

Always there

104th Annual Report

RACQ



You can depend on us



Contents

2008 highlights	3
President's overview	4
Chief Executive Officer's operational review	8
Corporate governance	12
Head office, branches and agencies	14
RACQ directors and officers	16
Directors' report	18
Financial report	21



This report incorporates RACQ's fresh new brandmark, the first in the Club's history for almost 50 years. The new branding is the visual representation of *The RACQ Way* – the way we go about delivering our promise to members to be first for service, first for advice, and first for value. The contemporary new look will be rolled out progressively over the next five years and will be applied to branches, signage, vehicle livery, website, stationery, uniforms, publications and marketing materials.

Makes your day





2008 highlights

- Membership grows 2.33 percent to 1,164,607, with an additional 110,714 young Queenslanders now part of the *free2go* program.
- Almost one third of members opt for the additional personal assistance benefits of RACQ Ultra Care or Plus Care.
- Calls for roadside assistance top the one million mark for the second consecutive year, with 91.6 percent of vehicles made mobile at the roadside.
- General membership and insurance telephone enquiries total 1.8 million, with calls answered 11 seconds faster, on average, than previous year.
- In celebration of the state's 150th birthday and to boost local tourism, RACQ launches the *150 Must-Do's in Queensland* campaign to determine the state's ultimate must-do experience.
- RACQ helps keep south-east Queensland traffic moving, winning new contracts for freeway clearance and traffic incident response.
- Joint RACQ-Main Roads project results in safety upgrade for New England Highway north of Toowoomba.
- RACQ campaign helps defeat national FuelWatch program that would have meant higher petrol prices for many Queenslanders.
- More than 12,000 people flock to Eagle Farm Racecourse to attend the Club's revamped major annual community event, RACQ MotorFest.
- The addition of the RACQ Autoglass windscreen replacement and repairs and Gizmo home computer breakdown services boost member benefits.
- RACQ expands its travel and tourism service with the purchase of SunCity Travel Brisbane, lifting the number of travel branches to 10.
- The Club's *Streets Ahead* road safety education program wins a Queensland Road Safety Award in its first full year, reaching more than 17,750 primary students in 58 schools.
- RACQ sponsors free bus services for schoolies celebrations in major locations across the state, as part of the Club's *free2go* program.
- Planning work to refresh the RACQ brand, including new logo, vehicle livery, staff uniforms, branch design, and *The Road Ahead*, completed.

In 2008, RACQ completed 1,024,258 roadside assistance jobs, 1,496,717 customer service calls, and 716,861 retail transactions.



President's overview

The world economic crisis created challenges and opportunities for RACQ in 2008.

As Queensland's largest mutual association, the RACQ is committed to ensuring we help our 1.2 million members and their families in practical and appropriate ways to meet the challenges of financial uncertainty and tighter household budgets.

Like virtually every other organisation, large and small, the Club has not been immune from the impacts of the global economic storm on investment returns. Closer to home, Queensland's volatile weather and subsequent flood of insurance claims led to a temporary 'dividend drought' in 2008 from our single most valuable investment - RACQ Insurance.

But blessed with incredibly loyal members and a strong, debt-free balance sheet, the RACQ remains well positioned to explore, and implement, various opportunities to add value to your membership while further reinforcing the Club's financial stability through strategically selected commercial ventures.

One thing you can be assured of within a general climate of corporate belt-tightening is that RACQ service standards will not be sacrificed to budgetary expediency. While the Club's Board maintained a strong emphasis on cost controls in 2008 and in the framing of the 2009 budget, we are conscious of the need for the organisation to keep delivering – to world-class standards – on the long-standing fundamentals of RACQ service.

From roadside assistance and automotive technical advice to accessible and helpful retail channels and strong, informed advocacy on behalf of Queensland motorists, your Club is already one of the most multi-faceted service delivery organisations outside government.

But we understand that, unlike government taxes, your investment in RACQ membership is entirely discretionary. Hence the Club's Directors placed as much emphasis as ever in the past year on satisfying ourselves that the high standards of our member services are maintained, and that our expanding range of services makes RACQ even more relevant to your everyday lives.

There'll always be the comfort of knowing RACQ roadside assistance will be there when you and your car need it. But your Club also wants to make your everyday lives easier: whether booking a holiday; buying theme park tickets or other discounted

products; organising car finance; ensuring a used vehicle is mechanically sound; or connecting the home computer.

Everyday relevance

It's this everyday relevance that we have sought to capture in a fresh new look and feel to RACQ's branding and communications, highlighting just how the Club is meeting the demand for a diverse, personalised and, above all, value-for-money range of products and services among our existing and potential members.

Testament to our organisation's continuing relevance to the broader community is that the RACQ has progressed over 104 years to directly serving and representing more than a quarter of Queensland's population. It also demonstrates RACQ's ability to absorb, reflect and respond to the community's changing needs and concerns.

Our research tells us that, while appreciating all the advantages your car offers, most of you are concerned about the environmental impacts of motor vehicle use – not least its contribution to the generation of greenhouse gases and concerns over climate change generally.

Your desire to see motoring become more sustainable helped drive RACQ's efforts at the local and national levels to develop and recommend to governments and the automotive industries policies that would not only meet their objectives in addressing climate change, but also lower motoring costs.

As our brochure *Tips for Greener Motoring* and real-world field-testing conducted on Brisbane's congested roads last year highlighted, lower motor vehicle emissions are a direct outcome of lowering fuel consumption, which in turn leads to lower motoring costs. More fuel-efficient cars, smarter driving techniques and, importantly, effective government action to reduce congestion on our roads can all contribute to those beneficial outcomes.

The Club also made the decision to purchase carbon credits towards offsetting the greenhouse emissions of some 700 corporate and contractor vehicles providing road service to members across Queensland. In the longer term we're aiming for reductions in both emissions and fuel consumption across the fleet without compromising the safety and utility of the vehicles that deliver this key RACQ service.

Fuelling concern

The topic of fuel prices rivalled the weather and the economy as 'barbecue stoppers' in 2008, with soaring oil and gas prices sending pump prices for all automotive fuels to record heights. In addition, the Federal Government proposed to introduce a national FuelWatch scheme, which would not only require fuel retailers to publish their pump prices but also hold them for 24 hours.

RACQ strongly supports the provision of more fuel price information to motorists and launched its own online Cheap Petrol information service last year. But we and most other Australian automobile clubs considered the 24-hour rule as anti-competitive and likely to deny south-east Queensland motorists the full benefits of the region's weekly price cycle, while providing no benefit at all to motorists in other centres where pump prices generally tend to be more stable, albeit higher.

Refreshing exceptions to that latter rule were Caloundra and Toowoomba, which recorded the lowest average petrol prices in the state in 2008, according to our annual fuel price survey. This served to highlight that, even in regional Queensland, strong local competition can benefit motorists without the need for further government intervention.



While welcoming the defeat of the FuelWatch legislation in the Senate, the RACQ has subsequently been working closely with the Australian Automobile Association and its other constituents in exploring alternative methods of providing all Australian motorists with comprehensive real-time fuel price information to help them get the best possible deal.

In Queensland, our unique fuel subsidy scheme again came under scrutiny, and your Club played an active and valuable role in assisting the Government's commission of inquiry, the Treasurer's office and the Office of State Revenue by providing an informed consumer perspective on the value of the scheme to motorists and how it might be improved.

In pursuing our objective of safe, affordable and sustainable mobility in 2008, road safety was again at the forefront of our advocacy. A close and constructive relationship with Department of Main Roads (DMR), at both the ministerial and departmental levels, provided an excellent opportunity to take some of our findings from the Australian Roads Assessment Program (AusRAP) and have them incorporated into a Main Roads project to upgrade the safety of a sub-standard stretch of the New England Highway just north of Toowoomba. Like RACQ, DMR has a keen appreciation of how important the design and construction of roads are to reducing the incidence and severity of crashes, and we are looking forward to the New England Highway project being the first of many such cooperative ventures.

Having welcomed the Federal Government's commitment to greater investment in our transport infrastructure through its Building Australia Fund, your Club identified and nominated for consideration by the Infrastructure Australia committee more than \$30 billion of much needed projects for Queensland. We were encouraged to note two of our recommendations – the rebuilding of the deadly Cooroy-Curra stretch of the Bruce Highway and the much needed Toowoomba Bypass – were short-listed, but we will continue to maintain the pressure on both the Federal and State Governments to invest more to improve the efficiency and safety of our road network.

From the RACQ Board's perspective, 2008 was both challenging and satisfying. While the financial result for the year shows a net loss, it is important to note that this is primarily due to the extraordinary circumstances experienced in 2008 and does not reflect what was otherwise a very strong performance by the Club's operations.

