

# RACQ

105th ANNUAL REPORT 2009





## Our Vision

RACQ ... a must for all Queenslanders.



## Roadmap 2030

By 2030, RACQ aims to be a truly multi-dimensional modern mutual, offering Queenslanders at least two primary reasons for joining beyond roadside assistance.



## Our Values

### **Members First**

Our members are the reason we exist and will remain our priority. We advocate our members' interests and in doing so benefit our community.

### **Trust and Independence**

We are independent and display integrity and honesty. We are empowered to be responsible and accountable. We respect others, communicate openly and share a positive attitude.

### **Working Together**

We work together, sharing information and expertise to bring clarity to problems and provide uncomplicated solutions and straightforward answers.

### **Excellence and Quality**

We are a leading organisation, setting ourselves the highest standards in all we do. We believe in doing the right things in the right way and will pursue better ways of doing these things to meet the challenges of the future.

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Our Cover: (left to right) Jane Musial, Joseph Haber, Fiona Bell-Espuis, Claudia Guglielmino, Lisa Barton, Josef Gowran, Cathie Spalding, Gavin Watts, Gina Gabris, Colin Cocks, Leonie Green, Kimberley Lloyd, Jacqui Guglielmino.

*“RACQ gave me  
a great discount  
on insurance.”*

*Cathie Spalding*

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**FACT: RACQ members  
saved \$33m on their  
insurance premiums  
in 2009.**

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## 2009 Highlights

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- Total revenue of \$174.6 million, up 7.1% on previous year.
- Surplus of \$63.3 million in 2009, after \$11.8 million loss in 2008.
- Membership grows 1.65 percent to 1,183,823, with 121,354 young Queenslanders now part of the *free2go* program.
- Calls for roadside assistance top the one million mark for the third consecutive year; with 86.9 percent of jobs attended within 40 minutes and 91.6 percent of vehicles made mobile at the roadside.
- RACQ Entertainment launched, with more than 20,000 discount movie tickets sold in first two months.
- More than 1.25 million users access the RACQ's online trip planner.
- The *150 Must Do's in Queensland* campaign to boost domestic tourism wins the state's top award for tourism marketing.
- General membership and insurance telephone enquiries total 1.5 million, with calls answered more than 20 seconds faster than the service benchmark.



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- Three new membership options – Ultimate, Lifestyle and Roadside Extra – launched with take-up rates greatly outstripping expectations.
  - Member magazine *The Road Ahead* refreshed to incorporate new lifestyle, member benefits, savings and services content, ahead of its 70th birthday in 2010.
  - New lifestyle eNewsletters attract 185,000 subscribers.
  - RACQ's refreshed brand brightens seven concept stores in Brisbane and 44 patrol vehicles as part of a five-year rollout.
  - RACQ rescue helicopters fly more than 1200 lifesaving missions.
  - In a bid to stop a new fuel tax in Queensland, RACQ amasses the state's biggest parliamentary petition with almost 140,000 signatures.
  - The Club's award winning road safety education team delivers Streets Ahead presentations to more than 21,000 primary school students.
  - Members save \$33 million on insurance premiums and \$10 million in discounts through Show Your Card and Save scheme.



*“RACQ CareFlight  
saved my life.”*

*Cristyl Gowran and her dad, Josef*

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**FACT: RACQ's helicopter  
rescue network flew  
more than 1200 lifesaving  
missions in 2009.**

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# President's overview

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**Twenty years is a very long time in our rapidly changing world. It's a truism that the only certainty for the future is uncertainty.**

But any organisation that wants to sustain itself into the future should at least be looking 'over the horizon' to a desired destination, regardless of what changes of tack may be necessary along the way to get there.

This is exactly what the RACQ

Board did in collaboration with senior management in 2009, determining and confirming an aspiration to work progressively over the next two decades towards becoming a truly multi-faceted modern mutual, offering at least two primary reasons beyond our iconic roadside assistance to become – and stay – a member.

Striving to truly become 'a must for all Queenslanders' by pursuing this direction is more than just a matter of business sustainability for RACQ. It's about ensuring Queenslanders continue to have access to a trusted, community-based organisation they can rely on to help make their everyday lives easier.

There is no doubt your Club will remain synonymous with helping motorists in distress. For one thing, it's what RACQ does better than anyone else in Queensland. But as our current advertising campaign suggests, there are other important ways RACQ can come to the 'RESQ'.

As the past year's global financial challenges pushed more people towards trusted businesses that can deliver them quality and value for money, the RACQ Board encouraged management to explore how far the Club's brand and capabilities can stretch to be more than just a breakdown service in the minds of current and prospective members.

Already, there is a strong awareness among members of the benefits of insuring their vehicles, homes, caravans and boats with RACQ Insurance. This stems not just from the membership loyalty discounts offered on premiums, but also from the comfort of dealing with a Queensland-owned insurer whose approach to service is closely aligned with that of the Club.

The Board believes there is similar potential to be of greater service, value and relevance to members in two other long-standing though relatively under-utilised RACQ offerings: personal finance and travel.

While RACQ Travel, in particular, has developed a loyal clientele over many years, based on expert advice and highly personalised service, directors are keen to see both our travel and finance offerings delivering benefits to even more

members. They can do this by more fully utilising the buying power and economies of scale that a potential customer base of 1.2 million members and their families can command. I am pleased to report that significant progress was made towards those objectives in 2009.

In essence, your Board representatives want you to realise value from your membership in excess of the annual subscription fee, regardless of whether or not you make a roadside assistance call. Whether that value is derived from a discount on insurance, movie tickets, a round of golf at Royal Pines Resort or showing your card to save on a wide range of other consumer goods and services, returning value to you, the member, is at the heart of what a mutual organisation is all about.

Mutuality is also, of course, looking after members' common interests. In 2009, RACQ strongly maintained our long tradition of advocacy for safe, affordable and sustainable mobility on behalf of motorists. In the past year we made some advances, forging a constructive partnership with Main Roads to elevate the importance of safe road environments in government thinking and policy-making. We also lost some ground, seeing the state fuel subsidy scrapped despite harnessing massive public support to retain it.

But, whatever the issue or outcome, government and the automotive industry continued to show deserved respect to an organisation that vigorously represents your legitimate and reasonable interests as motorists in an informed, constructive and responsible manner.

While the RACQ's primary responsibility is looking after our members, the sheer size of the Club's direct constituency – accounting for close to 30 percent of Queensland's entire population – brings with it a strong sense of community obligation as well. So it is both gratifying and reassuring to see market research consistently indicating the vast majority of members are strongly behind our continuing sponsorship of a variety of community-supporting services, including three helicopter rescue providers.

It is this deeply ingrained sense of community obligation that also saw the Board approve increased resources last year for RACQ's road safety education program. As a result, more than 21,000 primary school students and a total of 4638 senior motorists in metropolitan and regional centres received tailored road safety information and advice through engaging presentations from the Club's professional educators.

This annual report is testament to how well management and staff responded to the challenges of 2009. During the year the Club maintained high service standards to an increased number of members and expanded the range of services and benefits available to them, while being mindful of the need to continue to deliver value for money.

Improved investment markets and a return to profitability from RACQ Insurance after a tumultuous 2008 (in terms of both weather and investments) were significant contributors to RACQ's \$63.3 million profit for 2009. However, directors also recognise that prudent cost control is always critical to any organisation's sustained viability, irrespective of external market conditions.

In thanking and congratulating CEO Ian Gillespie and his team for excellent service and financial outcomes in a challenging economic climate last year, the Club's Board recognises that a sustained improvement in economic conditions is still not guaranteed in 2010.

Lower membership growth in 2009 reinforced to both Board and management that our voluntary association has to continually earn the loyalty – and subscriptions – of members. This is especially the case when they are being assailed as motor vehicle owners by steep increases in government taxes and charges that they simply cannot avoid paying if they wish to maintain their mobility.

Accordingly, directors will again be aiming to ensure RACQ's number one priority remains offering members the best possible value for their subscription.

As Chairman, I can assure members that your Board representatives from across Queensland bring a wide and impressive range of expertise to all deliberations on the governance and strategic direction of your Club. Just as importantly, all of the Board's decisions must pass the 'member benefit' test.



**Richard J Pietsch**

President





*“RACQ makes  
learning to  
drive easier.”*

*Claudia Guglielmino*

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FACT: RACQ Learn2go  
provides the tools for  
learner drivers to get  
their licence.

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# Chief Executive Officer's operational report



**RACQ – like the rest of the world – started 2009 in the midst of the worst global financial crisis since the Great Depression.**

Great uncertainty permeated all quarters and not even the financial experts really knew how much worse things would become.

As we begin 2010, all the indications are that Australia has weathered the

storm better than most other countries and we are starting to return to more prosperous times.

The RACQ has come through the storm well and certainly hasn't been obliged to face some of the tough decisions made by other businesses and governments around Australia.

We have succeeded largely due to the loyalty of our members, our first-rate staff, strong brand identity, sound operational performance, a debt-free balance sheet and careful governance by the Board.

