</i>							
Cash	5	4.07%	5,018	-	-	-	5,018
Receivables	6	-	-	-	-	4,611	4,611
<i>Other financial assets</i>							
Investments – current	8	6.04 %	-	166,355	-	-	166,355
Investments – non-current	8	6.15 %	-	-	159,397	111,314	270,711
			5,018	166,355	159,397	115,925	446,695
<i>Financial liabilities</i>							
Payables	14	-	-	-	-	26,832	26,832
Employee benefits	15	-	-	-	-	10,515	10,515
		-	-	-	-	37,347	37,347

Liquidity risk

The contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, are limited to trade and other payments of the Company with a carrying amount of \$50,367,000 as at 31 December 2009 (2008: \$53,379,000) and the consolidated entity with a carrying amount of \$22,293,000 as at 31 December 2009 (2008: \$26,832,000). In addition, employee benefits will result in contractual cash outflows within 12 months, equivalent to the carrying amount of \$7,977,000 (2008: \$7,324,000). Long-term employee benefits, in relation to long service leave, will result in contractual cash outflows within the next two to 10 years, and have a current carrying amount of \$3,488,000 (2008: \$3,190,000).

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss. However, a 1 percent increase in the interest rate at the reporting date would have decreased market value by \$3,824,039 after tax (2008: \$2,271,453); an equal change in the opposite direction would have increased market value by \$3,928,203 after tax (2008: \$2,365,175). At the reporting date the interest rate profile of the Company's and Group's interest bearing financial instruments was:

	Carrying Amount			
	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Fixed rate instruments				
Financial assets	4,262	5,018	381,356	330,770
Financial liabilities	-	-	-	-
	4,262	5,018	381,356	330,770

19 Financial instruments (cont'd)

Fair values

Fair values versus carrying amounts

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

RACQ

	31 December 2009		31 December 2008	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	\$'000	\$'000	\$'000	\$'000
Surplus/(Shortfall) – Defined benefits superannuation fund	339	339	(2,358)	(2,358)
Investment property	865	865	875	875
Loans and receivable	416,506	416,506	394,984	394,984
Cash and cash equivalents	4,262	4,262	5,018	5,018
Trade and other payables	50,367	50,367	(53,379)	(53,379)
	472,339	472,339	345,140	345,140

RACQ and controlled entities

	31 December 2009		31 December 2008	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	\$'000	\$'000	\$'000	\$'000
Surplus/(Shortfall) – Defined benefits superannuation fund	339	339	(2,358)	(2,358)
Equity securities available-for-sale	104,877	104,877	109,117	109,117
Debt securities for sale	367,322	367,322	318,852	318,852
Interest bearing deposit available-for-sale	9,772	9,772	6,900	6,900
Other unlisted investment available-for-sale	8,198	8,198	10,698	10,698
Investment property	14,394	22,490	14,650	22,800
Investment accounted for using equity method	107,818	107,818	80,262	80,262
Loans and receivable	3,947	3,947	4,611	4,611
Cash and cash equivalents	4,262	4,262	5,018	5,018
Trade and other payables	(22,293)	(22,293)	(26,832)	(26,832)
	598,636	606,732	520,918	529,068

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

19 Financial instruments (cont'd)

31 December 2009

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available-for-sale financial assets	481,971	3,056	5,142	490,169
Financial assets designated at fair value through profit or loss	339	-	-	339
Financial assets held for trading	-	-	-	-
Derivative financial assets	482,310	3,056	5,142	490,508
Derivative financial liabilities	-	-	-	-
	482,310	3,056	5,142	490,508

31 December 2008

Available-for-sale financial assets	434,869	5,156	5,542	445,567
Financial assets designated at fair value through profit or loss	-	-	-	-
Financial assets held for trading	-	-	-	-
Derivative financial assets	434,869	5,156	5,542	445,567
Derivative financial liabilities	-	-	-	-
	434,869	5,156	5,542	445,567

20 Auditors' remuneration

Audit services:

	RACQ		RACQ and controlled entities	
	2009	2008	2009	2008
Audit of the financial statements	90,400	93,100	90,400	93,100
Regulatory audits	-	-	4,600	4,400
	90,400	93,100	95,000	97,500

Other services:

Tax compliance services	34,134	70,950	43,384	70,950
Other advisory services	9,153	30,900	68,745	65,264
	43,287	101,850	112,129	136,214