President's overview *(cont'd)*

A large number of claims arising from the severe weather events of 2008 and the impact of the economic downturn on investment values resulted in the RACQ Insurance joint venture declaring a loss, half of which flowed through to the Club's accounts. The Club also suffered from declining values in its direct investment of members' accumulated reserves, with a portion of the unrealised losses reflected in the Club's operating performance. Declining investment markets also negatively impacted the value of the Club's defined benefit superannuation fund. These matters combined to result in the reported net loss of \$11.8 million shown in RACQ's 2008 Financial Statements.

However, the organisation's strong, debt-free balance sheet, operational efficiencies, unmatched brand stature, and top-class people all contribute to putting the Club in a better position than most organisations – not only to weather the current economic storm, but to ultimately be stronger for it as we continue to provide Queenslanders with even more good reasons to belong to RACQ. Our commitment to RACQ members is evidenced by our consistently high service standards, as well as our ability to utilise members' accumulated reserves to guard against sudden unplanned increases in membership fees, and to provide additional value to members.

Service standards paramount

Throughout 2009 the Board will, on your behalf, be focused on the preservation of members' accumulated reserves and strong cost control. But we will be equally concerned to see that the service standards that have earned RACQ enviable member loyalty are not sacrificed for budgetary expediency.

The Board's decision to increase the annual membership subscription by \$4 from 1 July 2009 was not taken lightly in the current economic climate.

Even with the increase, Australia's lowest motoring club subscription will not cover our member service costs. Accordingly, as in 2008, we are prepared to approve new products or commercial opportunities where they can pass the dual test of member benefit and sufficient return to support underlying services to members.

I wish to acknowledge with thanks the support of my fellow directors in my first year as RACQ President and Chairman. Members can be assured they are well served by a group of men and women who bring strong business acumen to the Board table, along with a keen understanding of the uniquely member-oriented business we are privileged to oversee.

My predecessor, Julie-Anne Schafer, is deserving of special recognition for her efforts to put the RACQ on an even sounder financial footing during her three-year tenure, and it was with regret that we accepted her decision not to remain on the Board as Immediate Past President.

Finally, to CEO Ian Gillespie and the entire RACQ team of staff, agents and contractors across Queensland, I extend the Board's compliments on another exemplary year of service and a pleasing operating result in 2008, despite an increasingly difficult economic environment. We are confident they will rise to no lesser challenges in 2009.



Richard John Pietsch

President



It's all about service

RACQ





Chief Executive Officer's operational review

I am pleased to report that the Club continued to deliver its customary high levels of service to members throughout 2008 despite the many challenges that the year presented.

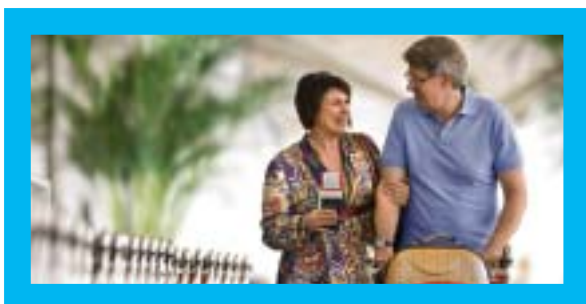
While making a profit is important to ensure the long term sustainability of the Club and to enable us to grow, our primary purpose is to deliver an outstanding level of service to our members, the value of which far exceeds the cost of belonging. To do this we strive to combine the mind of a business with the heart of a club, so that we are professional, effective and financially sound while always being focused on putting the member first. We call this *The RACQ Way*.

That remained the focus for RACQ management and staff in 2008. Emphasis was maintained on developing new commercial investment and revenue streams to subsidise Australia's lowest automobile club subscription, while delivering world-class motoring services.

The tightening economic situation throughout 2008 served only to reinforce my resolve to ensure the organisation continued to be strongly managed while making RACQ membership an even more attractive proposition in uncertain times.

At the same time, senior management devoted a considerable amount of time and effort to ensuring our people – staff, agents and contractors – had the resources and motivation to maintain the high service standards for which RACQ is renowned.

Therefore, it is pleasing to report a 2.33 percent net increase in membership in 2008 to a total of 1,164,607. Underpinning last year's growth was a strong retention rate among existing members. That inherent loyalty was further underlined by 256,044 members having been with the Club for at least 25 years, including 18,142 who we are privileged to have as members for more than 50 years.



At the opposite end of the spectrum of age and motoring experience, we were just as pleased to see our *free2go* youth membership numbers grow by 6.2 per cent to include 110,714 young Queenslanders aged between 16 and 20. Not only is *free2go* an important investment in membership growth and loyalty, it also represents valuable community outreach, providing opportunities to help young people become safe drivers and informed motoring consumers.

Extensive member feedback and market research was used to inform a major project in 2008 to review and restructure our membership offerings to satisfy your needs and expectations. As a result, a new "high end" assistance product and an enhancement to our standard membership to provide an additional towing entitlement will be offered to existing and new members this year.

In line with the Board's strategy to seek investments or other business opportunities with strong potential not only to generate additional revenue streams but also offer extra benefits or value to members, a number of new products and services were launched in the past year:

These included:

- RACQ AutoGlass – providing a quality windscreen replacement and repair service – in south-east Queensland, with plans to extend progressively to other centres.
- Gizmo – taking RACQ's roadside assistance concept to the home office with online or personal assistance with computer installation or trouble-shooting.
- Four-wheel-drive and towing training – provided by RACQ Driver Education and meeting growing demand for training in these travel and leisure-oriented driving activities.

A new travel direction

Another development was the Club's purchase of SunCity Travel, a Brisbane-based travel agency, which boosted RACQ Travel's retail presence to 10 outlets statewide.

It has also added further expertise in the corporate travel sphere to our excellent existing reputation for looking after members' holiday needs.

Members continued to take advantage of the myriad of discounts through the *Show Your Card & Save* program. Notably, the scheme's discounted theme park tickets saved members more than \$1.5 million on entry, while more than 40,000 enjoyed discounted tickets to the Brisbane Ekka.





Chief Executive Officer's operational review (cont'd)

Your Club's national affiliations provided further avenues to offer member benefits, with the Royal Pines Resort on the Gold Coast – recently purchased by our Victorian counterpart, RACV – offering attractive accommodation discounts to RACQ members. Our personal finance service, underwritten by RACV Finance, became an even more attractive proposition to members for car loans as other established lenders retreated from the market in the face of the contracting economy.

RACQ prides itself on its excellent level of member service, whether it is through the face-to-face contact of the retail branches and road service, over the telephone, or via our revamped racq.com website.

Substantial upgrades to the Club's telephony systems led to improved customer service results in 2008, with 1.8 million general membership and insurance enquiries through our 13 19 05 number handled in 11 seconds less, on average, compared with 2007.

Thousands of those calls provided greater peace of mind for members: 68,237 seeking expert technical advice relating to car purchases or repairs; and a further 4,902 taking advantage of free legal information on such matters as vehicle purchase contracts and traffic offences.

A total of 26,186 RACQ vehicle inspections helped ensure buyers safety and good value in their car purchases.

A million reasons to belong

Calls for roadside assistance were over the one million mark (1,024,258) for the second consecutive year, with a 91.6 percent 'go rate' at the roadside. Despite modern cars being more reliable than ever, the continuing high demand for this core RACQ service shows that it alone is still a good reason to have a current membership card in your wallet.

RACQ's continuing excellence in roadside assistance was recognised at the inaugural Australian Road Patrol Skills Challenge. The Club's representatives, Gerald Munchow and Paul Grace, excelled, with Gerald winning awards in two of the six judging categories.

Government recognition of RACQ's expertise in providing roadside assistance contributed to the signing of two multi-year agreements with the State Government and Brisbane City Council to provide congestion-management services on major roads in

the Greater Brisbane area. These new traffic response units and quick clearance towing vehicles helped keep traffic moving on key freeways and major arterials by attending more than 12,500 incidents for the part year that these services operated in 2008.

Improved functionality of the racq.com website resulted in a significant rise in traffic, with more than 3.4 million visits for the year, representing a 20 percent rise on 2007. New digital media content and improved transactional capability contributed to making a visit to the website a more enjoyable experience. The online Trip Planner continued to be the most visited application, allowing members to take advantage of detailed directions, advice on accommodation and interesting places to visit, as well as a host of tourist drives, while planning their holidays.

By the end of 2008, almost 34,000 members had opted to subscribe to the online edition of *The Road Ahead* member magazine, not only for the convenience of 'instant' delivery but also to help reduce the environmental impacts of producing and distributing the state's largest circulation periodical.

Contributing to the community

Everyone at RACQ continued to take great pride in the support the Club provides to the Queensland community. This support ranges from grassroots initiatives, such as supporting Clean Up Australia Day by collecting used batteries, to our major sponsorship commitment to three of the state's community helicopter rescue services.