And while the tight economic conditions might have been expected to prompt cuts in the member and community services offered by your Club, the direction from the Board was that cost efficiencies must be delivered without impinging service standards and member benefits.

In fact, we were able to achieve more than that.

We were able to manage costs across our operational areas while also enhancing the value of our investment portfolio.

As well, your Club was able to grow existing programs, offer new products and benefits, produce a financial surplus, and maintain Australia's lowest automobile club subscription while delivering world-class motoring services and growing membership.

Specifically, we:

- Generated a surplus of \$63.3 million after a loss of \$11.8 million in 2008
- Launched three new membership options, the first in 10 years
- Responded to more than one million calls for roadside assistance
- Overhauled the member magazine, *The Road Ahead*, and launched 12 eNewsletters, with 185,000 subscriptions
- Saved our members more than \$33 million on insurance premiums and \$10 million in discounts through the Show Your Card and Save scheme

- Won two awards for travel and tourism initiatives
- Launched RACQ Entertainment, to provide members with discounted movie and theatre tickets.

These and other achievements of 2009 are detailed in the following pages.

## **Roadside assistance to the max**

**Despite modern cars being more reliable than ever, calls for roadside assistance were over the one million mark (1,028,535) for the third consecutive year, with RACQ patrols and contractors achieving a 91.6 percent 'go rate' at the roadside.**

The importance of the Club's roadside expertise was highlighted in our being called on to free close to 1200 children trapped in cars in 2009. That's an astounding average of more than three a day.

While these lock-ins were almost universally accidental, it is important to know that the interior heat of a vehicle can reach life-threatening temperatures within a matter of minutes – summer or winter.

Our patrols and contractors provide this potentially lifesaving service to members and non-members as part of the Club's commitment to the Queensland community.

RACQ's expertise in providing roadside assistance was further recognised by the State Government and Brisbane City Council with the extension of contracts to provide congestion-relieving services on key freeways and major arterials in the Greater Brisbane area.

The fleet of traffic response units (TRUs) and quick clearance vehicles was expanded to eight with the commissioning of two TRU Max vehicles, which are able to clear obstructions such as crash debris and oil spills, from the road.

The traffic response units attended more than 11,300 incidents, and a further 8,600 freeway quick clearance jobs were completed in 2009, in partnership with the Department of Transport and Main Roads and Brisbane City Council.

To further improve member service on the roads, RACQ revamped the delivery of roadside assistance contract towing services in Brisbane with 13 dedicated and liveried recovery trucks now operational.

The reach of the Club's child restraints fitting service was also expanded from seven locations to 11. RACQ introduced a child restraint advisory, sales and fitting service more than 20 years ago and now handles more than 4000 telephone enquiries a year on issues such as the legal requirements and correct selection, installation and use of child restraints.

The expanded service was made possible by training the Club's vehicle inspectors throughout the state to fit the restraints.

RACQ launched three new membership options, the first in more than a decade, to meet the changing needs of Queenslanders.

One of these, appropriately named *Ultimate* and with benefits worth \$7000 annually, is the most comprehensive the Club has offered and provides unparalleled assistance Australia-wide. Clearly this package struck a chord with members, with the take-up rate outstripping expectations by more than 500 percent. Our enhanced assistance offerings of RACQ *Plus*, *Ultra* and *Ultimate* now afford personalised protection to 34.6 percent of all Club members.

The new *Roadside Extra* option grants extended towing benefits beyond normal Club Care entitlements for an additional \$11 annually, while *Lifestyle* offers members who do not require roadside assistance all the other benefits of RACQ membership.

Overall membership growth, at 1.65 percent, was not as strong as in recent years. But this was offset to some degree by a strong retention rate of 92 percent among existing members. Of a total membership of 1,183,823, more than 252,000 members have been with the Club for at least 25 years and we have had the honour of serving 20,374 of them for 50 years or more.

At a time when the community focus was on the safety of young drivers, we were also pleased to see our *free2go* youth membership numbers grow by 9.6 percent to 121,354 young Queenslanders aged between 16 and 20.

Combined with our *Learn2go* program, which is designed to help learner drivers gain the experience they need to obtain their driver's licence, this program provides opportunities for the Club to assist young people become safe drivers and informed motoring consumers.

### **We're looking good**

**Through our 105-year history, RACQ has expanded from our original role as a motoring advocacy group to incorporate services such as roadside assistance, insurance, travel and finance, to be an increasingly essential part of the everyday lives of Queensland motorists and their families.**

Last year your Club launched a contemporary new look to better represent the RACQ as it is today. The new look, featuring the Club's signature yellow, refreshed logo and new technology, was rolled out in seven concept stores across Brisbane. These new stores have been designed to make doing business with RACQ even easier, and offer members and customers comfortable waiting areas, consultation rooms, and improved service.



# Chief Executive Officer's operational report (continued)

The rollout, which will happen over five years, has also extended to the Club's website, staff uniforms, signage at many of our branches and offices, and more than 44 of our 200-plus patrol and contractor vehicles.

## Have suitcase, will travel

**In the year RACQ's travel service celebrated its 50th anniversary, it was appropriate the area underwent an overhaul with the aim of boosting its business fivefold in the next five years.**

Central to this strategy, which builds on the Club's purchase of SunCity Travel in 2008, is improved communication with RACQ members to ensure they are aware of the many special offers and discounts available exclusively to them.

A new regular eNewsletter detailing these offers and the Australian and worldwide travel options available, has proved popular. This will be supported by further possible expansion of the Club's travel network from 10 locations in 2010.

RACQ's expertise in travel and tourism – whether a grand tour of Europe by luxury cruiser or a 4WD adventure to Outback Queensland – has been built over five decades. Last year, our *150 Must-Do's in Queensland* campaign was recognised by the industry by winning the top award for tourism marketing.

The campaign's aim was twofold: to celebrate the Queensland's 150th birthday and to boost the state's ailing tourism industry by encouraging Queenslanders to holiday at home.

The campaign began with a public online poll, supported by TV advertising, to discover the state's ultimate must-do experience, gathering more than 155,000 votes in less than three months. The Club produced a free *150 Must-Do's in Queensland* map, which is available from RACQ stores and accredited visitor information centres statewide.

The RACQ also had a winning presence at the 2009 Queensland Caravan and Camping Show, taking out the Best Stand – Tourism Regional or Group award.

## Read all about it

**Another way we improved communication with our members, while also adding extra benefits, was through *The Road Ahead*.**

The bimonthly member magazine, with a print run of 950,000 and an estimated readership of 1.6 million, has been published since 1940. Ahead of its 70th birthday in 2010, it underwent a major redesign to broaden its appeal to the wide cross-section of readers it reaches.

The magazine has been 'refreshed' from cover to cover with new lifestyle, member benefits, savings and services content, and a new *Road Ahead Lifestyle* website launched in April provides engaging content, special member offers and competitions.

As well, the 12 new lifestyle eNewsletters that were launched attracted 185,000 subscriptions. These newsletters offer free, tailored lifestyle information in areas such as food and recipes, home and garden, technology and gadgets, and motoring and travel, direct to members' email inboxes on a monthly basis.

## Do you want popcorn with that?

**At RACQ, we realise that the size of our membership (more than a quarter of the state's population) put the Club in a strong position to broker discounts on a variety of consumer products and services for our members.**

Under the *Show Your Card and Save* program, members can access discounts on a wide variety of consumer goods and services from car batteries, computers and baby capsules, to five-star holiday accommodation, health insurance and the 'hottest' theme park tickets.

The Club's newest member benefit program, RACQ Entertainment, was launched in December 2009 with Oscar-winning success, chalking up more than 20,000 discount movie ticket sales in less than two months.

Members can now see the latest big screen offerings at Birch Carroll & Coyle, Queensland's largest movie chain, at almost 40 percent off the normal ticket price.

The program will provide members with ongoing access to heavily discounted movie tickets and pre-sale tickets to many popular concerts, sporting events and arts performances through Ticketek and the Queensland Performing Arts Centre in Brisbane.

Theme park tickets again proved popular in 2009, with more than a quarter of a million members, families and friends enjoying the fun and action of Queensland's popular attractions, at a total saving of \$1.2 million.

The Club's *Show Your Card and Save* program delivered discounts worth a total \$10 million to members last year. But even more impressive was the amount Club members saved on premiums through RACQ Insurance – \$33 million. This figure underscores the importance of the insurance company to RACQ, not just in generating vital income to cover not-for-profit member services, but also in the direct benefits to those members who choose to insure through their Club's insurance company.



### **Finance service on the money**

**RACQ's finance service proved its value to members in 2009, especially as the global financial crisis left many of the more 'traditional' finance institutions unwilling or incapable of maintaining their pre-GFC lending patterns.**

With additional and more effective promotion, RACQ grew the number of loans written by 19 percent while at the same time providing members with discounted interest rates for new and used vehicles, home improvements, boats and other consumer purchases. The finance service, underwritten by our Victorian affiliate RACV, was supported with improved online tools such as an easy to use repayment calculator and an express application facility.

