The Royal Automobile Club of Queensland and its controlled entities

Annual Statutory Reports

2017 - 2018

CONTENTS

	Key to abbreviations
Arrow	Arrow securitisation trust
CGU	Cash generating unit
the Deed	Deed of cross guarantee
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, tax, depreciation and amortisation
IBNR	Incurred but not reported
IBNER	Incurred but not enough reported
ICAAP	Internal capital adequacy assessment process
KMP	Key Management Personnel
LAT	Liability adequacy test
LVR	Loan to valuation ratio
PCA	Prescribed capital amount
PML	Probable maximum loss
RMS	Risk management strategy
ReMS	Reinsurance management strategy

RACQ Directors & Officers

Information on the RACQ directors is set out on the next pages, including qualifications, experience and particular responsibilities.

Bronwyn K Morris (President and Chairman)

BCom, FCA, FAICD

Director, South East Zone, joined the board in 2008.

President and Chairman of RACQ, Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Member of the Group Remuneration and Nomination Committee and the Group Audit Committee.

Ms Morris specialised for more than 20 years as a chartered accountant in audit and corporate services. Ms Morris is the Queensland Council President of the Australian Institute of Company Directors. She serves as a director of a number of entities including Collins Food Limited, the Gold Coast 2018 Commonwealth Games Corporation, Watpac Limited and the Menzies Health Institute Queensland.

Elizabeth M Jameson (Vice President and Deputy Chairman)

LLB (Hons1), BA, FAICD, MQLS

Director, South East Zone, joined the board in 2008.

Vice President and Deputy Chairman of RACQ, Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Chair of the Group Audit Committee and member of the Risk and Compliance Committee and Group Remuneration and Nomination Committee.

Ms Jameson is the principal and founder of corporate governance consultancy Board Matters Pty Ltd and associated firm Board Matters Legal (since 2002). With her prior background as a partner of a national law firm, she is a respected governance specialist, who is consulted widely at a national and international level. In addition, Elizabeth is an experienced director, serving over the past 25 years on the boards of more than 20 other organisations in the private, not-for-profit and public sectors. She is presently also chair of Brisbane Girls Grammar School, chair of Queensland Theatre and an independent member of the Board of Management of the Queensland Police Service.

Nigel W F Alexander

BBus, MAppFin, FCA, FAICD

Director, South East Zone, joined the board in 2000.

Chairman of RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of the Group Remuneration and Nomination Committee.

Mr Alexander is President of the Australian Automobile Association and Region 2 (Asia Pacific) Treasurer of the Federation Internationale De L'Automobile and Chairman of UnitingCare Queensland. He is also a director of QIC Agribusiness Holdings Pty Ltd and various private companies. In 2016, he retired as CEO of The North Australian Pastoral Company Pty Ltd. He is an Agribusiness specialist and qualified accountant, having previously worked in corporate finance roles with both Australian and international banks.

Jayne P Arlett

BSc, Pod Med, FASMF, FAAPSM, FAIM, GAICD

Non-Zonal Director, joined the board in 2017.

Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Member of the Group Audit Committee and the Bank Audit Committee.

Ms Arlett has a background in national sporting organisations, medicine and the private sector. She has a 30-year career in business and extensive skills in innovation and marketing, particularly in the digital media space. She is a Member of the James Cook University Council, Chair of Discover Sport Limited, Chair of the Friends of the Museum of Tropical Queensland and a director of both Whitsunday Apartments Hamilton Island East Limited and Whitsunday Apartments Hamilton Island West Limited. Ms Arlett is a former Chair of the Townsville Fire Limited, former Commissioner for the WNBL and a director of several private companies. She has served on a variety of boards in the private, not-for-profit and government sectors over 20 years.

Campbell J Charlton

BCom, LLB, FCA(Rtd), MAICD

Non-Zonal Director, joined the board in 2014.

Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Chair of the Bank Audit Committee and member of the Group Audit Committee.

Mr Charlton has a 35-year career as a Chartered Accountant and Corporate Advisor. He is the Deputy Chancellor of the James Cook University Council, member of the Queensland Government's Commonwealth Games Legacy Advisory Committee, director of North Queensland Cowboys Rugby League Club Limited and a director of Citizens of the Great Barrier Reef Foundation Limited. He is a former Chairman of the Tourism Tropical North Queensland and Advance Cairns Limited and a former member of the Executive Committee of the Australia Papua New Guinea Business Council. He is also a past Chairman of the judging panels of both the Australian Tourism Awards and the Queensland Tourism Awards.

Anthony (Tony) M Gambling

BBus, BEcon, MBA, FCPA, FAIM, FAICD, JP (Qual)

Director, Central Zone, joined the board in 2005.

Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Member of the Group Capital and Investment Committee and the Insurance Risk and Compliance Committee.

Mr Gambling is the director of Regional Development for Regional Development Australia Fitzroy and Central West. He is the former General Manager of Mango 4 Office Technology and a former director of companies involved in the commercialisation of emerging technologies. He is a member of the Central Queensland Committee of the Australian Institute of Company Directors and the Queensland Small Medium Enterprise Committee of CPA Australia.