Appropriately, much of our public education and promotional effort remained concentrated on achieving positive road safety outcomes, from ensuring the youngest Queenslanders travelled safely in appropriate child restraints, to helping keep older motorists driving safely and confidently through our *Years Ahead* workshops.

Streets Ahead, RACQ's fun and interactive education program for primary school students, taught more than 17,000 young Queenslanders the value of road safety and won a Queensland Road Safety Award in its first year.

Young drivers benefited from the Club's Learn2go program, using a variety of online and practical applications such as 'how-to' videos to build the key skills and knowledge required to sit for their driver's licence test. Senior secondary and tertiary students were assisted in avoiding the pitfalls of first-car purchases through

the distribution of more than 20,000 *RACQ Car Buyer's Guides* to Queensland high schools, TAFEs and universities, while our *free2go* teams delivered similar advice first-hand at 293 secondary schools.

As a proud Queensland institution, RACQ celebrated the state's 150th birthday and provided a much needed boost to local tourism by launching a campaign encouraging Queenslanders to holiday at home, with some of the world's best destinations here in our own backyard. The *RACQ 150 Must-Do's in Queensland* campaign quickly captured the hearts and minds of the public, with more than 150,000 votes cast in an online poll to determine the state's ultimate must-do experience.

RACQ MotorFest, the Club's premier community event, underwent a facelift in 2008 aimed at broadening its family appeal. Record numbers of display vehicles and new attractions resulted in more than 12,000 attendees enjoying the festivities at the new venue of Eagle Farm Racecourse. Entry to this event was by gold-coin donation, with almost \$18,000 raised for RACQ's helicopter rescue network.

Weathering the economic storm

Careful stewardship of RACQ's financial position and performance, targeting revenue, expenditure and investments, contributed to a pleasing operational result for 2008.

Income exceeded expectations while normal operating costs were lower than planned.

However, the most significant factor impacting the Club's financial performance for the year was the declining value of investments, which had a three-fold effect:

- Reduced value in invested Club members' accumulated reserves. Part of this reduced value is reflected in an unrealised investment impairment shown in the Income Statements.
- Reduction in the value of assets invested in RACQ's defined benefit superannuation plan, also resulting in a non-cash adjustment in the Club's Income Statement.
- Contribution to the loss reported by RACQ Insurance.

The negative turnaround in RACQ Insurance's performance was also partly attributed to increased claims arising from extreme weather events in Queensland during 2008.

The effect on RACQ's bottom line for 2008 – an after-tax loss of \$11.8 million which includes the Club's share of RACQ Insurance losses of \$18.1 million – needs to be viewed in the context of the



large contribution that our investment in RACQ Insurance has made to strong profits for the Club over a number of years. We also recognise that RACQ Insurance policyholders (many of them Club members) deserve no less than the excellent response that RACQ Insurance provided to those affected by such disasters as the heavy rain that inundated Mackay last February, and the cyclone-strength storm that wreaked havoc through Ipswich and Brisbane's north-western suburbs in November.

The Club remains in a very sound financial position. Nevertheless, management will maintain its focus in 2009 on providing member services at a level of cost-effectiveness compatible with the high standards members expect and deserve from RACQ.

Despite the increasing economic challenges, we have the depth of skills, experience and commitment within the ranks of RACQ staff, agents and contractors to continue to deliver on the Club's promise of being first for service, first for advice, and first for value.

I thank all RACQ team members for their hard work in a challenging year, and the Board for its ongoing support of their efforts.

Ian Gillespie
Chief Executive Officer



Corporate governance

The RACQ Board of Directors has adopted principles for the corporate governance of the Company, which provide the framework for the Board to carry out its duties and obligations for the benefit of its stakeholders.

The Company's corporate governance policies and procedures support RACQ's purpose, which is to promote the common interests of members.

The activities of RACQ are governed by its Constitution and By-Laws, and the Corporations Act 2001.

RACQ principles for the corporate governance of the Company are outlined under the Australian Stock Exchange – Principles of Good Corporate Governance and Recommendations:

The Board lays solid foundations for management and oversight

- The role and responsibilities for the Board and its Committees are defined in charters.
- A Board Charter has been adopted.
- Position descriptions, delegation of authority processes and performance reviews define management's responsibilities.
- The Board regularly reviews strategy and direction at its Board meetings.

The Board is structured to add value

- Details of each Director's qualifications, experience and commitment to Board and Committee meetings is contained in this report.
- All Directors are Non-Executive Directors, including the Chairman.
- Each Director brings to the Board unique business skills appropriate to the board of a large organisation.
- An established recruitment process for casual vacancies ensures that Directors have the appropriate range of skills, knowledge, experience and judgement necessary to govern and that the Board is well equipped to discharge its responsibilities.

Ethical and responsible decision making is promoted

- The Board has adopted various policies and procedures in order to promote its corporate governance culture of accountability, responsibility and ethical behaviour.
- RACQ, in employing the Directors' code of conduct and the employee code of conduct, ensures that ethical values are promoted throughout the organisation.
- The delegation of authority and policy and procedures are regularly reviewed by the Board Audit and Risk Management Committee.
- An extensive system of documented and controlled policies and procedures are in place throughout RACQ.

Integrity in financial reporting is safeguarded

- The Chief Executive Officer and the Chief Financial Officer routinely certify the accuracy of the financial statements to the Board. An Audit and Risk Management Committee operates within RACQ and is constituted by independent Directors.
- The Audit and Risk Management Committee has a clear operating charter.
- The Audit and Risk Management Committee membership and attendance at meetings are disclosed in the Annual Report.

Timely and balanced disclosure

- RACQ is an unlisted public company to which the ASX listing rules do not apply.
- RACQ reports to its members on its operating activities in a timely manner and in accordance with the Corporations Act 2001.

The rights of members are respected

- Members of RACQ are advised on all relevant membership and policy issues through the membership magazine (*The Road Ahead*) and through other communications.
- Where appropriate, membership approvals are sought in general meeting pursuant to the Constitution and legislative requirements.

Risk is recognised and managed

- RACQ has in place an Audit and Risk Management Committee in addition to management committees, which oversee the operation and performance of various workplace health and safety, environment and risk management practices.
- The Board has adopted a Corporate Compliance Statement of Commitment and Policy, which outlines the responsibilities imposed upon all members of staff. The policy assists in ensuring that the highest standards of corporate governance are maintained and all applicable laws, codes and standards are adhered to.

Enhanced performance is encouraged

- The Board has an induction process in place and has ongoing education, with commercial and legal advice available to all Directors at RACQ's cost.
- The Board periodically conducts a review of its own performance and its understanding of corporate governance requirements.
- A comprehensive and formal management performance evaluation program is in place. The program includes individual executive performance agreements with the Chief Executive Officer; the Chief Financial Officer and General Managers of RACQ as well as performance evaluation for all Group Executive Managers and Executive Managers within RACQ.

Remuneration is determined fairly and responsibly

- The Directors' remuneration is established by the Remuneration Committee, with reference to independent external advice from professional organisations.
- The Remuneration Committee oversees employee remuneration and performance policy.

The legitimate interest of stakeholders is recognised

- RACQ has a clear view of its wider group of stakeholders (including members, employees, customers, the community and regulatory bodies). RACQ conducts its activities in recognition of both social and business integrity objectives.
- RACQ promotes the legitimate and reasonable interests of Queensland motorists to government, industry and other interest groups and plays an active role in educating young Queenslanders on road safety issues.
- Health, safety, environment and community responsibilities are integral to the way in which RACQ conducts its business.
- RACQ-sponsored helicopter rescue services, which are used for life-saving and other emergency missions, illustrate RACQ's ongoing commitment to the community.



Head office, branches and agencies

Registered Head Office

2649 Logan Road, Eight Mile Plains, QLD 4113

ACN 009 660 575

Postal address

PO Box 4, Springwood, QLD 4127

Telephone: 61 7 3361 2444

Facsimile: 61 7 3341 8024

Email: racq@racq.com.au

Internet: racq.com

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, Kings Beach
- Capalaba – Capalaba Central Shopping Centre
- Elanora – The Pines Shopping Centre, Guineas Creek Road
- Gladstone – 50 Hanson Road
- Gympie – Goldfields Plaza, 71 Monkland Street
- 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
- Pialba/Hervey Bay – 92 Boat Harbour Drive
- 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
- Townsville – 635 Sturt Street
- Warwick – Rose City Shopping World, Palmerin Street

Putting members first

RACQ



RACQ directors and officers as at 31 December 2008

Club Patron

Her Excellency **Ms Penelope Wensley AO**
Governor of Queensland

Directors

Richard J Pietsch FAICD

President and Chairman (Director; South West Zone, since 1997):
Grazier; Director of RACQ Insurance Limited, Australian Automobile
Association, Australian Stud Sheep Breeders Association and
Agforce Sheep and Wool Board.