RACQ Auto Glass, another relatively new Club service, celebrated its first year of operation in December. The service offers RACQ members a 20 percent discount on windscreen replacement and repair, is open 24/7, and also offers a mobile service to work, home or elsewhere. Our Auto Glass service is now available in Brisbane, Townsville and Toowoomba, with plans to expand further in 2010.

### **It's technical**

**In 2009, RACQ focussed our energy on technology upgrades in many parts of the Club's operations to improve our efficiency and member services.**

The first stage of a strategy to boost the capacity and appeal of the Club's website was completed. Members will see the impact of stage two of this project by May 2010, with the launch of a new site that will make it easier for them to find information about, and do business with, the Club.

The Club's trip planner, which continued to be the most visited application with more than 1.25 million users, was rebuilt and upgraded.

Mobile receipting and inventory management was introduced across the Club's fleet of patrol vehicles and our vehicle inspection services were boosted with a new digital auto-check system that eliminated hand-written reports.

Much of the research and preliminary work was completed towards the introduction of new software in 2010 that will allow the Club to improve the way it communicates with members. This is a big undertaking that will impact all our operations, but we are convinced it will deliver equally big improvements to member service.

The Club's telephone systems were also upgraded to better service the 1.5 million general membership and insurance enquiries through our 13 1905 number and another 1.3 million roadside and national assistance enquiries through our 13 1111 number. These figures were down on 2008, but this was good news in that it reflected fewer insurance claims due to storms and floods.

Thousands of those calls did, however, provide greater peace of mind for members: 67,729 seeking expert technical advice relating to car purchases or repairs; 25,398 who sought vehicle inspections; and a further 3,784 taking advantage of free legal information on such matters as vehicle purchase contracts and traffic offences.

Our branch staff completed 673,775 transactions for members and customers.

# Chief Executive Officer's operational report (continued)

## Ensuring your voice is heard

**Back in 1905, a dozen of Queensland's pioneer motorists realised that if they were to have safe roads on which to travel, they should band together to ensure government heard about their needs.**

They formed what was to become the RACQ, and 105 years later advocacy in relation to road funding, road safety, vehicle standards and other relevant issues remains a key function of the Club.

In 2009, the pursuit of safe, affordable and sustainable mobility on behalf of members took many forms and achieved a variety of outcomes. It was reassuring that research among members showed that seven out of 10 believed their views and those of the Club aligned, and an equal number thought the Club was an effective advocate on their behalf.

Our members also told us that they continued to be most concerned about the safety and cost of motoring.

In the wake of the scrapping of the state's fuel subsidy last year, the cost of fuel, closely followed by road safety, were the two biggest concerns among more than 1000 RACQ members who participated in the Club's 2009 motoring issues monitor survey.

The overall level of concern about motoring costs expressed by members was hardly surprising, given the State Government added more than nine cents a litre to fuel taxes and increased car registration fees by up to 22 percent.

The fuel tax announcement came despite earlier assurances to the RACQ and the people of Queensland that the fuel subsidy was here to stay – and despite the Club harnessing massive public support to retain it. Our campaign resulted in almost 140,000 people signing an online petition, the largest petition of any type in the State's history, and vigorous opposition from a coalition of concerned organisations led by RACQ.

However, constructive engagement was maintained with the State Government on a number of fronts – not least through a joint project with Main Roads to elevate the importance of safe road environments in government thinking and policy-making.

Queensland's annual road toll is a major public health problem that costs more than 300 lives and thousands more serious injuries. One of the Club's key initiatives in 2009 was the release of our Road Safety Priorities, which details more than 20 road safety issues the Club believes must be addressed to help reduce the number and severity of road crashes.

Road crashes in Queensland cost an estimated \$4 billion annually. The treatments for this massive problem need to be more than 'knee jerk reactions' or 'stabs in the dark' if they are to be truly effective in the long term. They must be well researched, cost-effective and, ideally, involve a 'whole of government approach' in concert with the widest possible input from an informed community.

RACQ launched a groundbreaking initiative aimed at providing consumers with point-of-sale safety information on used vehicles. We partnered with a small number of dealers to trial the Used Car Safety Ratings (UCSR) program, by placing an advisory label on vehicles alerting the buyer to the star rating system.

The initiative – the first of its kind in Australia – was designed to allow consumers to make an informed decision on the safety aspects of a used car at the point of sale. By putting Used Car Safety Ratings information on each vehicle for sale, buyers are encouraged to choose safer models, and dealers have the opportunity to remind consumers about the safety as well as other features of the vehicle.

RACQ, along with other motoring clubs and road authorities, funded a Monash University Accident Research Centre (MUARC) investigation of the types of cars driven and crashed by young people and measured the contribution of these vehicles to death and serious injury in a crash.

The study looked at more than 250,000 accidents involving young people in Australia and New Zealand from 2001 to 2005. It found that because of the cars they are driving, young people have an average 11 percent greater risk of death or serious injury if they have a crash.

The study also showed that if young drivers selected the safest used cars available, the road fatality and serious injury rate among them could be reduced by more than 80 percent.

The safety of our young drivers was also highlighted in Club research, which revealed that young P-plates are being prevented from driving a range of safe cars because of a regulatory anomaly that classifies them as high-powered vehicles.

While the Club is strongly supportive of Queensland's graduated licensing system overall, it has reservations about the system currently used to determine which vehicles a new driver is allowed to operate. In many cases vehicles deemed to be high powered actually have lower power outputs and offer less performance than similar models that a young licence-holder is allowed to drive.

Ideally, a vehicle should be evaluated with the aim of lowering its crash risk in the hands of young drivers. We should be making access to late model, safe vehicles as easy as possible for new drivers. The Club will continue to push this issue with the State Government in 2010.

*“RACQ rescued me  
from the roadside.”*

*Joseph Haber*

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FACT: RACQ answered  
more than one million  
calls for roadside  
assistance in 2009.

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# Chief Executive Officer's operational report (continued)

In an effort to create a safer and more efficient road network, an RACQ Traffic and Safety team undertook an inspection tour of major national and state highways in northern, central and southern Queensland late last year.

They travelled a total of 4000km on the Warrego, Moonie, Balonne, Mitchell, Flinders, Barkly, Landsborough and Capricorn highways, with the Club's engineering experts measuring traffic lanes, shoulders and clear zones as well as visually assessing pavement condition, delineation, ride comfort and the presence of roadside hazards and traffic mix.

Roads are an important communication and transport resource in regional Queensland, and the tour will help the RACQ with lobbying government for appropriate improvements.

The needs of our youngest road users were addressed through the RACQ's *Streets Ahead* program, in which 21,000 primary school students learnt how to be safe pedestrians, passengers and cyclists. And at the other end of the spectrum, 4638 older drivers learnt how to maintain their motoring independence through the *Years Ahead* program.

RACQ welcomed a Federal Government report proposing the introduction of "lemon laws" that would protect motorists who buy defective vehicles. The existing laws do not adequately protect motorists, with the Club routinely receiving complaints from members regarding problems with vehicles still under warranty.

Defective goods and services cost Australian consumers about \$12 billion annually, with motor vehicles regarded as the second most significant purchase made by consumers.

RACQ also welcomed the State Government's planned introduction of ignition interlock devices in repeat drink-drivers' cars to prevent them re-offending.

Alcohol interlock ignition devices that prevent over-the-limit drivers from starting their vehicles have already proved an effective road safety measure interstate and overseas. A Norwegian study showed that installing alcohol interlocks in the vehicles of convicted drink-drivers could offer cost-benefit ratios of almost nine to one.

Interlocks give offenders the option of maintaining their personal mobility – and often their employment – as long as they're prepared to effectively pass a breathalyser test every time they want to drive. That's not only a plus for road safety; it also provides a strong incentive for people whose drinking problems are not just confined to driving to moderate or eliminate their alcohol intake.

## Contributing to our community

**RACQ's commitment to supporting the Queensland community continued in 2009, with more than \$2.3 million in cash and kind going to a variety of charitable and not-for-profit services.**

Key among these is the Club's ongoing partnership with three community helicopter rescue services, which between them flew more than 1200 lifesaving missions during the year.

The first of these sponsorships with RACQ CareFlight began 17 years ago, followed by RACQ CQ Rescue and RACQ Capricorn Helicopter Rescue a decade ago.



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The three aeromedical and rescue services provide a mantle of safety to about three million people across southern, central and north Queensland, and road crash victims account for approximately 45 percent of patients transported. Regardless of the type of emergency, chances are one of the rescue helicopters will be there.

Like the RACQ, these services operate 365 days a year, and offer peace of mind in times of need. This sponsorship is clearly valued by our members, with 90% considering it second in importance only to roadside assistance.

I am proud that this year, RACQ employees have engaged in a number of staff-initiated activities, from a fundraising barbecue Chops for Choppers to Christmas gift wrapping and volunteering, to support the helicopter services.

The Club partnered with the State Government to present the RACQ Big BBQ, one of the major community events of Queensland Week and the State's 150th birthday celebrations.