RACQ Directors & Officers *continued*

John F Minz

BCom, Grad Dip Commercial Computing Sen. Fellow FINSIA, FAIM, FAICD

Director, South West Zone, joined the board in 2016.

Chairman of Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Director of RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the Group Remuneration and Nomination Committee, Risk and Compliance Committee and the Bank Risk and Compliance Committee.

Mr Minz retired as the Chief Executive Officer of Heritage Bank in November 2015, after 23 years with the Bank.

Mr Minz is Chairman of the Darling Downs and West Moreton PHN and President of Toowoomba Together Incorporated, a community charity created to help eliminate domestic and family violence. He is also Chairman of the charity Australia's CEO Challenge and a member of the Toowoomba Regional Committee of the Australian Institute of Company Directors.

Karl D Morris

BCom, MSAA, FAICD, FFin

Director, South East Zone, joined the board in 2010.

Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Chair of the Group Capital and Investment Committee.

Karl Morris is Executive Chairman of Ord Minnett Limited with a career spanning over 30 years in financial services and wealth management. He is a Commerce graduate of Griffith University and holds diplomas from the Stockbrokers and Financial Advisers Association of Australia, Institute of Company Directors and FINSIA.

Karl has recently been appointed the Chairman of the Brisbane Broncos and is the Chairman and a Master Member of the Stockbrokers and Financial Advisers Association of Australia, Chairman of QSuper, director of Gallipoli Medical Research, Board Member of JP Morgan Australia Advisory Council, Board Member of the Financial Sector Advisory Council, Board Member of Archdiocese of Brisbane Catholic Foundation, Chair of Mary MacKillop Brisbane Catholic School Access Fund, Chair of Griffith University Foundation Board and Governor of the University of Notre Dame Australia.

Leona C Murphy

BCom, GAICD

Non-Zonal Director, joined the board in May 2018.

Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Chair of the Risk and Compliance Committee and member of the Group Remuneration and Nomination Committee and Insurance Risk and Compliance Committee.

Ms Murphy is an experienced senior executive with 24 years' experience in insurance and financial services. She has had C-Suite roles in top 20 ASX listed insurance organisations for 10 years, most recently as Chief Strategy Officer at IAG.

She is currently a director of Liberty Financial Limited, director of New Zealand's Accident Compensation Commission, independent director of Stone & Chalk and is the Chair of the Royal Brisbane & Women's Hospital Foundation. Ms Murphy has been Co-Chair of the United Nation Environment's Principles for Sustainable Insurance Initiative and was recognised as one of Australia's Top 100 Women of Influence in the 2015 Australian Financial Review and Westpac Awards for her work in Global Resilience.

Officers

Group Chief Executive Officer

Ian A Gillespie

BA, Dip Laws(BAB), FCEOI, FAICD, FAIM

Mr Gillespie has been CEO of the RACQ Group since 2006. He is a director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Foundation Pty Ltd, RACQ Operations Pty Ltd and several other RACQ Group and related entities. He is also a director of the Confederation of Australian Motor Sport, the Business Council of Cooperatives and Mutuals (BCCM), Chairman of Australian Motoring Services Pty Ltd and Vice-Chair of the Global Mobility Alliance. Mr Gillespie has more than 35 years' experience at general management and chief executive level in a broad range of industries in Australia and internationally.

Mr Gillespie is supported by a Group Executive Team covering advocacy and communication, assistance, banking, finance, governance, insurance, legal and risk, people, sales and marketing, strategy and technology.

Company Secretary

Bradley D Bowes

PhD, FGIA, FCIS, MAICD

Mr Bowes is company secretary for all the legal entities within the RACQ Group and heads the Group Secretariat with responsibility for group-wide corporate governance matters, including managing all matters associated with the efficient operation of the various boards and committees and of each annual general meeting. Mr Bowes is a chartered company secretary with more than 20 years' experience in senior management and similar governance roles in both private enterprise and the public sector across a range of industries.

Group executive team

The RACQ Group is organised along its main operating divisions, each of which is headed by a member of the Group Executive Team (GEX), who are direct reports to the Group CEO.