Geoffrey C Leddy BTech(Civil), FIEAust, CPEng, LGE, GDM, RPEQ, MAICD
Vice President, Deputy Chairman and Chairman Customer Services
Committee (Director; Wide Bay-Sunshine Coast Zone, since 1998):
Consulting engineer and company director; Director of Leddy
Sergiacomi & Associates Pty Ltd.

Nigel W F Alexander BBus, MAppFin, CPA, MAICD
Director; South East Zone (since 2000) and Chairman
Remuneration Committee; Chief Executive of North Australian
Pastoral Company Pty Limited. Animal Welfare Advisory
Committee, University of Queensland. Director of RACQ
Insurance Limited.

Fay L Barker OAM, FAICD

Director; North Zone (since 2001): Member of Board of Trustees
Breakwater Island Casino Community Benefit Fund and Townsville
Hospital Foundation.

Anthony M Gambling BBus, BEcon, MBA, ASA, MAICD
Director; Central Zone (since 2005): General Manager of Mango 4
Office Technology. Director of various private companies involved
in commercialisation of emerging technologies.

Dennis G Howe OAM, FAIM

Director; Far North Zone (since 2001) and Chairman Audit and
Risk Management Committee; Managing Director of Aus Mining
Personnel. Director of Cairns Port Authority. Honorary Swedish
Consul for North Queensland.

Elizabeth M Jameson BA/LLB (Hons)

Director; South East Zone (since 2008): Principal and founder
of corporate governance consultancy Board Matters Pty Ltd
and associated firm Board Matters Legal (since 2002). Formerly
a Partner with national law firm Deacons (corporate/commercial
division). Director of Tarong Energy Pty Ltd, MAP Funds
Management Ltd, Fibrecycle Pty Ltd, Brisbane Girls Grammar
School and Queensland Music Festival.

Peter K Long FAIM, MAICD

Director; South East Zone (since 2002) and Chairman Asset and
Corporate Committee; President Sedgman China. Former CEO
Guide Dogs Queensland and former CEO/Managing Director of a
company listed on the London Stock Exchange.

Stephen J Maitland OAM, RFD, BEc, MBus, FAICD, FCPA, FCIS, FAIM, FFin
Director; South East Zone (since 2008): Principal of corporate
advisory firm Delphin Associates. Non-executive Director of
Australian Unity Ltd, Buderim Ginger Ltd and several private
companies.

Bronwyn K Morris BCom, FCA, FAICD

Director; South East Zone (since 2008): Chartered Accountant
and Company Director; Director of Queensland Investment
Corporation and Brisbane Marketing Pty Ltd. Councillor of
Bond University.

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

Secretary and Chief Executive Officer (since 2006): Director of
RACQ Insurance Limited, Australian Automobile Association,
Indigo Pacific Capital Limited, 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, Gizmo Corporation Pty Ltd, and Club
Home Assistance Holdings Pty Ltd.

Other Directors during 2008

Julie-Anne Schafer LLB (Hons), MAICD, ANZIF

Director; South East Zone (since 1996) and Chairman
Remuneration Committee; Lawyer; Chairman of RACQ Insurance
Limited and Director of Australian Automobile Association.
Resigned from RACQ Board May 2008.

John W Buckby BBus, FAIM, FAICD

Director; South East Zone (since 1997): Former Chief Executive of
Motor Trades Association of Queensland. Resigned from RACQ
Board January 2008.

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 (resigned 1996), at a time when KPMG undertook
an audit of the Company.

Senior Management

General Manager People – **Rolanda Z Ayling** BEd (Secondary)
General Manager External Relations – **Gary J Fites** BA
General Manager 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

*Opposite (from top left to right) Bronwyn Morris, Dennis Howe,
Elizabeth Jameson, Geoff Leddy, Richard Pietsch, Ian Gillespie,
Fay Barker, Peter Long, Nigel Alexander, Stephen Maitland
and Tony Gambling.*



Directors' report

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 2008 and the Auditor's Report thereon.

The Directors of the Club at the date of this report, 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 shown in the table on the opposite page.

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.

PRINCIPAL ACTIVITIES: The principal activities of the Club are detailed in the President's Overview and the Chief Executive Officer's Operational Review.

REVIEW OF OPERATIONS: 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 deficit of \$11.8 million (2007 - surplus of \$62.5 million). A review of operations is contained in the President's Overview and the Chief Executive Officer's Operational Review.

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 under review not otherwise disclosed in this report or the consolidated financial statements.

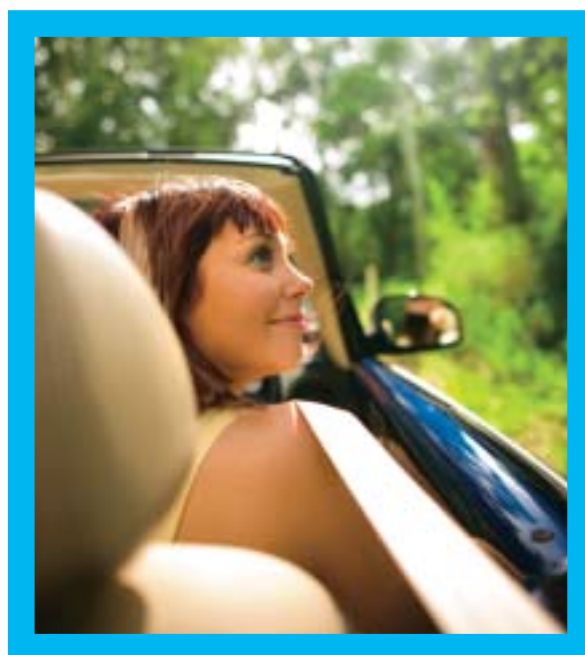
EVENTS SUBSEQUENT TO BALANCE DATE: There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of Directors of the Club, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

LIKELY DEVELOPMENTS: Information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of Directors, it could unreasonably prejudice the interests of the consolidated entity.

ENVIRONMENTAL REGULATIONS: The Club's operations are not subject to any significant Commonwealth or State environmental regulations.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE: During the financial year, the Club has paid a premium in respect of a contract insuring current Directors and Officers of the Club, or a related body corporate, against certain liabilities. Directors are required to make personal contributions towards this insurance cover.

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 contracts, as such disclosure is prohibited under the terms of the contract.



Attendance at Meetings for 2008

Director	Board		Asset and Corporate Committee		Audit and Risk Management Committee		Customer Services Committee		Remuneration Committee	
	A	H*	A	H*	A	H*	A	H*	A	H*
Mr N W F Alexander	9	10			2	2			1	1
Ms F L Barker	10	10			5	5				
Mr J W Buckby	1	1								
Mr A M Gambling	10	10					2	2		
Mr D G Howe	10	10			5	5			1	1
Ms E M Jameson	6	6					1	2		
Mr G C Leddy	10	10					2	2		
Mr P K Long	10	10	2	2						
Mr S J Maitland	4	6			2	3				
Ms B K Morris	5	6	2	2	3	3				
Mr R J Pietsch	9	10							2	2
Ms J-A Schafer	4	4							1	1

* Reflects the number of meetings held during the time the director/committee member held office during the year.
A = number of meetings attended H = number of meetings held

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.

LEAD AUDITOR'S INDEPENDENCE DECLARATION (under Section 307C of the Corporations Act 2001): The lead auditor's independence declaration is set out on page 56 (of the Financial Statements) and forms part of the Directors' Report for the year ended 31 December 2008.

Signed in accordance with a resolution of the Directors.



RICHARD JOHN PIETSCH
President

10 March 2009

Relax, you're with RACQ



*The Royal Automobile Club of Queensland Limited
and its controlled entities*

Financial Report

for the year ended 31 December 2008

Income statements	22
Balance sheets	23
Statements of cash flows	24
Statements of recognised income and expenses	24
Notes to the financial statements	25
Directors' declaration	54
Independent auditor's report to the members of The Royal Automobile Club of Queensland Limited	55
Lead auditor's independence declaration	56

Income statements

for the year ended 31 December 2008

	Note	RACQ		RACQ and controlled entities	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue	2	111,203	104,634	163,098	151,239
Expenses					
Advertising and promotions		(1,581)	(602)	(10,109)	(7,339)
Communication and information technology		(388)	(323)	(11,015)	(10,673)
Personnel expenses	3(b)	(18,380)	(8,185)	(83,882)	(66,804)
Motor vehicles		(118)	(99)	(3,390)	(2,392)
Payments to contractors for roadside assistance and provision of other member services		(66,000)	(58,000)	(41,610)	(36,586)
Property and related costs		(4,161)	(3,439)	(10,057)	(8,442)
Other expenditure		(7,103)	(6,314)	(12,403)	(11,168)
Results from operating activities		13,472	27,672	(9,368)	7,835
Share of net profit of associate accounted for using the equity method	23	-	-	(18,098)	27,182
Finance income		1,348	1,306	30,904	29,568
Finance expenses		(300)	(312)	(25,243)	(1,684)
Net financing income	3(c)	1,048	994	5,661	27,884
Profit/(loss) before income tax		14,520	28,666	(21,805)	62,901
Income tax benefit/(expense)	4	2,684	4	9,961	(453)
Profit/(loss) for the period		17,204	28,670	(11,844)	62,448

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 25 to 53.