21 Controlled entities

Particulars in relation to the controlled entities

	Interest held	
	2009	2008
	%	%
Parent entity		
The Royal Automobile Club of Queensland Limited		
Controlled entities		
RACQ Investments Pty Ltd	100	100
The Road Ahead Publishing Co Pty Ltd	100	100
RACQ Operations Pty Ltd	100	100
RACQ Investments No.2 Pty Ltd	100	100
RACQ Community Fund Pty Ltd	100	100
AAA Rewards Pty Ltd	100	100
RACQ Charitable Trust Fund	100	100

Shares in RACQ Operations Pty Ltd and RACQ Investments No. 2 Pty Ltd are held directly by the parent entity, The Royal Automobile Club of Queensland Limited. RACQ Investments Pty Ltd and The Road Ahead Publishing Co Pty Ltd are held indirectly by the parent entity, The Royal Automobile Club of Queensland Limited, through its 100% interest in RACQ Operations Pty Ltd.

22 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit, and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- RACQ Operations Pty Ltd
- RACQ Investments Pty Ltd
- RACQ Investments No. 2 Pty Ltd
- The Road Ahead Publishing Co Pty Ltd.

As all operating subsidiaries are a party to the Deed, the consolidated income statement and consolidated balance sheet presented in this financial report presents the financial performance and position of the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 December 2009.

23 Investments accounted for using the equity method – RACQ Insurance Limited

The consolidated entity accounts for investments in associates using the equity method

Share of net profit accounted for using the equity method included in the income statement

Consolidated

2009 **2008**
\$'000 **\$'000**

27,556 (18,098)

Results of associate

Share of associate's revenue

298,820 317,632

Share of associate's operating profit/(loss) before income tax

38,016 (26,264)

Share of associate's income (tax expense)/benefit

(10,460) 8,166

Share of associate's net profit/(loss) – equity accounted

27,556 (18,098)

Share of post acquisition retained profits and reserves attributable to associate

Share of associate's retained profits at the beginning of the financial year before provision for dividend

31,821 57,419

Share of net profit/(loss) of associate in current year

27,556 (18,098)

Dividends from associate

- (7,500)

Share of associate's retained profits at the end of the financial year

59,377 31,821

Contribution of share capital

27,500 27,500

Share of associate's general reserve at the end of the financial year

17,500 17,500

Cost of investment in associate

3,441 3,441

Equity accounted carrying amount of investment

107,818 80,262

Movements in carrying amount of investment

Carrying amount of investment in associate at the beginning of the financial year

80,262 98,360

Share of associate's net profit/(loss)

27,556 (18,098)

Contribution of additional share capital

- 7,500

Dividend received from associate

- (7,500)

Carrying amount of investment in associate at the end of the financial year

107,818 80,262

Summary performance and financial position of associate – parent entity share

The consolidated entity's share of aggregate assets, liabilities and profit of the associate are as follows:

Net profit/(loss) – as reported by associate

27,556 (18,098)

Current assets

258,184 291,548

Non-current assets

320,908 252,191

Total assets

579,092 543,739

Current liabilities

281,708 245,370

Non-current liabilities

189,566 218,107

Total liabilities

471,274 463,477

Net assets – as reported by associate

107,818 80,262

Net assets – equity adjusted and carrying amount of investment in associate at year end

107,818 80,262

Commitments and contingent liabilities

The associate has no material commitments or contingent liabilities that require disclosure.

Details of the investment in the associate are as follows:

Name	Principal activities	Balance date	Ownership Interest		Investment carrying amount	
			Consolidated		Consolidated	
			2009	2008	2009	2008
			%	%	%	%
RACQ Insurance Limited	General insurance	31 December	50	50	107,818	80,262

24 Related parties

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Directors

During the financial year, the Directors of the Company were:

R J Pietsch (Chairman)	D G Howe
G C Leddy (Deputy Chairman)	E M Jameson
N W F Alexander	P K Long
F L Barker	S J Maitland
A M Gambling	B K Morris

Executives

I A Gillespie (Chief Executive Officer and Company Secretary)
 P V Williams (General Manager Corporate Governance and Company Secretary)
 R Z Ayling (General Manager People)
 G J Fites (General Manager External Relations)
 I L Mitchell (General Manager Marketing & Commercial)
 L M Muller (Chief Financial Officer)
 B E Rice (General Manager Technology)
 G A Toms (General Manager Operations)

Transactions with key management personnel

No key management personnel have entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving key management personnel interests subsisting at year end.