Group Chief Executive Officer – Ian Gillespie
BA, Dip Laws(BAB), FCEOI, FAICD, FAIM

Chief Executive Officer Bank – Michelle Bagnall (commenced 5 February 2018)
BBus, MBA, SA Fin, GAICD

Chief Information Officer – Gregory Booker
MBA, MMgmnt, MAICD

Group Company Secretary – Bradley Bowes
PhD, FGIA, FCIS, MAICD

Chief Risk Officer and General Counsel– Darryn Hammond
BSci (Hons), LLB, Grad Dip Corp Gov, MQLS, FGIA, FCIS

Group Chief Financial Officer – Michael Lonergan
BBus, FCPA, Grad Dip App Fin

Chief Strategy Officer – Mark Mugnaioni
BBus(Mgt), LLB(Hons), LLM, Grad Dip(LegalPrac), GradCert(AppFin), FAICD, FAIM

Chief Executive Officer Insurance – John Myler
BCom & Marketing, Grad Dip. Insurance, Fellow ANZIIF, MAICD

Chief People Officer - Heidi Suominen
BBus (HR Mgt), Grad Dip Training and Development, GAICD

Chief Executive Officer Bank – Steve Targett (resigned 9 February 2018)
MAIEx (Diploma), Series 3 US Futures, MAICD

Chief Executive Officer, Assistance – Glenn Toms
BBus, Grad Dip Fin & Inv, FFin, FAIM, GAICD

Chief Communication Officer - Paul Turner
GAICD

Chief Sales and Marketing Officer – Christopher Walsh
BCom (Acc.), GAICD, FIML

Detailed profiles of each GEX member are available at racq.com.au/about/racq/group-executive-team.

Retired Director

Stephen J Maitland

OAM, RFD, BEc, MBus, LLM, GCURP, FAICD, FCPA , FCIS, SFFin

Director, South East Zone, 2008 - 2017

Mr Maitland was an RACQ director representing the South East Zone from 2008 to 2017.

Directors' Report

The directors present their report together with the consolidated financial report of the Group comprising The Royal Automobile Club of Queensland Limited (RACQ) and its controlled entities, for the year ended 30 June 2018 and the auditor's report thereon.

DIRECTORS

The following persons were directors of RACQ during the whole of the financial year and until the date of this report, except where otherwise indicated:

Bronwyn K Morris (President and Chairman)

Elizabeth M Jameson (Vice President and Deputy Chairman)

Nigel W F Alexander

Jayne P Arlett

Campbell J Charlton

Anthony M Gambling

Stephen J Maitland (retired 21 November 2017)

John F Minz

Karl D Morris

Leona C Murphy (appointed 29 May 2018)

More information on RACQ directors is set out on pages 8-11

DIRECTORS' MEETINGS

The number of RACQ board and committee meetings as well as each RACQ director's attendance at those meetings during the financial year, are set out on page 10.

COMPANY SECRETARY

The company secretary is detailed in the Directors and Officers section on page 6.

OFFICERS

The persons who were officers of RACQ during the financial year are detailed in the RACQ Directors and Officers section on page 6.

PRINCIPAL ACTIVITIES, STRATEGY AND OBJECTIVES

The principal activities of RACQ during the year included the provision of motoring, insurance, assistance, banking, lifestyle and advocacy services.

RACQ's purpose is to make a positive difference to the lives of its members now and into the future. It is underpinned by its mission of being a multi-dimensional membership organisation offering Queenslanders multiple reasons for joining and multiple ways to benefit from being part of the RACQ community. To achieve this, RACQ will:

- Provide and endeavour to enhance member value in a compelling way across products and services
- Where appropriate, continue to leverage the RACQ brand for new products and services that provide value to members
- Streamline the digital member experience by investing in cutting edge and value-adding technologies
- Focus on sustainability and efficiencies to ensure that RACQ delivers the best outcomes for its members now and into the future

The 'RACQ Group Strategic Plan and Budget' details the strategy, priorities, targets and activities that are being undertaken to deliver on its strategic objectives. The strategy is built around the following framework:

- *Maximising member value and community relationships* - ensure the members are at the centre of everything it does
- *Positioning for the future* - prepare the foundations for continuing success, with the right capabilities, capacities and assets
- *Strengthening and connecting its core value propositions and underlying business models within: Banking, Insurance and Assistance* - optimise the Group to sustainably meet its purpose

RACQ will continue to build upon its

strength, relevance and member advocacy. One key element to this will be leveraging its successful entry into the Banking sector through the merger with Members Banking Group Limited, trading as RACQ Bank.

RACQ monitors its performance against the strategic business plan and budget through detailed financial analysis including profit and loss, balance sheet, cash flows and capital expenditure reporting. Key performance parameters including member satisfaction, retention and acquisition, products per members, policy growth and key financial ratios are used to measure performance throughout the financial year.

The President's Report and the Group Chief Executive Officer's Report in the Annual Review provide further details on how the Group's activities assist in achieving RACQ's objectives.

REVIEW OF OPERATIONS (OPERATING AND FINANCIAL REVIEW)

Information about the Group's financial position and financial results is included in the consolidated Financial Statements. Further details can be found in the President's Report and Group Chief Executive Officer's Report in the Annual Review. The reviews detail membership, assistance products and services, banking,

insurance, advocacy, travel, touring and community activities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In accordance with the court-approved Scheme of Arrangement, the QT Mutual Bank brand was removed and replaced with the RACQ Bank brand between late September and mid-October 2017. All existing RACQ Bank customers were communicated with directly and advised of the changes. All necessary approvals with the various regulators for the name change were granted. Other than as referred to in the Review of Operations, there were no other significant changes in the affairs of RACQ during the year.