Balance sheets

as at 31 December 2008

	Note	RACQ		RACQ and controlled entities	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets					
Cash and cash equivalents	5	5,018	650	5,018	650
Trade and other receivables	6	394,984	368,657	4,611	4,055
Inventories	7	136	146	448	455
Other investments	8	-	-	166,355	114,007
Other current assets	9	21	21	604	900
Total current assets		400,159	369,474	177,036	120,067
Non-current assets					
Investments accounted for using the equity method	10	-	-	80,262	98,360
Other investments	8	-	7,687	279,212	366,654
Intangible assets	29	-	-	719	-
Investment property	11	875	886	14,650	14,951
Property, plant and equipment	13	58,035	57,456	58,050	57,499
Deferred tax assets	12	707	-	-	-
Total non-current assets		59,617	66,029	432,893	537,464
Total assets		459,776	435,503	609,929	657,531
Current liabilities					
Trade and other payables	14	53,379	48,171	26,832	21,571
Unearned subscriptions		53,153	49,061	53,153	49,061
Current tax payable		258	372	21	1,342
Employee benefits	15	1,112	931	7,325	6,705
Total current liabilities		107,902	98,535	87,331	78,679
Non-current liabilities					
Employee benefits	15	332	324	3,190	3,143
Deferred tax liabilities	12	-	2,306	2,205	22,967
Total non-current liabilities		332	2,630	5,395	26,110
Total liabilities		108,234	101,165	92,726	104,789
Net assets		351,542	334,338	517,203	552,742
Accumulated funds					
Reserves	16	52,542	52,542	72,636	96,331
Retained profits	17	299,000	281,796	444,567	456,411
Total accumulated funds		351,542	334,338	517,203	552,742

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 25 to 53.

Statements of cash flows

for the year ended 31 December 2008

Note	RACQ		RACQ and controlled entities	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash flows from operating activities				
	113,769	106,982	113,769	106,982
	11,999	10,662	46,299	36,597
	(689)	(503)	33,891	67,549
	(115,040)	(98,202)	(174,548)	(151,764)
	(445)	(99)	(1,966)	(1,226)
	9,594	18,840	17,445	58,138
Cash flows from investing activities				
	150	135	21,217	17,548
	-	-	6,916	4,886
	1,198	1,171	3,197	3,103
	-	-	(190,115)	(187,238)
	-	-	152,282	123,746
	(7,485)	(21,516)	(7,485)	(21,553)
	911	891	911	891
	(5,226)	(19,319)	(13,077)	(58,617)
	4,368	(479)	4,368	(479)
	650	1,129	650	1,129
	5,018	650	5,018	650

Statements of recognised income and expenses

for the year ended 31 December 2008

	-	-	(34,276)	17,398
	-	-	426	(4,031)
	-	-	10,155	(4,010)
	-	-	(23,695)	9,357
	17,204	28,670	(11,844)	62,448
	17,204	28,670	(35,539)	71,805

The statements of cash flows and statements of recognised income and expenses are to be read in conjunction with the notes to the financial statements set out on pages 25 to 53.

Notes to the financial statements

for the year ended 31 December 2008

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 2008 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 10 March 2009.

(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 entity has elected to early adopt revised accounting standard AASB 8: *Operating Segments*.

The following standards and amendments to standards are available for early adoption at 31 December 2008 but have not been applied in preparing these consolidated financial statements:

- Revised AASB 3 Business Combinations (2008);
- Amended AASB 127 Consolidated and Separate Financial Statements (2008);
- Revised AASB 101 Presentation of Financial Statements (2007);
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process;
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process;
- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

It is expected that the application of the listed standards will not have any financial impact but will result in additional disclosures.

I Significant accounting policies (cont'd)

(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.

(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.

I Significant accounting policies (cont'd)

(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.

(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 to 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 to the terms of the consolidated entity's obligations.

Notes to the financial statements

for the year ended 31 December 2008

I Significant accounting policies (cont'd)

(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.

(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 Recognised Income and Expenditure. 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.

Notes to the financial statements

for the year ended 31 December 2008

I Significant accounting policies (cont'd)

(i) Investment Property

Investment properties comprise investment interests in land and buildings held for the purpose of either capital appreciation or for renting 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.

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.

Notes to the financial statements

for the year ended 31 December 2008

I Significant accounting policies (cont'd)

(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.

(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 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.

Notes to the financial statements

for the year ended 31 December 2008

I Significant accounting policies (cont'd)

(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.

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 1,164,607 (2007: 1,138,078) 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 that 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.

(iii) Guarantees

Refer to Note 22 regarding Deed of Cross Guarantee.

I Significant accounting policies (cont'd)

(q) Financial risk management (cont'd)

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 that 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 that 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.

In addition the Company has an 11:00am call borrowing facility for \$2,000,000 (2007: \$2,000,000) and access to a bank overdraft facility of \$100,000 (2007: \$100,000). As at 31 December 2008 there were no amounts drawn against these facilities.

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.

Notes to the financial statements

for the year ended 31 December 2008

I Significant accounting policies (cont'd)

(q) Financial risk management (cont'd)

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.

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	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Gross subscriptions and entrance fees	103,426	97,257	103,426	97,257
Decrease/(increase) in unearned subscriptions	(4,092)	(3,625)	(4,092)	(3,625)
<i>Member subscription revenue</i>	99,334	93,632	99,334	93,632
<i>Member services revenue</i>	960	1,309	25,421	23,210
<i>Other revenue</i>				
Distribution and services charge – RACQ Insurance Limited	10,909	9,693	35,956	33,164
Other revenue	-	-	2,387	1,233
	10,909	9,693	38,343	34,397
Total revenue	111,203	104,634	163,098	151,239

Notes to the financial statements

for the year ended 31 December 2008

	RACQ		RACQ and controlled entities	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
3 Profit before tax				
(a) Profit before tax has been arrived at after charging/(crediting) the following items:				
Depreciation of:				
Buildings	418	417	418	417
Plant and equipment	5,586	4,393	5,601	4,414
Depreciation – investment property	10	10	301	300
Operating lease rental expense	1,256	1,076	1,256	1,076
(b) Personnel expenses				
Wages and salaries	7,933	6,505	73,435	62,062
Contribution to defined contribution superannuation funds	402	333	402	3,395
Expense related to defined benefit superannuation funds	10,045	1,347	10,045	1,347
	18,380	8,185	83,882	66,804
(c) Net financing income				
Interest income on available-for-sale financial assets	-	-	21,067	17,413
Interest income on bank deposits	150	135	150	135
Dividend income on available-for-sale financial assets	-	-	6,916	4,886
Net gain/(loss) on disposal of available-for-sale financial assets transferred from equity	-	-	(426)	4,031
Rent received from other parties	98	106	2,097	2,038
Rent received from associated company	1,100	1,065	1,100	1,065
Finance income	1,348	1,306	30,904	29,568
Impairment loss on trade receivables	-	-	(27)	(32)
Impairment loss on available-for-sale financial assets	-	-	(23,445)	-
Other finance expense	(300)	(312)	(1,771)	(1,652)
Finance expense	(300)	(312)	(25,243)	(1,684)
Net finance income and expense	1,048	994	5,661	27,884
The above financial income and expense includes the following in respect of assets (liabilities) not at fair value through profit or loss:				
Total interest income on financial assets	150	135	21,217	17,548
Total interest expense on financial liabilities	(300)	(312)	(1,771)	(1,652)
Recognised directly in equity				
Net change in fair value of available-for-sale financial assets	-	-	(34,276)	17,398
Net change in fair value of available-for-sale financial assets sold	-	-	426	(4,031)
Income tax (expense)/benefit on income and expenses recognised directly in equity	-	-	10,155	(4,010)
Finance income recognised directly in equity, net of tax	-	-	(23,695)	9,357
Recognised in:				
Reserves	-	-	(23,695)	9,357

Notes to the financial statements

for the year ended 31 December 2008

4 Income tax

Recognised in the income statement

Current tax expense:

- Current year
- Adjustments for prior years

Deferred tax expense:

- Origination and reversal of temporary differences
- Benefit of tax loss recognised

Total income tax expense in income statement

Deferred tax recognised directly in equity

- Relating to other financial assets current
- Relating to other financial assets non-current