It also continued to encourage excellence among tertiary students in the fields of engineering and tourism throughout Queensland with a series of academic awards and prizes. RACQ also recognised the achievements of primary and high schools through the Education Queensland Excellence Awards, and supported Bike Week, the annual Tidy Towns Litter Prevention Award, the Road Safety Awards and the Queensland Wildlife Rehabilitation Service.

For the ninth consecutive year, RACQ helped keep young people safe during Schoolies Week, by providing free bus services at four major locations.

For the first time, the Club sponsored the Human Powered Vehicle category of the Maryborough Technology Challenge, the largest educational event for students in Queensland.

### **A greener, cleaner future**

**The RACQ takes seriously the environmental impacts of motoring, which generates about eight percent of greenhouse gases in Australia.**

Through our annual survey, we know that 77 percent of members believe we should be addressing this issue.

In 2008, the Club undertook field tests that clearly showed Brisbane's morning peak hour traffic increased fuel consumption and greenhouse emissions by around 30 percent. The tests demonstrated that any serious effort to reduce greenhouse gas emissions in the road transport sector must include effective congestion-relieving measures.

It was a win for motorists and for the environment when the Queensland Government's Climate Q strategy, released in July 2009, cited the RACQ's research and included \$39.3 million

for initiatives to improve traffic flow for reduced emissions. This is a very clear example of how your Club's research, technical and advocacy capacity can inform and influence governments for better policy outcomes.

RACQ is also playing an important role in educating motorists about the steps they can take to reduce vehicle pollution and save money at the same time. 'Greener motoring' is all about drivers making small changes to their driving habits, taking better care of their vehicles, and giving more thought to their vehicle requirements next time they buy a car.

Members and other motorists can access this information via the RACQ website, fact sheets, and through a new presentation, called *Buying and driving a more sustainable car*, which is available free to business and community groups. At a time of economic pressure, the opportunity to save on motoring costs has great appeal – whether you're balancing the family or business fleet budget.

A key way we support community recycling efforts is through national Clean Up Australia Day, held annually in March. It is estimated one in five households has a used battery on the property, posing a risk to people, animals and the environment. Yet 90 percent of batteries can be recycled if disposed of correctly. RACQ sites around Queensland are opened on Clean Up Australia Day as collection points for old batteries, ensuring they don't end up in landfill, or worse.

Closer to home, the Club continued to offset the greenhouse emissions of our state-wide roadside assistance fleet through Origin Energy's accredited offset program, while other green initiatives included the installation of solar carpark lighting and rainwater tanks at our Brisbane head office, along with a native tree planting program.

### **Staff**

**At RACQ, we are committed to further developing a culture of innovation and the continuous improvement of the Club's organisational skills, systems and processes.**

We do this in our quest to be recognised as a Best Practice Employer, as well as an Employer of Choice, because ultimately that will mean better member services delivered by happier, more efficient, staff.

In 2009, we launched a range of initiatives to support these goals, including A Day in the Life program where staff have the opportunity to learn first-hand about other areas of the business. Under this program, we've had General Managers spend the day out on the road with a roadside assistance patrol, and junior staff 'shadow' a senior manager to see what's involved in their job.

# Chief Executive Officer's operational report (continued)

The Extra Step program was introduced to recognise the many different ways RACQ staff live the Club's values in their everyday roles, in particular those who deliver exceptional member service.

Our internal staff communications were refreshed and the staff health and wellbeing program introduced the popular 10,000 Steps Workplace Challenge, where teams vied to walk their way to better health and fitness.

We ran our Pulse Check employee engagement survey, achieving a participation rate of 86 percent and an engagement score of 59 percent – a 6 percent improvement on 2008. I am proud that both our participation and engagement rates are the equal highest for any auto club in Australia.

## Charting the road ahead

**For 105 years, RACQ has provided strong, independent motoring advocacy. As Queensland's largest mutual, we also assist our 1.2 million members and their families by providing a diverse range of motoring, insurance, travel and finance services.**

To ensure we are able to maintain this long tradition for service and value, we spent time in 2009 mapping our long-term strategy.

This strategy – Roadmap 2030 – provides an outline of our intended direction to ensure that within 20 years RACQ is a truly multi-dimensional modern mutual, offering Queenslanders at least two primary reasons for joining beyond roadside assistance.

Being a mutual makes the Club very different from most Australian companies, where the primary purpose is to make a profit that is returned as dividends to shareholders.

At RACQ, our primary purpose is to serve our members and to provide them with the best possible quality and value that we can, because our members are both our customers and our owners.

Our members can be certain that as we look to the future, everything we do will be underpinned by the need to provide value and quality, and to ensure sustainable profit streams to support our not-for-profit member services such as roadside assistance.

We will also do this in the ongoing context of offering our members the lowest subscription fee of any automobile club in Australia.

In the shorter term, the Club is working through the process with our joint partner Suncorp to resume full ownership of RACQ Insurance.

Your Club founded RACQ Insurance in 1970 and since 1995, has owned it in a joint venture with GIO Holdings Pty Ltd (GIO). GIO was acquired by AMP in 1999, and then by Suncorp in 2001.

Under the current joint venture agreement, both partners have a periodic option to terminate the partnership. Suncorp advised in February 2010 it would take up that option as part of its strategy to simplify and focus its business on its wholly owned insurance brands.

Negotiations are expected to be completed later this year to return RACQ Insurance to the Club's full ownership for the first time since 1995. We have worked effectively as joint venture partners, but the arrangement where Suncorp was a shareholder, service provider and competitor was a complex model.

Members can be assured that we will keep their interests front of mind as we work through the exit process with Suncorp to a mutually satisfactory conclusion. The shareholders agreement requires RACQ to purchase Suncorp's interest. In doing so, RACQ will continue to prudently manage members' accumulated reserves to ensure that service to members is maintained and improved.

We expect several new or expanded services to be introduced in 2010, including the launch of RACQ Car Electrics, which will allow for roadside replacement of alternators and starter motors, along with the expansion of a dedicated roadside towing fleet for the Sunshine and Gold Coasts.

The results of 2009 are testament to the commitment, skills and experience of everyone at RACQ – Board, management and staff – to ensuring members receive the value for money and the benefits and services they deserve.

To the Board, I extend my personal appreciation for the clear direction and strong support they have given to me and my General Managers in 2009.

I am proud to lead the RACQ team and I thank them for their enormous effort supporting the business during a challenging period, and for the outstanding results they have produced. I thank our members for their ongoing loyalty, and for allowing us to pursue our vision of being a must for all Queenslanders.