EVENTS SUBSEQUENT TO REPORTING 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 the directors of RACQ, to affect significantly the operations of RACQ, the results of those operations, or the state of affairs of RACQ, in future financial years.

DIRECTORS' INTERESTS

Since the previous financial year, no director of RACQ has received or become entitled to receive a benefit (other than a benefit included in the total remuneration received or receivable by RACQ directors as shown in the notes to the accounts) by reason of a contract made by RACQ or a related corporation with a director or with a company in which he or she has a substantial financial interest.

Directors may obtain roadside assistance, insurance services, banking services and other services from the RACQ Group on the same terms and conditions as those obtained by all employees.

INDEMNIFICATION AND INSURANCE

RACQ has entered into standard form deeds with directors and officers to indemnify them to the extent permitted by law against all liabilities that may arise from their position in RACQ or a controlled entity of RACQ. The deed stipulates that RACQ will meet the full amount of any such liabilities, including losses, costs, charges, damages and expenses.

RACQ holds a Directors' and Officers' Liability Insurance policy on behalf of current and former directors and officers of RACQ and its controlled entities. The directors have not included details in this report of the nature of the liabilities covered, the limit of liabilities covered, or the amount of premium paid in respect of the Directors' and Officers' Liability Insurance contract, as such disclosure is prohibited under the terms of the contract.

MEMBERS' GUARANTEE

RACQ is a company limited by guarantee and has no share capital. In the event of winding up, all classes of members are liable to the amount of $2.00 per member. RACQ has 1,815,452 guaranteeing members resulting in a total contribution of $3,630,904 upon winding up.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is set out on page 13 and forms part of the Directors' Report for the year ended 30 June 2018.

ROUNDING OFF

RACQ is a company of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Therefore, in accordance with that instrument, amounts in the consolidated Financial Report have been rounded off to the nearest one thousand dollars, unless otherwise indicated.

CORPORATE GOVERNANCE

RACQ's 2018 Corporate Governance Statement is available in the Corporate Governance section on RACQ's website (racq.com/corporategovernance).

Signed in accordance with a resolution of the RACQ Directors.

Bronwyn Morris
President and Chairman
24 September 2018

RACQ Board and Committee Meetings

	RACQ Board		Group Audit Committee		Group Capital and Investment Committee[1]		Group Remuneration and Nomination Committee[2]		Risk and Compliance Committee[3]	
	A	H	A	H	A	H	A	H	A	H
Nigel Alexander	8	8					6	6		
Jayne Arlett	8	8	4	5	2	2				
Campbell Charlton	8	8	5	5	2	2			1	2
Anthony Gambling	8	8			4	4				
Elizabeth Jameson	8	8	5	5			6	6		
Stephen Maitland (retired 21 November 2017)	3	3	3	3					2	2
John Minz	8	8					6	6	2	2
Bronwyn Morris	8	8	5	5			6	6		
Karl Morris	8	8			4	4			1	2
Leona Murphy (appointed 29 May 2018)	2	2					1	1		

A - meetings attended during the financial year.
H - meetings held during the financial year while the director held office for which the director was eligible to attend.

[1] Name changed from 'Group Investment Committee' to 'Group Capital and Investment Committee' on 27 March 2018.
[2] Name changed from 'Group Governance and Remuneration Committee' to 'Group Remuneration and Nomination Committee' on 21 November 2017.
[3] Committee disbanded with effect from 1 January 2018 and re-formed with effect from 10 September 2018. Material risk and compliance matters were addressed by the RACQ board during ths period.

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 of The Royal Automobile Club of Queensland Limited for the financial year ended 30 June 2018 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

T Barker

Tracey Barker
Partner

Brisbane
24 September 2018

Consolidated Income Statement for the year ended 30 June 2018

		RACQ Group	
		2018	2017
	Note	$'000	$'000
Revenue			
Insurance premium revenue	2.1	819,253	758,362
Assistance activities revenue		159,052	151,032
Banking interest income on loans and advances	3.1	64,750	37,263
Reinsurance and other recoveries revenue	2.1	64,435	100,805
Investment income	4.1	53,375	47,987
Fee and other income	6.1	60,889	74,067
Total revenue		**1,221,754**	**1,169,516**
Expenses			
Insurance claims expense	2.1	(535,085)	(565,973)
Employee benefits expense	5.3.1	(184,930)	(165,431)
Outwards reinsurance premium expense	2.1	(87,314)	(82,613)
Payments to contractors for assistance services		(55,092)	(58,292)
Banking interest expense	3.1	(26,434)	(14,353)
Communication and information technology expenses		(72,162)	(58,627)
Other underwriting and acquisition costs		(49,408)	(61,257)
Depreciation and amortisation expense		(43,851)	(55,179)
Property and related occupancy costs		(12,955)	(12,459)
Other expenses	6.2	(65,232)	(55,967)
Net impairment loss on loans and advances	3.3	(55)	(202)
Total expenses		**(1,132,518)**	**(1,130,353)**
Share of profit of equity-accounted investments in Associates		365	606
Surplus before income tax		**89,601**	**39,769**
Income tax expense	5.6.1	(25,248)	(13,026)
Surplus for the year		**64,353**	**26,743**

The Consolidated Income Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages 19 to 68.