Total income tax recognised directly in equity

Prima facie tax expense calculated at 30% (2007: 30%) on operating profit before tax

Movement in income tax expense due to:

- Losses from previous year
- Utilisation of capital losses
- Share of associate's net profit
- Mutual income and related deductions
- Losses from subsidiaries
- Tax offset in franked dividends
- Other non deductible expenses

Income tax expense/(benefit) on operating profit

	RACQ		RACQ and controlled entities	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
	283	380	602	1,544
	47	20	44	15
	330	400	646	1,559
	(3,014)	(404)	(10,607)	(1,106)
	-	-	-	-
	(2,684)	(4)	(9,961)	453
	-	-	1,105	6
	-	-	(11,260)	4,004
	-	-	(10,155)	4,010
	4,356	8,600	(6,542)	18,871
	-	-	-	-
	-	-	-	-
	-	-	7,679	4,595
	(7,040)	(8,604)	(7,040)	(8,604)
	-	-	-	-
	-	-	(4,065)	(14,118)
	-	-	7	(291)
	(2,684)	(4)	(9,961)	453

5 Cash and cash equivalents

Cash at bank and on hand

	5,018	650	5,018	650
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6 Trade and other receivables Current

Receivables due from controlled entities

Receivables due from associate

Trade receivables

	391,526	364,906	-	-
	1,102	2,024	1,102	2,024
	2,356	1,727	3,509	2,031
	394,984	368,657	4,611	4,055

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

7 Inventories

Inventories stated at lower of cost and net realisable value

	136	146	448	455
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Notes to the financial statements

for the year ended 31 December 2008

8 Other investments

Current

Debt securities available-for-sale
Interest bearing deposits available-for-sale

Non-current

Surplus – Defined benefit superannuation fund
Equity securities available-for-sale
Debt securities available-for-sale
Other unlisted investments available-for-sale
Total other financial assets

	RACQ		RACQ and controlled entities	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
	-	-	159,455	107,007
	-	-	6,900	7,000
	-	-	166,355	114,007
	-	7,687	-	7,687
	-	-	109,117	149,861
	-	-	159,397	194,533
	-	-	10,698	14,573
	-	7,687	279,212	366,654

Interest-bearing available-for-sale financial assets, with a carrying amount of \$325,752,000 as at 31 December 2008 (2007: \$308,540,000) have stated interest rates of 4.20 to 8.60 percent (2007: 5.00 to 7.75 percent) and mature 1 to 3.30 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 \$925,595 after tax (2007: \$1,049,000); an equal change in the opposite direction would have decreased equity by \$925,595 after tax (2007: a decrease of \$1,049,000).

9 Other current assets

Prepayments

	21	21	604	900
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10 Investments accounted for using the equity method

Investment in RACQ Insurance Limited (refer Note 23)

	-	-	80,262	98,360
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Notes to the financial statements

for the year ended 31 December 2008

	RACQ		RACQ and controlled entities	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
I I Investment property				
Balance at 1 January	925	925	16,122	16,122
Acquisitions	-	-	-	-
Accumulated depreciation	(50)	(39)	(1,472)	(1,171)
Balance at 31 December	875	886	14,650	14,951
Balance of accumulated depreciation at 1 January	39	29	1,171	871
Depreciation expense	11	10	301	300
Balance of accumulated depreciation at 31 December	50	39	1,472	1,171

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 2006 by McGees AAPI to be \$22,800,000. The basis of valuation was open market value for existing use.

I2 Tax assets and liabilities

Unrecognised deferred tax assets

Deferred tax assets were not recognised in respect of these previous year items because it is not probable that future taxable profit will be available against which the RACQ or consolidated entity can utilise the benefits therefrom.

The deductible temporary differences and tax losses do not expire under current tax legislation.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets \$'000		Liabilities \$'000		Net \$'000	
	2008	2007	2008	2007	2008	2007
RACQ and controlled entities						
Property, plant and equipment	-	-	(802)	(802)	(802)	(802)
Other investments current	-	-	(1,473)	(368)	(1,473)	(368)
Other investments non current	7,420	-	(11,745)	(22,832)	(4,325)	(22,832)
Employee benefits	3,884	3,047	-	(2,306)	3,884	741
Other items	32	-	-	(76)	32	(76)
Tax value of loss carry forwards recognised	479	370	-	-	479	370
Tax assets / (liabilities)	11,815	3,417	(14,020)	(26,384)	(2,205)	(22,967)
Set off of tax	-	-	-	-	-	-
Net tax assets / (liabilities)	11,815	3,417	(14,020)	(26,384)	(2,205)	(22,967)
RACQ						
Property, plant and equipment	-	-	-	-	-	-
Other investments current	-	-	-	-	-	-
Employee benefits	707	-	-	(2,306)	707	(2,306)
Other items	-	-	-	-	-	-
Tax value of loss carry forwards recognised	-	-	-	-	-	-
Tax assets / (liabilities)	707	-	-	(2,306)	707	(2,306)
Set off of tax	-	-	-	-	-	-
Net tax assets / (liabilities)	707	-	-	(2,306)	707	(2,306)

Notes to the financial statements

for the year ended 31 December 2008

12 Tax assets and liabilities (cont'd)

Movement in temporary differences during the year

	RACQ \$'000				RACQ and controlled entities \$'000			
	Recognised		Recognised in equity	Balance 31 Dec 08	Recognised		Recognised in equity	Balance 31 Dec 08
	Balance 1 Jan 08	in profit or loss			Balance 1 Jan 08	in profit or loss		
Property, plant and 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)

	RACQ				RACQ and controlled entities			
	Recognised		Recognised in equity	Balance 31 Dec 07	Recognised		Recognised in equity	Balance 31 Dec 07
	Balance 1 Jan 07	in profit or loss			Balance 1 Jan 07	in profit or loss		
Property, plant and equipment	-	-	-	-	(802)	-	-	(802)
Other investments current	-	-	-	-	(361)	-	(7)	(368)
Other investments non-current	-	-	-	-	(18,829)	-	(4,003)	(22,832)
Employee benefits	(2,710)	404	-	(2,306)	(265)	1,006	-	741
Other items	-	-	-	-	270	(346)	-	(76)
Tax value of losses	-	-	-	-	-	370	-	370
	(2,710)	404	-	(2,306)	(19,987)	1,030	(4,010)	(22,967)

Notes to the financial statements

for the year ended 31 December 2008

13 Property, plant and equipment

	RACQ		RACQ and controlled entities	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Freehold land				
At cost	16,441	17,137	16,441	17,137
	16,441	17,137	16,441	17,137
Buildings				
At cost	17,194	17,194	17,194	17,194
Accumulated depreciation	(2,476)	(2,058)	(2,476)	(2,058)
	14,718	15,136	14,718	15,136
Plant and equipment				
At cost	66,052	60,810	66,159	60,966
Accumulated depreciation	(40,061)	(35,755)	(40,153)	(35,868)
	25,991	25,055	26,006	25,098
Capital works in progress				
At cost	885	128	885	128
Total property, plant and equipment net book value	58,035	57,456	58,050	57,499

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	17,137	5,836	17,137	5,836
Additions	-	11,461	-	11,461
Disposals	(696)	(160)	(696)	(160)
Transfer from investment properties	-	-	-	-
Carrying amount at end of year	16,441	17,137	16,441	17,137

Buildings

Carrying amount at beginning of year	15,136	15,553	15,136	15,553
Disposals	-	-	-	-
Transfer from investment properties	-	-	-	-
Transfer from capital works in progress	-	-	-	-
Depreciation	(418)	(417)	(418)	(417)
Carrying amount at end of year	14,718	15,136	14,718	15,136

Plant and equipment

Carrying amount at beginning of year	25,055	17,899	25,098	17,926
Additions	6,600	9,927	6,600	9,964
Transfer from capital works in progress	128	1,887	128	1,887
Disposals	(206)	(265)	(219)	(265)
Depreciation	(5,586)	(4,393)	(5,601)	(4,414)
Carrying amount at end of year	25,991	25,055	26,006	25,098

Capital works in progress

Carrying amount at beginning of year	128	1,887	128	1,887
Additions	885	128	885	128
Transfers to property, plant and equipment and buildings	(128)	(1,887)	(128)	(1,887)
Carrying amount at end of year	885	128	885	128

Notes to the financial statements

for the year ended 31 December 2008

13 Property, plant and equipment (cont'd)

Valuations

An independent valuation of freehold land and buildings was carried out as at 31 December 2006 by Knight Frank AAPI and McGees AAPI. The basis of valuation was open market values for existing use and resulted in a valuation of \$60,330,000. 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 associate
Other payables and accruals

RACQ		RACQ and controlled entities	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000
11,724	9,760	13,893	12,078
2,358	-	2,358	-
35,714	35,714	-	-
3,583	2,697	10,581	9,493
53,379	48,171	26,832	21,571

15 Employee benefits

Current

Liability for annual leave
Liability for long service leave

731	666	5,217	4,949
381	265	2,108	1,756
1,112	931	7,325	6,705

Non-current

Liability for long service leave

332	324	3,190	3,143
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Number of employees

Number of employees at year end

72	82	1,098	1,055
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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 that the plan is presently obliged to pay at some future date, as a result of membership of the plan. Vested benefits are benefits that are not conditional on the continued membership of the plan or any factor, other than resignation from the plan.