**Ian Gillespie**  
Chief Executive Officer

*“RACQ made going to the movies affordable.”*

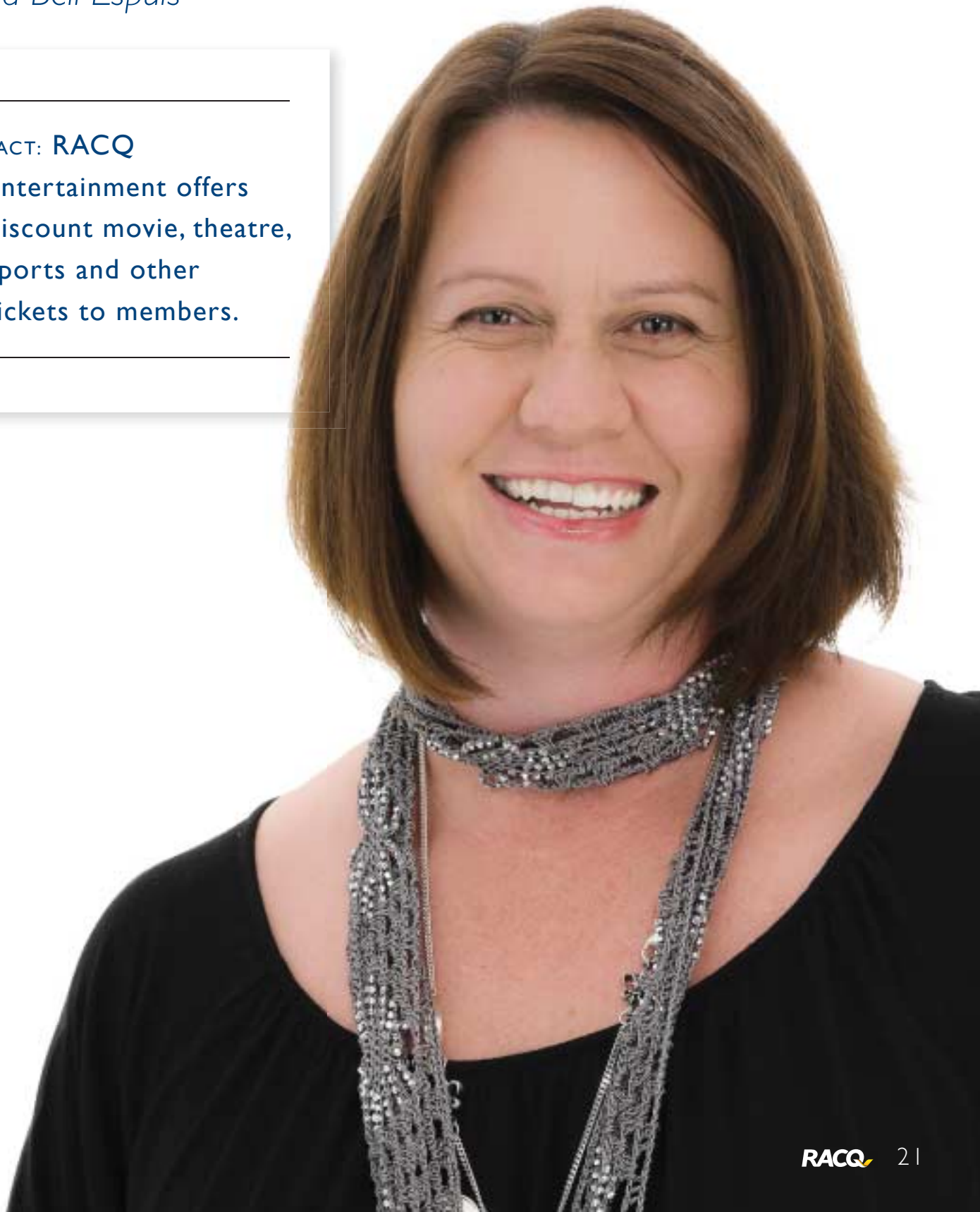
*Fiona Bell-Espuis*

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**FACT: RACQ**

Entertainment offers discount movie, theatre, sports and other tickets to members.

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# Corporate Governance Statement

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**RACQ's Board and the Senior Management Team are committed to operating the Club's business ethically and consistent with high standards of corporate governance, applied in a manner that is appropriate to the Club's particular circumstances.**

The RACQ has established a framework of processes and guidelines for the governance of the Club based on the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council. Although not a listed entity, RACQ is a major public company and the Board endorses the view that these principles form a sound platform for corporate governance practices.

## **The Board of Directors**

### **Role of the Board**

The Board has adopted a formal Board Charter setting out the roles and responsibilities of the Board. The role of the Board is to oversee and guide the management of the Club with the aim of protecting and enhancing long-term member value. The Board is responsible for the effectiveness of governance practices and the overall performance and conduct of the Club.

### **Board Composition**

The Board currently comprises 10 independent non-executive directors, with the immediate past president position being vacant. In assessing the independence of each Director, the Board considers whether he or she has any relationships that would materially affect the Director's ability to exercise unfettered and independent judgment in the interests of RACQ and its members.

The roles of Chairman and Chief Executive Officer (CEO) are separate. The Chairman is responsible for leadership of the Board and ensuring the Board performs its roles and functions. The Chairman is also responsible for facilitating the effective contribution of Directors by encouraging each Director to fully participate in the Board's activities.

The Board has a broad range of relevant financial and other skills, experience and expertise. The Board considers that, collectively, Directors have the range of skills, experience and expertise necessary to govern RACQ. Details of the skills, experience and expertise of each Director of the Club in office at the date of this report are set out on pages 26 and 27.

### **Induction and Continuing Education**

All Directors are encouraged and assisted to attend educational courses that serve to enhance their performance as Directors. Membership of the Australian Institute of Company Directors and participation in the Institute's course

on the role and duties of Directors is also actively encouraged. Induction days designed for newly appointed Directors are held as required.

### **Access to Information and Independent Professional Advice**

Each Director has the right of access to all relevant Club information and, subject to prior consultation with the Chairman, may seek independent professional advice in the discharge of their duties as Directors. The Company will pay the cost of this independent advice.

### **Relationship with Management**

The management of RACQ is conducted by or under the supervision of the CEO. The CEO is accountable to the Board for all authority delegated to management. The CEO is responsible for managing the day-to-day operations of RACQ and has authority for implementing the strategic direction in accordance with the decisions of the Board.

The CEO leads the Senior Management Team, which meets regularly to review and report on RACQ's business activities including operations, financial and investment performance and strategic direction.

## **Board Committees**

### **Board Committees Overview**

To increase its effectiveness, the Board has established a number of committees. The roles and responsibilities of each committee are set out in the respective Committee Charters, which are regularly reviewed.

### **Audit and Risk Management Committee**

The Board has established the Audit and Risk Management Committee to assist it in fulfilling its audit and compliance, corporate governance and risk management responsibilities.

### **Remuneration and Governance Committee**

The Board has established the Remuneration and Governance Committee to assist it in ensuring RACQ has appropriate ethical standards, corporate governance policies and practices, and remuneration policies and practices that enable it to attract and retain Directors, CEO and Senior Management who will best contribute towards achieving member value. During the year the previous Remuneration Committee and the Governance Committee were combined into one committee.

### **Asset and Corporate Committee**

The Board has established the Asset and Corporate Committee to assist it in the governance and stewardship of the Club's investments.



### Customer Services Committee

The Board established the Customer Services Committee to assist it in the provision and review of services to RACQ members. This Committee has now ceased as the Board believes the importance of such matters should be dealt with by the Board as whole at its regular meetings.

### Ethical and Responsible Decision Making

#### Code of Conduct

All Directors, the Senior Management Team and other employees are required to conduct themselves with the highest ethical standards of corporate behaviour when undertaking RACQ business. To that end the Directors have adopted a Director Code of Conduct. The code requires Directors to behave ethically, act within the law, avoid conflicts of interest and act honestly in all business activities.

RACQ has also adopted an Employee Code of Conduct, which sets out the principles and standards with which all employees are required to comply in the performance of their respective functions.

#### Concern Reporting

Employees are encouraged to bring any problem to the attention of management or the Human Resources Department. This includes activities or behaviour that may not be in accord with the Code of Conduct, other RACQ policies, or other regulatory requirements or laws.

### Communication

#### Regular Communication

In order to properly carry out its responsibility to govern on behalf of the members, the Board recognises the importance of members receiving relevant information in a timely manner:

Members receive information from the Club through distribution of *The Road Ahead* magazine, the Annual Report, the Chairman's address to the Annual General Meeting, and through the release of other relevant significant announcements to the media and on the Club's website.

Copies of all public statements and the Club's Annual Report are posted on the Club's website and are made available to the media.

#### Annual General Meeting

Members have the opportunity to raise matters with the members of the Board at the Annual General Meeting. The Club's external auditor attends the Annual General Meeting and is available to answer questions from members regarding the conduct of the audit, the auditor's independence, the preparation and content of the auditor's report, and accounting policies adopted by the Club in connection with the preparation of the financial statements.

# Corporate Governance Statement *(continued)*

## Risk Management

### Approach to Risk Management

The Club has a structured approach to the identification and management of risk that is consistent with the Australian Risk Management Standard AS/NZS ISO 31000. Risk is identified and assessed within this framework and all executives are accountable for managing risk within their area of responsibility.

RACQ has specific policies and processes that deal with the key areas of business risk, financial risk and compliance risk. These cover areas such as compliance and regulatory obligations, business operations, human resource requirements and occupational health and safety.

The Board's Audit and Risk Management Committee oversees this framework with respect to both financial and non-financial risk and internal audits.

### Internal Audit

The RACQ internal audit plan is prepared taking into account the above risk management approach. The annual internal audit plan is approved by the Audit and Risk Management Committee.

### Statement by CEO and CFO

As part of the process of Board approval of the Club's annual financial report, the Chief Executive Officer and the Chief Financial Officer are required to state to the Board, in writing, that the Club's financial report presents a true and fair view, in all material respects, of the Club's financial condition and operational results and is in accordance with relevant accounting standards.

## Remuneration and Performance

### Remuneration of Directors and Management

Under the Constitution, the members determine the aggregate remuneration payable to Directors, and the Board determines its allocation between Directors. Directors are entitled to be paid reasonable travelling and other expenses incurred in connection with attendances at Board and committee meetings, or otherwise in connection with the business of RACQ.

Senior Management remuneration is determined by reference to market information supplied by an independent expert.

### Board Assessments

The Board has adopted a self-assessment process to measure its own performance and the performance of its Committees during the financial year. During the reporting period, the Board evaluated its performance in September 2009 and the Chairman was responsible for assessing the performance of each Director.

### Senior Management Assessments

The Club has in place a formal performance management system for all members of the Senior Management Team. Half-yearly each Senior Management Team member discusses his or her performance with the CEO. A performance evaluation for all members of the Senior Management Team took place for the reporting period in accordance with this system. The Board assesses the performance of the CEO.

### Website

Information about the Board, the Senior Management Team, the Constitution, By-Laws and the Board Charter can be found on the RACQ website [racq.com](http://racq.com) under the heading About Us.