Consolidated Statement of Profit and Loss and Other Comprehensive Income for the year ended 30 June 2018

		RACQ Group	
		2018	2017
	Note	$'000	$'000
Surplus for the year		**64,353**	**26,743**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains		310	634
Income tax expense	5.6.1	(93)	(190)
Prior year tax adjustment on sale of land and building	5.6.1	(996)	-
Total items that will not be reclassified to profit or loss		**(779)**	**444**
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of financial assets held as available-for-sale		11,123	14,143
Net change in fair value of available-for-sale financial assets sold and reclassified to profit or loss	4.1	(7,457)	(5,395)
Income tax expense	5.6.1	(1,100)	(2,625)
Total items that may be reclassified subsequently to profit or loss		**2,566**	**6,124**
Total other comprehensive income for the year, net of income tax		**1,787**	**6,568**
Total comprehensive income for the year		**66,140**	**33,311**
Surplus attributable to:			
Non-controlling interest		**140**	**160**
Members		**64,213**	**26,583**
Surplus for the year		**64,353**	**26,743**
Total comprehensive income attributable to:			
Non-controlling interest		**140**	**160**
Members		**66,000**	**33,151**
Total comprehensive income for the year		**66,140**	**33,311**

The Consolidated Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 19 to 68.

Consolidated Balance Sheet as at 30 June 2018

		RACQ Group	
		2018	2017
	Note	$'000	$'000
Assets			
Cash and cash equivalents		43,330	43,818
Trade and other receivables	4.4.2	236,749	211,936
Investment securities	4.2	2,023,613	1,894,636
Loans and advances	3.2	1,477,812	1,349,114
Reinsurance and other recoveries receivable	2.4	118,165	168,919
Deferred acquisition costs	2.5	38,806	36,927
Property, plant and equipment	5.1	153,703	157,879
Deferred tax assets	5.6.3	36,143	34,538
Intangible assets	5.2	318,553	333,397
Other assets		18,500	15,957
Total assets		**4,465,374**	**4,247,624**
Liabilities			
Trade and other payables		64,782	90,771
Current tax payable		9,033	3,628
Deposits	3.4	1,474,504	1,366,536
Borrowings	3.5	95,441	20,030
Unearned revenue	5.5	507,803	469,332
Outstanding claims liability	2.3	864,646	915,019
Employee benefits	5.3.2	44,664	41,687
Total liabilities		**3,060,873**	**2,907,003**
Net assets		**1,404,501**	**1,340,621**
Accumulated funds			
Retained surplus		1,367,156	1,304,107
Reserves		37,345	34,479
Total accumulated funds attributable to members		1,404,501	1,338,586
Non-controlling interest		-	2,035
Total accumulated funds		**1,404,501**	**1,340,621**

The Consolidated Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 19 to 68.

Consolidated Statement of Changes in Equity for the year ended 30 June 2018

2018	Retained surplus	Reserve for credit losses	Investment revaluation reserve	Merger reserve	Accumulated funds attributable to members	Non-controlling interest	Total accumulated funds
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at beginning of year	1,304,107	2,200	13,650	18,629	**1,338,586**	2,035	1,340,621
Surplus for the year	64,213	-	-	-	**64,213**	140	64,353
Other comprehensive income/(loss) for the year	(779)	-	2,566	-	**1,787**	-	1,787
Total comprehensive income for the year	**63,434**	**-**	**2,566**	**-**	**66,000**	**140**	**66,140**
Transfers							
Transfers to general reserve for credit losses	(300)	300	-	-	**-**	-	-
Total transfers	**(300)**	**300**	**-**	**-**	**-**	**-**	**-**
Transactions with owners in their capacity as owners							
Dividends paid	-	-	-	-	**-**	-	-
Purchase of non-controlling interest	(85)	-	-	-	**(85)**	(2,175)	(2,260)
Total Transactions with owners in their capacity as owners	**(85)**	**-**	**-**	**-**	**(85)**	**(2,175)**	**(2,260)**
Balance at end of year	**1,367,156**	**2,500**	**16,216**	**18,629**	**1,404,501**	**-**	**1,404,501**