Notes to the financial statements

for the year ended 31 December 2008

15 Employee benefits (cont'd)

Details of contributions to the above plan during the year and contributions payable at 31 December 2008 are as follows:

	RACQ		RACQ and controlled entities	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employer contributions to the plan				
Defined Benefit Division	-	-	-	-

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

	Plan assets at net market value \$'000	Total accrued benefits \$'000	Excess/ (deficit) \$'000	Total vested benefits \$'000
RACQ Superannuation Fund 2008(i)	20,604	17,619	2,985	14,528
RACQ Superannuation Fund 2007	25,709	16,708	9,001	14,590

(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. This calculation involves the application of assumptions by the Fund's actuary who exercises judgement in arriving at these assumptions.

	\$'000
<i>Movement in defined benefit plan surplus/(deficit)</i>	
Net surplus for defined benefit obligations 30/06/2007	9,001
Contributions from surplus	(1,745)
Experience adjustments on plan assets	(3,088)
Experience adjustments on plan liabilities	(1,183)
Net surplus for defined benefit obligations 30/06/2008	2,985
Net experience July to December 2008	(5,343)
Net shortfall for defined benefit obligations 31/12/2008	(2,358)

Actuarial assumptions

- Discount rate 5.70% 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.
- Management expenses assumed to be 3.0% of members' salaries
- 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 20.2%
- International equities 18.4%
- Australian fixed interest securities/cash 43.5%
- Alternative assets 7.0%
- Property 10.9%

Notes to the financial statements

for the year ended 31 December 2008

16 Reserves

Investment revaluation
General

	RACQ		RACQ and controlled entities	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Investment revaluation	-	-	30,439	54,134
General	52,542	52,542	42,197	42,197
	52,542	52,542	72,636	96,331
Reconciliation of movements during the year				
(a) Investment revaluation reserve				
Balance at the beginning of year	-	-	54,134	44,777
Increase/(decrease) in market value of available-for-sale financial assets during year (net of tax)	-	-	(23,695)	9,357
Balance at end of year	-	-	30,439	54,134
(b) General reserve				
Balance at the beginning of year	52,542	52,542	42,197	42,197
Balance at end of year	52,542	52,542	42,197	42,197
Total reserves	52,542	52,542	72,636	96,331

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.

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

Retained profits at beginning of year	281,796	253,126	456,411	393,963
Net profit attributable to members of the parent entity	17,204	28,670	(11,844)	62,448
Retained profits at the end of the year	299,000	281,796	444,567	456,411

Notes to the financial statements

for the year ended 31 December 2008

18 Leases and Commitments

Operating lease expense commitments

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

Within one year

One year or later and no later than five years

Later than five years

RACQ		RACQ and controlled entities	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000
1,275	891	1,275	891
2,645	1,903	2,645	1,903
-	-	-	-
3,920	2,794	3,920	2,794

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

Operating lease revenue as lessor

Future revenues not provided for in the financial statements:

Within one year

One year or later and no later than five years

1,210	1,565	1,210	1,565
1,249	1,179	3,268	3,103
3,785	4,810	6,912	8,821
5,034	5,989	10,180	11,924

The consolidated entity leases out investment property under operating leases. During the year income of \$3,197,000 was recognised (2007: \$3,103,000).

Direct operating expenses including repairs and maintenance associated with holding these investment properties were \$268,000 (2007: \$230,000).

Notes to the financial statements

for the year ended 31 December 2008

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 2008.

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 counterparty. The credit risk on investments is minimised by investing primarily in major financial institutions and blue-chip equities.

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

	Carrying Amount			
	RACQ		RACQ and controlled entities	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Australia	394,984	368,657	4,611	4,055

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

Receivables due from controlled entities	391,526	364,906	-	-
Receivables due from associate	1,102	2,024	1,102	2,024
Trade receivables	2,356	1,727	3,509	2,031
	394,984	368,657	4,611	4,055

Notes to the financial statements

for the year ended 31 December 2008

19 Financial instruments (cont'd)

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

	RACQ		RACQ and controlled entities	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'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:

	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	
2008							
<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%	-	-	167,898	111,314	279,212
			5,018	166,355	167,898	115,925	455,196
<i>Financial liabilities</i>							
Payables	14	-	-	-	-	26,832	26,832
Employee benefits	15	-	-	-	-	10,515	10,515
			-	-	-	37,347	37,347
2007							
<i>Financial assets</i>							
Cash	5	-	650	-	-	-	650
Receivables	6	-	-	-	-	4,055	4,055
<i>Other financial assets</i>							
Investments – current	8	6.02%	2,321	111,686	-	-	114,007
Investments – non-current	8	6.30%	-	-	199,533	167,121	366,654
			2,971	111,686	199,533	171,176	485,366
<i>Financial liabilities</i>							
Payables	14	-	-	-	-	21,571	21,571
Employee benefits	15	-	-	-	-	9,848	9,848
			-	-	-	31,419	31,419

Notes to the financial statements

for the year ended 31 December 2008

19 Financial instruments (cont'd)

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 \$53,379,000 as at 31 December 2008 (2007: \$48,171,000) and the consolidated entity with a carrying amount of \$26,832,000 as at 31 December 2008 (2007: \$21,571,000). Further employee benefits with a carrying amount of \$7,325,000, which will result in contractual cash outflows equalling the carrying amounts within 12 months or less, and long-term employee benefits in relation to long service leave, which will result in contractual cash outflows with a carrying amount of \$3,190,000 within the next two to 10 years.

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. 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Fixed rate instruments				
Financial assets	2,356	1,727	329,261	310,571
Financial liabilities	(17,665)	(12,457)	(26,832)	(21,571)
	(15,309)	(10,730)	302,429	289,000

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:

	31 December 2008		31 December 2007	
	Carrying amount \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000
RACQ				
Surplus/(Shortfall) – Defined benefits superannuation fund	(2,358)	(2,358)	7,687	7,687
Investment property	875	875	886	886
Loans and receivable	394,984	394,984	368,657	368,657
Cash and cash equivalents	5,018	5,018	650	650
Trade and other payables	(53,379)	(53,379)	(48,171)	(48,171)
	345,140	345,140	329,709	329,709

RACQ and controlled entities

Surplus/(Shortfall) – Defined benefits superannuation fund	(2,358)	(2,358)	7,687	7,687
Equity securities available-for-sale	109,117	109,117	149,861	149,861
Debt securities for sale	318,852	318,852	301,540	301,540
Interest bearing deposit available-for-sale	6,900	6,900	7,000	7,000
Other unlisted investment available-for-sale	10,698	10,698	14,573	14,573
Investment property	14,650	22,800	14,951	22,800
Investment accounted for using equity method	80,262	80,262	98,360	98,360
Loans and receivable	4,611	4,611	4,055	4,055
Cash and cash equivalents	5,018	5,018	650	650
Trade and other payables	(26,832)	(26,832)	(21,571)	(21,571)
	520,918	529,068	577,107	584,956

Notes to the financial statements

for the year ended 31 December 2008

20 Auditors' remuneration

Audit services:

Auditors of the financial statements
Regulatory audits

Other services:

Tax compliance services
Other advisory services

RACQ		RACQ and controlled entities	
2008	2007	2008	2007
\$	\$	\$	\$
93,100	88,800	93,100	88,800
-	-	4,400	4,200
93,100	88,800	97,500	93,000
70,950	28,300	70,950	28,300
30,900	45,175	65,264	45,175
101,850	73,475	136,214	73,475

21 Controlled entities

Particulars in relation to the controlled entities

Parent entity

The Royal Automobile Club of Queensland Limited

Controlled entities

RACQ Investments Pty Ltd
The Road Ahead Publishing Co Pty Ltd
RACQ Operations Pty Ltd
RACQ Investments No.2 Pty Ltd
RACQ Community Fund Pty Ltd
AAA Rewards Pty Ltd
RACQ Charitable Trust Fund

Interest held

2008	2007
%	%
100	100
100	100
100	100
100	100
100	100
100	100
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 lodgment 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 that are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 December 2008.