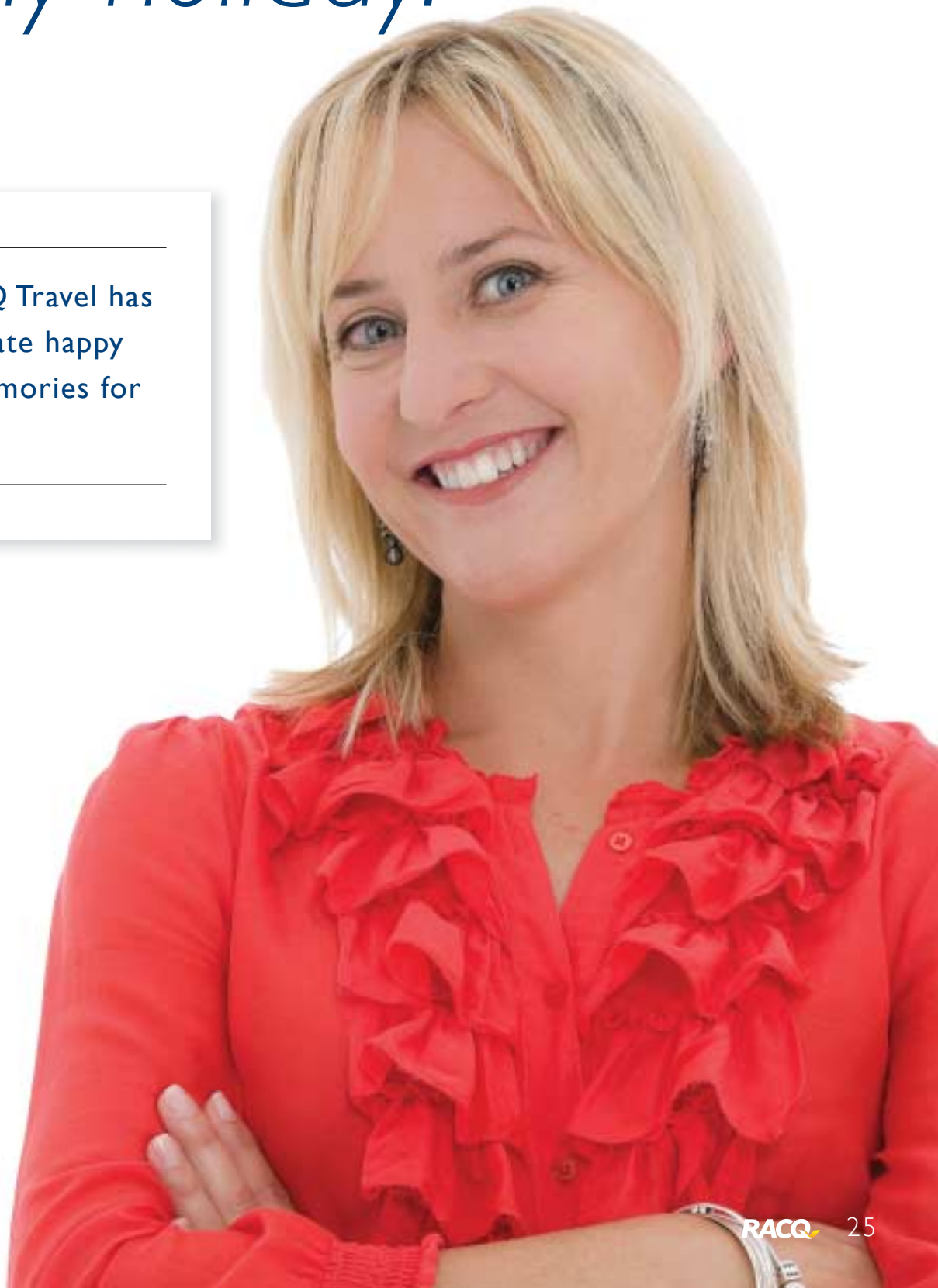
*“RACQ took the  
hassle out of our  
family holiday.”*

*Jane Musial*

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FACT: RACQ Travel has  
helped create happy  
holiday memories for  
50 years.

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# RACQ directors and officers as at 31 December 2009

## Directors

### Richard J Pietsch FAICD

President and Chairman and Member of the Remuneration and Governance Committee (Director, South West Zone, since 1997). Mr Pietsch is a grazier, Chairman of RACQ Insurance Limited, and a director of Australian Automobile Association, Australian Stud Sheep Breeders Association Limited and Agforce Sheep and Wool Limited. Mr Pietsch has served as a Director on the Queensland Chamber and the Federal Council of Agricultural Societies and as Deputy Mayor of the former Inglewood Shire Council.

### Geoffrey C Leddy BTEch(Civil), LGE, GDM, FAICD

Vice President, Deputy Chairman and former Chair Customer Services Committee (Director, Wide Bay-Sunshine Coast Zone, since 1998). Mr Leddy has extensive experience as a consulting engineer and company director and is also a Director of RACQ Insurance Limited.

### Nigel W F Alexander BBus, MAppFin, CPA, MAICD

Member of the Asset and Corporate Committee and former Chair of the Remuneration Committee (Director, South East Zone, since 2000). Mr Alexander is a Certified Practising Accountant having worked with Australian and international banks. He is a Director of RACQ Insurance Limited, the CEO of the North Australian Pastoral Company Pty Ltd and is on the Advisory Committee to the Chair of Animal Welfare at the University of Queensland.

### Fay L Barker OAM, FAICD

Member of the Asset and Corporate Committee and former Member of the Audit and Risk Management Committee (Director, North Zone, since 2001). Ms Barker is a Member of the Board of Trustees Breakwater Island Casino Community Benefit Fund and Townsville Hospital Foundation and a former Townsville City Councillor.

### Anthony M Gambling BBus, BEcon, MBA, ASA, MAICD

Member of the Asset and Corporate Committee and former Member of the Customer Services Committee (Director, Central Zone, since 2005). Mr Gambling is the General Manager of Mango 4 Office Technology and a former director of companies involved in the commercialisation of emerging technologies.

### Dennis G Howe OAM, FAIM

Chair of the Audit and Risk Management Committee (Director, Far North Zone, since 2001). Mr Howe is the Managing Director of Aus Mining Personnel Pty Ltd and the Honorary Swedish Consul for North Queensland. Mr Howe's previous roles include Managing Director Skywest and East-West Airlines, Deputy CEO Australian Airlines, Chairman Skytrans Airlines and Board Member Cairns Port Authority.

### Elizabeth M Jameson BA/LLB (Hons)

Member of the Remuneration and Governance Committee and former Member of the Customer Services Committee (Director, South East Zone, since 2008). Ms Jameson is the principal and founder of the corporate governance consultancy Board Matters Pty Ltd and associated firm Board Matters Legal (since 2002). Ms Jameson is a former Partner with national law firm Deacons (corporate/commercial division) and is a Director of Tarong Energy Pty Ltd, Fibrecycle Pty Ltd, Chair of Brisbane Girls Grammar School and BDO Group Holdings Pty Ltd.

### Peter K Long FAIM, MAICD

Chair of the Asset and Corporate Committee (Director, South East Zone, since 2002). Mr Long is President of Sedgman China. His previous roles include CEO Guide Dogs Queensland and CEO/Managing Director of a company listed on the London Stock Exchange.



Nigel Alexander



Tony Gambling



Fay Barker



Richard Pietsch



Geoff Leddy

**Stephen J Maitland** OAM, RFD, BEc, MBus (App Fin), LLM, FAICD, FCPA, FCIS, FAIM, FFin

Member of the Audit and Risk Management Committee (Director, South East Zone, since 2008). Mr Maitland is a qualified accountant and company secretary and the Principal of corporate advisory firm Delphin Associates. He was Chief Executive Officer of the Queensland Office of Financial Supervision (1992 to 1999) and had a 20-year career in corporate banking. Mr Maitland is also non-executive Director of Australian Unity Limited, Buderim Ginger Limited and several private companies.

**Bronwyn K Morris** BCom, FCA, FAICD

Chair of the Remuneration and Governance Committee, Member of the Audit and Risk Management Committee and former Member of the Asset and Corporate Committee (Director, South East Zone, since 2008). Ms Morris is a fellow of the Institute of Chartered Accountants in Australia and specialised for more than 20 years in audit and corporate services. Ms Morris is now a non-executive Director of entities including QIC Limited and Spotless Group Limited and also serves as a Councillor of Bond University.

### Company Secretaries

**Ian A Gillespie** BA, Dip Laws (BAB), FCEOI, MAICD, FAIM

Chief Executive Officer and Company Secretary (since 2006). Mr Gillespie is a Director of RACQ Insurance Limited, Australian Automobile Association, Australian Motoring Services Pty Ltd, Assist Australia Pty Ltd, AMS Rewards Pty Ltd, AAA Tourism Pty Ltd, AAA Rewards Pty Ltd, RACQ Community Fund Pty Ltd, Club Consortium Pty Ltd, Club Home Assistance Holdings Pty Ltd and Indigo Properties Australia Limited. Prior to joining RACQ, Mr Gillespie spent 30 years working in a broad range of industries in Australia and internationally at CEO and senior executive level.