2017	Retained surplus	Reserve for credit losses	Investment revaluation reserve	Merger reserve	Accumulated funds attributable to members	Non-controlling interest	Total accumulated funds
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at beginning of year	1,133,442	-	7,526	-	1,140,968	-	1,140,968
Surplus for the year	26,583	-	-	-	26,583	160	26,743
Other comprehensive income for the year	444	-	6,124	-	6,568	-	6,568
Total comprehensive income for the year	**27,027**	**-**	**6,124**	**-**	**33,151**	**160**	**33,311**
Transfers							
Transfers to general reserve for credit losses	**(60)**	**60**	**-**	**-**	**-**	**-**	**-**
Total transfers	**(60)**	**60**	**-**	**-**	**-**	**-**	**-**
Transactions with owners in their capacity as owners							
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(125)**	**(125)**
Merger with QT Mutual Bank	**143,698**	**2,140**	**-**	**18,629**	**164,467**	**2,000**	**166,467**
Total Transactions with owners in their capacity as owners	**143,698**	**2,140**	**-**	**18,629**	**164,467**	**1,875**	**166,342**
Balance at end of year	**1,304,107**	**2,200**	**13,650**	**18,629**	**1,338,586**	**2,035**	**1,340,621**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 19 to 68.

Consolidated Statement of Cash Flows for the year ended 30 June 2018

		RACQ Group	
		2018	2017
	Note	$'000	$'000
Cash flows from operating activities			
Insurance premiums received		933,320	842,157
Assistance revenue received		165,378	155,595
Interest received from loans and advances		64,695	37,061
Reinsurance and other recoveries received		130,418	80,293
Insurance claims paid		(662,385)	(536,054)
Outwards reinsurance premiums paid		(89,329)	(77,925)
Banking interest paid		(26,434)	(14,353)
Fee and other income received		47,383	62,833
Payments to suppliers and employees		(494,740)	(416,479)
Net movement in loans and advances		(128,698)	(63,924)
Net movement in deposits		108,379	50,563
Income taxes paid		(23,030)	(6,186)
Net cash provided by operating activities	6.3.1	**24,957**	**113,581**
Cash flows from investing activities			
Investment income received		71,280	58,972
Rental income received		3,221	1,267
Proceeds from sale of investments		1,629,327	1,637,165
Payments for investments		(1,772,977)	(1,837,245)
Payments for intangible assets		(15,246)	(21,838)
Payments for property, plant and equipment		(14,114)	(19,199)
Payments for investments in Associates		(1,164)	(1,645)
Proceeds from sale of property, plant and equipment		1,507	1,937
Proceeds from sale of investment property		-	15,000
Merger of QT Mutual Bank, net of cash acquired		-	40,396
Purchase of non-controlling interest	6.6.2	(2,260)	-
Net cash flows from investing activities		**(100,426)**	**(125,190)**
Cash flows from financing activities			
Payments for redeemed preference shares		(19)	(7)
Proceeds from borrowings	3.5	95,000	-
Repayments of borrowings	3.5	(20,000)	-
Dividends paid by controlled entities to non-controlling interest		-	(125)
Net cash flows from financing activities		**74,981**	**(132)**
Net decrease in cash and cash equivalents		(488)	(11,741)
Cash and cash equivalents at the beginning of the year		43,818	55,559
Cash and cash equivalents at the end of the year		**43,330**	**43,818**

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 19 to 68.

Notes to the Financial Statements for the year ended 30 June 2018

1. BASIS OF PREPARATION

Reporting entity

The Royal Automobile Club of Queensland Limited (the Company) is a company limited by guarantee domiciled in Australia. The Company's registered office is 2649 Logan Road, Eight Mile Plains, Queensland, 4113. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Company is a not-for-profit entity for the purposes of preparing the financial statements.

The consolidated financial statements were authorised for issue by the Board of Directors on 24 September 2018.

Significant accounting policies have been included in the relevant note to which the policies relate. The significant accounting policies have been applied consistently to all periods presented in these financial statements.

Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board.

Significant estimates, judgements and assumptions

In preparing these consolidated financial statements management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is provided in the following notes:

- Outstanding claims liability (Note 2.3)
- Reinsurance and other recoveries receivable (Note 2.4)
- Liability adequacy test (Note 2.6)
- Impairment of loans and advances (Note 3.3)
- Fair value of financial instruments (Note 4.3)
- Impairment of goodwill and other intangible assets (Note 5.2.1)

Basis of measurement

The consolidated financial statements are presented in Australian dollars and have been prepared on the historical cost basis except for the following material items:

Items	Measurement basis
Available-for-sale financial assets	Fair Value
Financial assets at fair value through profit and loss (FVTPL)	Fair Value
Assets backing general insurance liabilities	Fair Value
Derivative financial instruments	Fair Value

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 and unless otherwise stated, amounts in the consolidated financial report have been rounded off to the nearest thousand dollars.

Notes to the Financial Statements for the year ended 30 June 2018

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Non-controlling interests

Non-controlling interests recognised as equity arises when the Group does not hold 100% of the shares in a subsidiary. Non-controlling interests in the results and equity of subsidiaries are shown separately in the Group's Consolidated Statement of Profit and Loss and Other Comprehensive Income and Consolidated Balance Sheet respectively.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised profit or losses, are eliminated in preparing the consolidated financial statements.