Key management personnel of the Company and consolidated entity may obtain membership and insurance services from the Club and/or the associated company, RACQ Insurance Limited, on the same terms and conditions as those obtained by Company employees. Key management personnel may also obtain other services and products from the Company on terms and conditions no more favourable than those available to members and are immaterial in nature.

There are no loans to/from key management personnel.

Remuneration of key management personnel

Short-term benefits
 Post-employment benefits
 Other long term benefits
 Termination benefits

	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
	1,827	1,373	2,838	2,600
	347	432	550	683
	56	(40)	74	22
	-	157	-	157
	2,230	1,922	3,462	3,462

The remuneration paid to Directors by the Company is in accordance with its limit of \$600,000 (2008: \$600,000) as approved by the members of RACQ. Various Directors of RACQ are also Directors of related organisations. Remuneration paid to these Directors is paid by those related organisations and not by the Club. Remuneration paid by related organisations to RACQ Directors during the year totalled \$240,286 (2008: \$277,200).

24 Related parties (cont'd)

The aggregate amounts receivable from, and payable to, related parties by the Company at balance date were:

	The Company	
	2009	2008
	\$'000	\$'000
<i>Receivables</i>		
RACQ Insurance Limited	1,256	1,102
RACQ Operations Pty Ltd	361,153	316,660
RACQ Investments Pty Ltd	22,696	57,029
RACQ Investments No. 2 Pty Ltd	-	-
Road Ahead Publishing Co Pty Ltd	29,093	17,837
	414,198	392,628
<i>Payables/borrowings</i>		
RACQ Charitable Trust Fund	7	8
RACQ Investments No. 2 Pty Ltd	35,714	35,714
	35,721	35,722

All dealings with related parties are in the ordinary course of business and on normal terms and conditions. No interest was charged or received on receivables or payables from any related parties of the Company, and all amounts are at call.

Included in the current year consolidated results is a charge made by the Company and a controlled entity to RACQ Insurance Limited for services amounting to \$37,617,418 (2008: \$35,956,451).

25 Parent entity structure

The parent entity, The Royal Automobile Club of Queensland Limited, is a company limited by guarantee and has no share capital. In the event of winding up, members are liable to the amount of \$2.10 per member. The Company has 1,309,541 (2008: 1,280,472) guaranteeing members.

26 Dividends

Dividend franking account

Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements.

	RACQ		RACQ and controlled entities	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Class C 30% (2008: 30%) franking credits – Company	70,406	70,213	70,406	70,213
Class C 30% (2008: 30%) franking credits – Subsidiaries	-	-	62,150	59,852
	70,406	70,213	132,556	130,065

RACQ is a mutual company which does not pay dividends and accordingly is unable to utilise or distribute the franking account credits.

Franking credits available have been measured in accordance with the New Business Tax System (Imputation) Act 2002 on the income tax paid basis.

27 Notes to the cash flow statements

(i) Reconciliation of cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank, net of outstanding bank overdrafts. Cash as at the end of the financial year, as shown in the Statements of Cash Flows, is reconciled to the related items in the balance sheet as follows:

	Note	RACQ		RACQ and controlled entities	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash and cash equivalents	5	4,262	5,018	4,262	5,018
(ii) Reconciliation of operating profit after income tax to net cash provided by operating activities					
Profit for the period		24,126	17,204	63,305	(11,844)
<i>Add/(less) items classified as investing activities:</i>					
Loss/(profit) on sale of property, plant and equipment and investments		956	(8)	(15,001)	448
Dividends received		-	-	(5,044)	(6,916)
Rent received		(1,259)	(1,198)	(3,350)	(3,197)
Interest received		(84)	(150)	(22,521)	(21,217)
<i>Add/(less) non cash items:</i>					
Share of associate's net result (net of dividends received)		-	-	(27,556)	25,598
Impairment charge on investments		-	-	2,179	23,445
Depreciation		6,646	6,014	6,946	6,320
Increase/(decrease) in income tax payable		(165)	(114)	452	(1,321)
Net cash provided by/(used in) operating activities before change in net assets and liabilities		30,220	21,748	(590)	11,316
<i>Change in assets and liabilities:</i>					
Inventory		3	10	(35)	7
Receivables		48	(629)	818	(1,478)
Other financial assets		-	-	-	-
Prepayments		-	-	251	296
Intangible assets		-	-	-	(719)
Unearned subscriptions		4,898	4,092	4,898	4,092
Payables		(654)	5,208	(2,181)	5,261
Other investments		(2,697)	7,687	(2,697)	7,687
Provision for employee benefits		169	189	950	667
Future income tax benefit/provision for deferred tax		809	(3,013)	4,355	(10,606)
Loans from/to controlled and associated entities		(21,570)	(25,698)	(154)	922
Net cash provided by/(used in) operating activities		11,226	9,594	5,615	17,445