**Paul V Williams** LLB, A.DipBus, MBus (Mgt), FTIA, MAICD

Mr Williams was appointed as a Company Secretary on 24 November 2009. Mr Williams is the General Manager Corporate Governance and has practised as a solicitor for more than 25 years. Mr Williams is the Chairman and a Company Secretary of RACQ Autoglass Pty Ltd and was the Company Secretary of RACQ Insurance Limited from 1994 to 2004.

### Officers who were previously partners of the audit firm

Bronwyn Morris was an officer of the Company during the financial year and was previously a partner of the current audit firm, KPMG (retired 1996), at a time when KPMG undertook an audit of the Company.

### Senior Management

**Chief Executive Officer** – Ian A Gillespie BA, Dip Laws (BAB), FCEOI, MAICD, FAIM

**General Manager People** – Rolanda Z Ayling BEd (Secondary)

**General Manager External Relations** – Gary J Fites BA

**General Manager Marketing and Commercial** – Ian L Mitchell Dip Tech (Mgt), FAICD

**Chief Financial Officer** – Leanne M Muller BCom, G.Dip Fin & Inv, ACA

**General Manager Technology** – Bruce E Rice

**General Manager Operations** – Glenn A Toms BBus, G.Dip Fin & Inv, FFin, FAIM

**General Manager Corporate Governance** – Paul V Williams LLB, A.DipBus, MBus (Mgt), FTIA, MAICD



Dennis Howe



Elizabeth Jameson



Peter Long



Stephen Maitland



Bronwyn Morris



Ian Gillespie

*“RACQ opened  
my locked car.”*

*Kimberley Lloyd*

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**FACT: RACQ responded  
to more than 94,000  
lockouts in 2009.**

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# Directors' report

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The Directors present their report together with the financial report of The Royal Automobile Club of Queensland Limited (the Club) and the consolidated financial report of the consolidated entity, being the Club and its controlled entities, for the year ended 31 December 2009 and the Auditor's Report thereon.

## Directors

The persons who were Directors of the Club at the date of this report and for the whole of the financial year, including their qualifications and experience, are detailed in the RACQ Directors and Officers section of this Annual Report on pages 26 and 27.

## Directors' Meetings

The number of Directors' meetings (including meetings of the Committees of Directors) and the number of meetings attended by each of the Directors during the financial year, are set out on page 31.

## Senior Management

The persons who were officers at the date of this report and for the whole of the financial year, are set out in the RACQ Directors and Officers section of this Annual Report on page 27.

## Principal Activities

The principal activities of the Club are detailed in the President's Overview and the Chief Executive Officer's Operational Review. No significant changes to the activities of the Club or its controlled entities occurred during the year.

## State of Affairs

In the opinion of Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year not otherwise disclosed in this report or the consolidated financial statements.

## Review of Operations (operating and financial review)

The net results of operations of the Club and controlled entities, after tax and after making adequate provision for depreciation and all known contingencies, was a surplus of \$63.3 million (2008 – deficit of \$11.8 million). A review of operations is contained in the President's Overview and the Chief Executive Officer's Operational Review, including membership, assistance products and services, roadside assistance, advocacy, travel and touring activities.

## Events Subsequent to Reporting Date

The Club and Suncorp-Metway Limited (Suncorp), through its subsidiary GIO Insurance Investment Holdings A Pty Ltd, each own 50 percent of RACQ Insurance Limited (RACQ Insurance).

On 24 February 2010, 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 five business days of receipt of the final determination by the Expert or within two 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.

In the opinion of the Directors, other than the matter noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

## Likely Developments

Certain likely developments in the operations known at the date of this report have been covered in the President's Overview and the Chief Executive Officer's Operational Review on pages 8 to 20. In the opinion of the Directors any further disclosure of information would be likely to result in unreasonable commercial prejudice to the Company.

## Directors' Interests

Since the previous year, no Director of the Club has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or receivable by Directors shown in the notes to the accounts) by reason of a contract made by the Club or a related corporation with a Director or with a company in which he or she has a substantial financial interest.

## Environmental Regulations

The Club's operations are not subject to any significant Commonwealth or State environmental regulations. The Club is not subject to the National Greenhouse and Energy Reporting Act 2007 as it is currently below the reporting requirement thresholds.

## Board and Committee Meetings

Director	Board		Asset and Corporate Committee		Audit and Risk Management Committee		Customer Services Committee		Remuneration Committee		Governance Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Mr N W F Alexander	11	11	3	3	*	*	*	*	2	2	*	*
Ms F L Barker	11	11	3	3	1	1	*	*	*	*	*	*
Mr A M Gambling	11	11	*	*	*	*	3	3	*	*	*	*
Mr D G Howe	11	11	*	*	4	4	*	*	*	*	*	*
Ms E M Jameson	11	10	*	*	*	*	3	3	4	2	1	1
Mr G C Leddy	11	11	*	*	*	*	3	3	*	*	*	*
Mr P K Long	11	10	4	4	*	*	*	*	*	*	*	*
Mr S J Maitland	11	11	*	*	4	4	*	*	*	*	*	*
Ms B K Morris	11	11	1	1	4	4	*	*	4	4	*	*
Mr R J Pietsch	11	11	*	*	*	*	*	*	6	5	1	1

A – Number of meetings held during the reporting period, while the Director held office

B – Number of meetings attended

\* Not a member of the relevant committee

### Indemnification and Insurance of Officers and Auditors

The Club has entered into an agreement with all current Directors, some former Directors and certain present and former Executives of the Club to indemnify them to the extent permitted by law against all liabilities that may arise from their position in the Club, a controlled entity of the Club, or in RACQ Insurance Limited. The Club holds a Directors' and Officers' Liability Insurance policy on behalf of current and former Directors and Officers of the Club and its controlled entities. The Directors have not included details of the nature of the liabilities covered, the limit of liabilities covered, or the amount of premium paid in respect of the Directors' and Officers' Liability Insurance contract, as such disclosure is prohibited under the terms of the contract.

### Auditor's Independence Declaration

The auditor's independence declaration is set out on page 68 (of the Financial Statements) and forms part of the Directors' Report for the year ended 31 December 2009.

### Rounding Off

The Club is a company 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 have been rounded off to the nearest one thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors.

**RICHARD JOHN PIETSCH**

President

23 March 2010

*“RACQ saves me  
when I’m shopping.”*

*Colin Cocks*



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FACT: RACQ Show Your Card and Save program saved members \$10m in 2009.

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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
<b>Revenue</b>	2	119,838	111,203	174,677	163,098
<b>Expenses</b>					
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)
<b>Results from operating activities</b>		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)
<b>Net financing income</b>	3(c)	802	1,048	42,212	5,661
<b>Profit/(loss) before income tax</b>		25,035	14,520	68,183	(21,805)
Income tax benefit/(expense)	4	(909)	2,684	(4,878)	9,961
<b>Profit/(loss) for the period</b>		24,126	17,204	63,305	(11,844)
<b>Other comprehensive income</b>					
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)
<b>Total comprehensive income for the period</b>		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
<b>Current assets</b>					
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
<b>Total current assets</b>		<b>420,922</b>	<b>400,159</b>	<b>136,154</b>	<b>177,036</b>
<b>Non-current assets</b>					
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	-	-
<b>Total non-current assets</b>		<b>64,972</b>	<b>59,617</b>	<b>550,104</b>	<b>432,893</b>
<b>Total assets</b>		<b>485,894</b>	<b>459,776</b>	<b>686,258</b>	<b>609,929</b>
<b>Current liabilities</b>					
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
<b>Total current liabilities</b>		<b>109,744</b>	<b>107,902</b>	<b>88,794</b>	<b>87,331</b>
<b>Non-current liabilities</b>					
Employee benefits	15	380	332	3,488	3,190
Deferred tax liabilities	12	102	-	8,632	2,205
<b>Total non-current liabilities</b>		<b>482</b>	<b>332</b>	<b>12,120</b>	<b>5,395</b>
<b>Total liabilities</b>		<b>110,226</b>	<b>108,234</b>	<b>100,914</b>	<b>92,726</b>
<b>Net assets</b>		<b>375,668</b>	<b>351,542</b>	<b>585,344</b>	<b>517,203</b>
<b>Accumulated funds</b>					
Reserves	16	52,542	52,542	77,472	72,636
Retained profits	17	323,126	299,000	507,872	444,567
<b>Total accumulated funds</b>		<b>375,668</b>	<b>351,542</b>	<b>585,344</b>	<b>517,203</b>

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
<b>Cash flows from operating activities</b>					
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)
<b>Net cash provided by/(used in) operating activities</b>	27(ii)	<b>11,226</b>	<b>9,594</b>	<b>5,615</b>	<b>17,445</b>
<b>Cash flows from investing activities</b>					
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
<b>Net cash (used in)/provided by investing activities</b>		<b>(11,982)</b>	<b>(5,226)</b>	<b>(6,371)</b>	<b>(13,077)</b>
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
<b>Cash and cash equivalents at end of the financial year</b>	27(i)	<b>4,262</b>	<b>5,018</b>	<b>4,262</b>	<b>5,018</b>