New standards and interpretations not yet adopted

Reference	Title	Nature of change to accounting policy	Impact to the Group	Application of the Standard	Application date for the Group
AASB 9	Financial Instruments	AASB 9 (December 2014) replaces AASB 139 *Financial Instruments: Recognition and Measurement* and supersedes AASB 9 versions previously issued in December 2009 and December 2010. The new standard includes a model for classification and measurement of financial assets and financial liabilities, a single forward-looking 'expected loss' impairment model and new rules for hedge accounting.	Please refer below for the details of the impact assessment completed to date.	1 January 2018	1 July 2018
AASB 15	Revenue from contracts with customers	AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. This standard replaces AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related interpretations.	Please refer below for the details of the impact assessment completed to date.	1 January 2018	1 July 2018
AASB 16	Leases	The key features of AASB 16 in respect of lessee accounting are as follows: · Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. · Assets and liabilities arising from a lease are initially measured on a present value basis taking into consideration the contractual lease period and likely option periods. · A lease subsequently measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.	The Group has commenced a preliminary impact assessment of the new standard.	1 January 2019	1 July 2019

Notes to the Financial Statements for the year ended 30 June 2018

Reference	Title	Nature of change to accounting policy	Impact to the Group	Application of the Standard	Application date for the Group
AASB 17	Insurance Contracts	AASB 17 was issued in July 2017. The standard replaces AASB 4 *Insurance Contracts,* AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts.* The new standard introduces three new measurement approaches for insurance contracts. The default approach is the Building Block Approach (BBA) whereby future cash flows are discounted to present value, adjusted for risk, and the Contractual Service Margin (CSM) for the release of profits. Entities also have the option of accounting for short term contracts using the Premium Allocation Approach (PAA) or for direct participating contracts the Variable Fee Approach (VFA).	The potential impact of this standard on the Group has not yet been determined. The Group does not intend to early adopt this standard.	1 January 2021	1 July 2021

AASB 9 and AASB 15 Impact assessment
The Group is required to adopt AASB 9 *Financial Instruments* and AASB 15 *Revenue from contracts with customers* from 1 July 2018. The Group has assessed the estimated impact that the initial application of AASB 9 and AASB 15 will have on its consolidated financial statements, as follows:

AASB 9 Financial Instruments

Classification and Measurement – financial assets
AASB 9 contains three classification categories for financial assets; Amortised Cost (AC), Fair Value through other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVTPL). The available for sale (AFS) classification and held to maturity classification (HTM) available under AASB 139 are eliminated by the new standard.

The use of the AC, FVOCI and FVTPL measurement categories is based on the contractual cash flow characteristics and the business model in which assets are managed. These classifications are summarised in the below table.

Measurement	AC	FVOCI	FVTPL
Business model	Objective is to collect contractual cash flows	Objective is to both collect contractual cash flows and to sell assets. Sales are more than incidental to collecting cash flows	All other business models
Contractual cash flow characteristics	Solely Payments of Principal and Interest 'SPPI'	Solely Payments of Principal and Interest 'SPPI'	All other contractual cash flow characteristics

As an exception to the above classification, AASB 9 permits equity instruments to be measured at FVOCI. The Group has mandated this election be used for all equity instruments that are not held for trading. Dividends pertaining to these investments will continue to be recognised in surplus, and fair value movements recognised in Other Comprehensive Income will not be reclassified to surplus on disposal.

The exemption available under AASB 139 to measure unlisted equity instruments whose fair value cannot be reliably measured at cost has also been eliminated. Under AASB 9 all equity instruments are required to be measured at fair value.

Notes to the Financial Statements for the year ended 30 June 2018

Financial Impact
The impact of these changes are as follows:

- As at 30 June 2018, the Group had deposits classified as Held to Maturity (HTM) with a carrying value of $217,919,000 (refer note 4.3.2). Under AASB 9 these deposits satisfy the contractual cash flow test and will be reclassified to Amortised Cost.

- As at 30 June 2018, the Group had financial assets classified as Available for Sale (AFS) with a fair value of $404,688,000 (refer note 4.2). Of this value $86,939,000 relating to equity securities will be reclassified as FVOCI, $122,000,000 relating to deposits and bills will be reclassified to amortised cost and $179,258,000 relating to investments in unit trusts will be reclassified to FVTPL. Of the remaining balance of $16,491,000 relating to shares in unlisted entities, this category includes both unlisted equities and the Group's investment in joint ventures. Unlisted equities of $10,010,994 will be classified to FVOCI and investments in joint ventures will be presented within Other Assets.

Impairment

AASB 9 replaces the 'incurred loss' impairment model in AASB 139 with a forward looking 'expected credit loss' (ECL) model. Estimation of expected future losses is required regardless of whether a loss event has occurred. This requires considerable judgements about how changes in external market factors will affect ECL's, which will be determined on a probability-weighted basis.