Notes to the financial statements

for the year ended 31 December 2008

	Consolidated	
	2008 \$'000	2007 \$'000
23 Investments accounted for using the equity method – RACQ Insurance Limited		
The consolidated entity accounts for investments in associates using the equity method.		
Share of net profit accounted for using the equity method included in the income statement	(18,098)	27,182
Results of associate		
Share of associate's revenue	317,632	271,762
Share of associate's operating profit/(loss) before income tax	(26,264)	38,047
Share of associate's income (tax expense)/benefit	8,166	(10,865)
Share of associate's net profit/(loss) – equity accounted	(18,098)	27,182
Share of post acquisition retained profits and reserves attributable to associate		
Share of associate's retained profits at the beginning of the financial year before provision for dividend	57,419	72,737
Share of net profit/(loss) of associate in current year	(18,098)	27,182
Dividends from associate	(7,500)	(42,500)
Share of associate's retained profits at the end of the financial year	31,821	57,419
Contribution of share capital	27,500	20,000
Share of associate's general reserve at the end of the financial year	17,500	17,500
Cost of investment in associate	3,441	3,441
Equity accounted carrying amount of investment	80,262	98,360
Movements in carrying amount of investment		
Carrying amount of investment in associate at the beginning of the financial year	98,360	113,678
Share of associate's net profit/(loss)	(18,098)	27,182
Contribution of additional share capital	7,500	-
Dividend received from associate	(7,500)	(42,500)
Carrying amount of investment in associate at the end of the financial year	80,262	98,360
Summary performance and financial position of associate – parent entity share		
The consolidated entity's share of aggregate assets, liabilities and profit of the associate are as follows:		
Net profit/(loss) – as reported by associate	(18,098)	27,182
Current assets	291,548	197,332
Non-current assets	252,191	263,316
Total assets	543,739	460,648
Current liabilities	245,370	196,596
Non-current liabilities	218,107	165,692
Total liabilities	463,477	362,288
Net assets – as reported by associate	80,262	98,360
Net assets – equity adjusted and carrying amount of investment in associate at year end	80,262	98,360

Commitments and contingent liabilities

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

Details of the investment in the associate are as follows:

Name	Principal activities	Balance date	Ownership Interest Consolidated		Investment carrying amount Consolidated	
			2008	2007	2008	2007
			%	%	\$'000	\$'000
RACQ Insurance Limited	General insurance	31 December	50	50	80,262	98,360

Notes to the financial statements

for the year ended 31 December 2008

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:

J-A Schafer (Resigned as Chairman and Director 27 May 2008)

R J Pietsch (Appointed Chairman 27 May 2008)

G C Leddy (Appointed Deputy Chairman 27 May 2008)

N W F Alexander

F L Barker

A M Gambling

D G Howe

P K Long

B K Morris (appointed 24 June 2008)

E M Jameson (appointed 24 June 2008)

S J Maitland (appointed 24 June 2008)

JW Buckby (resigned 22 January 2008)

Executives

I A Gillespie (Chief Executive Officer and Secretary)

P V Williams (General Manager Operations) transferred to General Manager Corporate Governance, and Assistant Company Secretary 12 December 2008

N J Condon (General Manager Corporate Services) resigned 12 December 2008

G J Fites (General Manager External Relations)

I L Mitchell (General Manager Commercial)

L M Muller (Chief Financial Officer) commenced 14 January 2008

B E Rice (General Manager Technology)

R Z Ayling (General Manager People)

G A Toms (General Manager Operations) commenced 12 December 2008

Notes to the financial statements

for the year ended 31 December 2008

24 Related parties (cont'd)

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.

	RACQ		RACQ and controlled entities	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Remuneration of key management personnel				
Short-term benefits	1,373	1,102	2,600	1,750
Post-employment benefits	432	429	683	607
Other long term benefits	(40)	(57)	22	(45)
Termination benefits	157	360	157	360
	1,922	1,834	3,462	2,672

The remuneration paid to Directors by the Company is in accordance with its limit of \$600,000 (2007: \$600,000) as approved by the members of RACQ.

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

	The Company	
	2008 \$'000	2007 \$'000
<i>Receivables</i>		
RACQ Insurance Limited	1,102	2,024
RACQ Operations Pty Ltd	316,660	299,742
RACQ Investments Pty Ltd	57,029	47,515
RACQ Investments No.2 Pty Ltd	-	-
Road Ahead Publishing Co Pty Ltd	17,837	17,649
	392,628	366,930
<i>Payables/borrowings</i>		
RACQ Charitable Trust Fund	8	7
RACQ Investments No 2 Pty Ltd	35,714	35,714
	35,722	35,721

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 \$35,956,451 (2007: \$33,162,625).

Notes to the financial statements

for the year ended 31 December 2008

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 1,280,472 (2007: 1,245,318) guaranteeing members.

26 Dividends

Dividend Franking Account

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

	RACQ		RACQ and controlled entities	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Class C 30% (2007: 30%) franking credits - Company	70,213	69,884	70,213	69,884
Class C 30% (2007: 30%) franking credits - Subsidiaries	-	-	59,852	53,847
	70,213	69,884	130,065	123,731

RACQ is a mutual company that 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.

Notes to the financial statements

for the year ended 31 December 2008

27 Notes to the statements of cash flows

(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	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash and cash equivalents	5	5,018	650	5,018	650

(ii) Reconciliation of operating profit after income tax to net cash provided by operating activities

Profit for the period	17,204	28,670	(11,844)	62,448
<i>Add/(less) items classified as investing activities:</i>				
Loss/(profit) on sale of property, plant and equipment and investments	(8)	(465)	448	(4,497)
Dividends received	-	-	(6,916)	(4,886)
Rent received	(1,198)	(1,171)	(3,197)	(3,103)
Interest received	(150)	(135)	(21,217)	(17,548)
<i>Add/(less) non-cash items:</i>				
Share of associate's net result (net of dividends received)	-	-	25,598	15,318
Impairment change on investments	-	-	23,445	-
Depreciation	6,014	4,820	6,320	5,131
Increase/(decrease) in income tax payable	(114)	301	(1,321)	263
Net cash provided by/(used in) operating activities before change in net assets and liabilities	21,748	32,020	11,316	53,126
<i>Change in assets and liabilities:</i>				
Inventory	10	(50)	7	(81)
Receivables	(629)	(475)	(1,478)	(504)
Other financial assets	-	-	-	-
Prepayments	-	-	296	(465)
Intangible assets	-	-	(719)	-
Unearned subscriptions	4,092	3,625	4,092	3,625
Payables	5,208	117	5,261	2,737
Other investments	7,687	1,347	7,687	1,347
Provision for employee benefits	189	46	667	486
Future income tax benefit/provision for deferred tax	(3,013)	(404)	(10,606)	(1,030)
Loans from/to controlled and associated entities	(25,698)	(17,386)	922	(1,103)
Net cash provided by/(used in) operating activities	9,594	18,840	17,445	58,138

Notes to the financial statements

for the year ended 31 December 2008

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 that 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 by it being spread using a time-based formula so as to calculate that portion of the subscription applicable to the unexpired period of a membership term adds certainty to the future revenue.

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
2008						
Cost/Carrying amounts						
Balance at 1 January 2008	-	-	-	-	-	-
Acquisitions through business combinations	-	-	-	642	77	719
Balance at 31 December 2008	-	-	-	642	77	719

30 Business combination

On 1 December 2008 the Group acquired the operations of Smart Travel Pty Ltd for \$809,000. The operation distributes travel products. In the one month to 31 December 2008 it contributed a loss of \$15,000. If the acquisition had occurred on 1 January 2008, management estimates that contributed profit would have been \$270,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2008.

The acquisition had the following impact on the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amounts \$'000	Fair value adjustments \$'000	Recognised values on acquisition \$'000
Receivables	833		833
Property, plant and equipment	13		13
Employee entitlements	(62)		(62)
Accounts payable	(694)		(694)
Future profit commission	-	77	77
Net identifiable assets and liabilities	90	77	167
Goodwill on acquisition			642
Purchase consideration			809

Directors' declaration

- 1 In the opinion of the Directors of The Royal Automobile Club of Queensland Limited:
 - (a) the financial statements and notes, set out on pages 22 to 53, 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 2008 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.
- 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 10th day of March 2009



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

We have audited the accompanying financial report of The Royal Automobile Club of Queensland Limited (the Company), which comprises the balance sheets as at 31 December 2008, and the income statements, statements of recognised income and expense and cash flow statements 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 consolidated entity 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.

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 consolidated entity'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.

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 consolidated entity's financial position as at 31 December 2008 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 consolidated entity also complies with International Financial Reporting Standards as disclosed in Note 1.

KPMG

Scott Guse

Partner
Brisbane
10 March 2009



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 2008, 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

Scott Guse

Partner
Brisbane
10 March 2009



The Royal Automobile Club of Queensland Limited
ACN 0099 660 575