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
<b>2009</b>								
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
<b>2008</b>								
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
<b>Total revenue</b>	<b>119,838</b>	<b>111,203</b>	<b>174,677</b>	<b>163,098</b>

## 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
<b>4 Income tax</b>				
Recognised in the income statement				
<b>Current tax expense:</b>				
- Current year	100	283	535	602
- Adjustments for prior years	-	47	(12)	44
	100	330	523	646
<b>Deferred tax expense:</b>				
- 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)
<b>5 Cash and cash equivalents</b>				
Cash at bank and on hand	4,262	5,018	4,262	5,018
<b>6 Trade and other receivables</b>				
<b>Current</b>				
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
<b>7 Inventories</b>				
Inventories stated at lower of cost and net realisable value	133	136	483	448
<b>8 Other investments</b>				
<b>Current</b>				
Debt securities available-for-sale	-	-	117,337	159,455
Interest bearing deposits available-for-sale	-	-	9,772	6,900
	-	-	127,109	166,355
<b>Non-current</b>				
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
<b>11 Investment property</b>				
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
<b>RACQ and controlled entities</b>						
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)
<b>RACQ</b>						
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

Carrying amount at beginning of year

Additions

Disposals

Transfer from investment properties

Carrying amount at end of year

#### Buildings

Carrying amount at beginning of year

Disposals

Transfer from investment properties

Transfer from capital works in progress

Depreciation

Carrying amount at end of year

#### Plant and equipment

Carrying amount at beginning of year

Additions

Transfer from capital works in progress

Disposals

Depreciation

Carrying amount at end of year

#### Capital works in progress

Carrying amount at beginning of year

Additions

Transfers to property, plant and equipment and buildings

Carrying amount at end of year

	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
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
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
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

Trade payables

Shortfall – Defined benefit superannuation fund

Amounts owing to controlled entity

Other payables and accruals

	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 \$'000	2008 \$'000	2009 \$'000	2008 \$'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 \$'000	2008 \$'000	2009 \$'000	2008 \$'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).**

	<b>Plan assets at net market value \$'000</b>	<b>Total accrued benefits \$'000</b>	<b>Excess/ (deficit) \$'000</b>	<b>Total vested benefits \$'000</b>
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

	<b>RACQ</b>		<b>RACQ and controlled entities</b>	
	<b>2009 \$'000</b>	<b>2008 \$'000</b>	<b>2009 \$'000</b>	<b>2008 \$'000</b>
Investment revaluation	-	-	35,275	30,439
General	52,542	52,542	42,197	42,197
	<b>52,542</b>	<b>52,542</b>	<b>77,472</b>	<b>72,636</b>
<b>Reconciliation of movements during the year</b>				
<b>(a) Investment revaluation reserve</b>				
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>(b) General reserve</b>				
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
<b>Total reserves</b>	<b>52,542</b>	<b>52,542</b>	<b>77,472</b>	<b>72,636</b>

## 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 \$'000	2008 \$'000	2009 \$'000	2008 \$'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

Retained profits at beginning of year  
 Net profit attributable to members of the parent entity  
 Retained profits at the end of the year

## 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:

	<b>Carrying Amount</b>			
	<b>RACQ</b>		<b>RACQ and controlled entities</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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 and controlled entities			
	RACQ		RACQ and controlled entities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at 1 January	11	11	41	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
<b>Fixed rate instruments</b>				
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 \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'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 \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'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
	%	%
<b>Parent entity</b>		
The Royal Automobile Club of Queensland Limited		
<b>Controlled entities</b>		
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.



## 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:

	<b>The Company</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<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.

	<b>RACQ</b>		<b>RACQ and controlled entities</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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
<b>(ii) Reconciliation of operating profit after income tax to net cash provided by operating activities</b>					
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
<b>2009</b>						
<b>Cost/Carrying amounts</b>						
Balance at 1 January 2009	-	-	-	719	-	719
Amortisation for the year	-	-	-	-	-	-
Acquisitions through business combinations	-	-	-	-	-	-
Balance at 31 December 2009	-	-	-	719	-	719
<b>Cost/Carrying amounts</b>						
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.

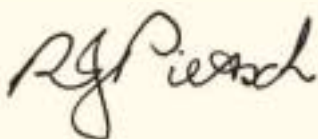
On completion of this transaction, RACQ Insurance would become a wholly owned subsidiary of RACQ and would in future years be consolidated into the Group Financial Statements.

## Directors' declaration

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- 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.



## *Independent auditor's report to the members of The Royal Automobile Club of Queensland Limited*

### **Report on the financial report**

We have audited the accompanying financial report of The Royal Automobile Club of Queensland Limited (the Company), which comprises the statements of financial position as at 31 December 2009, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 30 and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.



## *Independent auditor's report to the members of The Royal Automobile Club of Queensland Limited*

### **Auditor's opinion**

In our opinion:

- (a) the financial report of The Royal Automobile Club of Queensland Limited is in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1.

*KPMG*

**KPMG**

**Scott Guse**

Partner  
Brisbane  
23 March 2010



## Lead Auditor's Independence Declaration

**under Section 307C of the Corporations Act 2001**

To: the directors of The Royal Automobile Club of Queensland Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*KPMG*

**KPMG**

A handwritten signature in black ink that reads 'Scott Guse'.

**Scott Guse**

Partner  
Brisbane  
23 March 2010

# Corporate Directory

## Club Patron

Her Excellency Ms Penelope Wensley AO  
Governor of Queensland

## President & Chairman

Richard J Pietsch FAICD

## Management Team

### Chief Executive Officer & Company Secretary

Ian A Gillespie BA, Dip Laws (BAB), FCEOI, MAICD, FAIM

### General Manager Corporate Governance & Company Secretary

Paul V Williams LLB, A.DipBus, MBus (Mgt), FTIA, MAICD

### General Manager People

Rolanda Z Ayling BEd (Secondary)

### General Manager External Relations

Gary J Fites BA

### General Manager Marketing and Commercial

Ian L Mitchell Dip Tech (Mgt), FAICD

### Chief Financial Officer

Leanne M Muller BCom, G.Dip Fin & Inv, ACA

### General Manager Technology

Bruce E Rice

### General Manager Operations

Glenn A Toms BBus, G.Dip Fin & Inv, FFin, FAIM

## Auditors

KPMG

Riparian Plaza

Level 16, 71 Eagle Street

Brisbane QLD 4000

## Registered Head Office

2649 Logan Road

Eight Mile Plains QLD 4113

Telephone: 61 7 3361 2444

Facsimile: 61 7 3341 8024

Email: [racq@racq.com.au](mailto:racq@racq.com.au)

Website: [racq.com](http://racq.com)

## Postal Address

PO Box 4

Springwood QLD 4127

ACN 009 660 575

## Branches and Major Agencies

### Brisbane

- Browns Plains – Grand Plaza Shopping Centre
- Carindale – Westfield Carindale Shopping Centre
- City – GPO Laneway, Brisbane
- Chermside – Westfield Chermside Shopping Centre
- Eight Mile Plains – RACQ Operations Centre, 2649 Logan Road
- Inala – 147 Inala Avenue
- Indooroopilly – Indooroopilly Shopping Centre
- Mitchelton – Brookside Shopping Centre
- Sandgate – 1 Rainbow Street
- Strathpine – Westfield Strathpine Shopping Centre
- Upper Mt Gravatt – Westfield Garden City Shopping Centre
- Wynnum – 169 Florence Street

### Other Areas

- Beenleigh – Beenleigh Mall, Main Street
- Bundaberg – 249 Bourbong Street
- Cairns – Stockland Shopping Centre, Earlville
- Caloundra – 104 Bulcock Street
- Capalaba – Capalaba Central Shopping Centre
- Elanora – The Pines Shopping Centre, Guineas Creek Road
- Gladstone – 50 Hanson Road
- Gympie – Goldfields Plaza, 71 Monkland Street
- Hervey Bay – 92 Boat Harbour Drive
- Ipswich – Riverlink Shopping Centre, North Ipswich
- Loganholme – Loganholme Shopping Village, Bryants Road
- Mackay – 214 Victoria Street
- Maroochydore – 25-33 Cornmeal Parade
- Maryborough – Comet Place, 133 Lennox Street
- Miami – 2064 Gold Coast Highway
- Morayfield – Morayfield Shopping Centre, Morayfield Road
- Nambour – 23-25 Currie Street
- Nerang – Centro Shopping Centre, Station Street
- Noosaville – Noosa Civic, 28 Eenie Creek Road
- Redcliffe – 8 Snook Street, Clontarf
- Robina – Robina Town Centre, Arbour Court
- Rockhampton – Red Hill Homemaker Centre, Yaamba Road, North Rockhampton
- Runaway Bay – Oasis Shopping Centre, Oxley Drive
- Southport – Australia Fair Shopping Centre
- Southport West – 239 Nerang Road
- Toowoomba – 176 James Street
- Townsville – 202 Ross River Road, Aitkenvale
- Warwick – Rose City Shopping World, Palmerin Street



The Royal Automobile Club of Queensland Limited  
ACN 009 660 575