28 Amount, timing and uncertainty of cash flows

The major source of revenue for RACQ and controlled entities is membership subscription income. The only significant risk to profit from membership subscription income is the cost of members' demand for road service exceeding this revenue. This risk is mitigated predominantly through the use of a fixed cost operating structure based on estimated future demand. Estimated future demand can depend on a number of factors which cannot be predicted with significant accuracy such as adverse weather conditions or upward volatility in the price of fuel. RACQ Group budgets contain amounts conservatively calculated to cover the cost of such factors which in the past have generally proved more than adequate.

In addition, the method of calculating earned subscription income adds certainty to future revenue, as subscription income is spread using a time based formula which ascribes a portion of the subscription to the unexpired period of membership.

Although members are spread across the state of Queensland there is substantial concentration of members in the south east corner of the state and in provincial cities and towns where population density is higher.

It is our belief that the terms and conditions of membership do not have a material effect on the amount, timing and uncertainty of cash flows.

The already strong cash flows of RACQ and controlled entities are further supported by a program of regular maturities of fixed interest investments throughout the year. Risks associated with consolidated entities investment holdings are outlined in Note 19.

The consolidated entity also has a 50% investment in RACQ Insurance Limited. Dividends from RACQ Insurance depend on that company's performance. RACQ Insurance underwrites personal lines of insurance comprising home, motor and compulsory third party policies. The risks of underwriting are managed by RACQ Insurance through a number of risk management strategies, the primary one being reinsurance.

There are no other significant risks affecting the amount, timing and uncertainty of cash flows.

29 Intangible assets

	RACQ			RACQ and controlled entities		
	Goodwill \$'000	Other \$'000	Total \$'000	Goodwill \$'000	Other \$'000	Total \$'000
2009						
Cost/Carrying amounts						
Balance at 1 January 2009	-	-	-	719	-	719
Amortisation for the year	-	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-	-
Balance at 31 December 2009	-	-	-	719	-	719
Cost/Carrying amounts						
Balance at 1 January 2008	-	-	-	-	-	-
Acquisitions through business combinations	-	-	-	719	-	719
Balance at 31 December 2008	-	-	-	719	-	719

30 Post balance date events

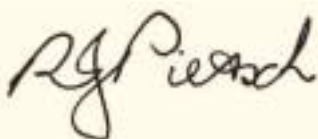
On 24 February 2010, Suncorp-Metway Limited (Suncorp) announced its intention to exercise its periodic option, as permitted by the RACQ Insurance Shareholders Agreement, to put its shareholding to RACQ. On 28 February 2010, Suncorp issued the formal Put Notice to RACQ. In accordance with the Shareholders Agreement, RACQ is required to acquire Suncorp's shareholding in RACQ Insurance on an agreed basis, or failing agreement, for the value assessed by a Nominated Expert who will determine the Fair Market Value of the shareholding. RACQ is obliged to settle the transaction within 5 business days of receipt of the final determination by the Expert or within 2 days after receipt of all regulatory approvals.

On completion of this transaction, RACQ Insurance would become a wholly owned subsidiary of RACQ and would in future years be consolidated into the Group Financial Statements.

Directors' declaration

- I In the opinion of the Directors of The Royal Automobile Club of Queensland Limited:
 - (a) the financial statements and notes, set out on pages 34 to 64, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31 December 2009 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
 - (c) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).
- 2 There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 22 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

Signed in accordance with a resolution of the Directors:



R J Pietsch

Chairman

Dated at Brisbane

this 23rd day of March 2010.