Under AASB 9, loss allowances are measured on either of the following basis:

- 12-month ECL: these are ECL that result from possible default events within 12 months after the reporting date; and
- Lifetime ECL: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The 12-month ECL will apply where there has been no significant increase in credit risk (SICR) since initial recognition. The Lifetime ECL will apply if the credit risk of a financial asset has increased significantly since initial recognition, or where the asset has become credit impaired.

The impairment provisions of AASB 9, relating to the Group's Banking operations, are expected to have the most significant impact on the Group's financial statements. The Group believes that impairment losses are likely to increase as a result of the adoption of the new standard, as provisions will be raised from origination. Based on preliminary assessments conducted to date the Group anticipates that the application of AASB 9 will be as follows:

Loans and advances

ECL on Loans and Advances will be calculated as the 'Probability of default' (PD) x 'Loss given default' (LGD) x 'Exposure at default' (EAD). The Group has developed credit models to assist in meeting the requirements of AASB 9. These models will be calibrated to reflect point in time PD and LGD estimates and incorporate unbiased forward looking views of macroeconomic conditions.

The Group intends to adopt a 3 stage approach to loss recognition. Loans and Advances may migrate through these stages based on a change in credit risk since origination:

Stage 1 – 12 months ECL – Performing loans
On origination of a loan, a provision equivalent to 12 months ECL is recognised.

Stage 2 – Lifetime ECL – Underperforming loans
Loans that have experienced a SICR since origination recognise a provision equivalent to lifetime ECL.

Stage 3 – Lifetime ECL – Non-performing loans (or impaired loans)
Loans with objective evidence of impairment recognise a provision equivalent to lifetime ECL.

A critical area of judgement required by AASB 9 is the criteria to assess SICR. In determining what constitutes a SICR, the Group has considered reasonable and supportable qualitative and quantitative information. For the Group's loan portfolios, the primary indicator of SICR will be days in arrears and the Group will adopt the rebuttable presumption that a SICR has occurred when contractual payments are more than 30 days past due. Further forward-looking indicators of SICR will be developed as the Group's credit models and data capture mature.

Notes to the Financial Statements for the year ended 30 June 2018

Disclosures
AASB 9 will require extensive new disclosures, including details about credit risk and ECL's. The Group's assessment to date has included an analysis of current data and processes. The Group is in the process of implementing the system and process changes it believes will be required to capture required data.

Financial Impact
The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods. Changes resulting from the application of the new classification, measurement and impairment requirements will be applied retrospectively by adjusting opening retained earnings at 1 July 2018.

The Group's current estimate of the opening balance sheet adjustment, if applied on 30 June 2018 based on the economic conditions, forecast economic scenarios, management judgements and assumptions is an increase in impairment provisions of between $0.9 million and $2.9 million before tax. This would result in a corresponding decrease in equity of between $0.6 million and $2.0 million after tax. The increase in impairment provisions under AASB 9 is driven by the requirement to hold impairment provisions on an expected loss basis for all loans since origination, including lifetime credit losses for those loans that have experienced a SICR. Under AASB 139, provisions are only held for incurred losses on the portfolio and forward-looking factors are not considered.

The above assessment is preliminary because not all transition work has been finalised. The actual impact of adopting AASB 9 on 1 July 2018 may change because:

- Although extensive testing runs were carried out on the second half of the 2018 financial year, the Bank will continue to refine and finalise its model for expected credit losses (ECL) calculations including forecast economic scenarios on forward looking information, its systems, associated controls and processes.

- The new accounting policies, assumptions, judgement and estimation techniques employed are subject to change until the Bank finalises its 30 June 2019 financial statements that include the date of initial application.

AASB 15 – Revenue from Contracts with Customers
AASB 15 establishes a comprehensive framework for the recognition of revenue. The standard introduces a five-step model which requires the identification of individual performance obligations contained within a contract, and the apportionment and allocation of the contract transaction price to these obligations. For each performance obligation revenue is recognised at a point in time, or over time based on the timing of when the control of goods and services is transferred to customers.

The Group has undertaken a review of revenue from all streams. A significant portion of the Group's revenue relates to Insurance and Banking activities which are out of scope of AASB 15.

Roadside Assistance
Where a customer requires immediate roadside assistance, however does not hold a valid roadside assistance policy, a surcharge is applicable to the purchase of the policy. Currently under AASB 118, surcharges are recognised immediately in revenue upon purchase of the roadside assistance policy. Revenue from the sale of the roadside assistance policy is recognised periodically over the life of the policy.

Under AASB 15, this surcharge is not considered a separate performance obligation and from 1 July 2018 surcharge revenue will form part of the total transaction price of the underlying roadside assistance policy and will be earned over the life of the policy. This will result in $1.59 million of revenue to be deferred from the current financial year and earned periodically over the following year.

Loyalty program
Under AASB 15, customer loyalty programs constitute a material right and are a separate performance obligation. The loyalty program operated by the Group has no set expiration date for benefits and the performance obligation expires only when a member discontinues holding one of the Group's eligible products. Based on the current average tenure period there is an extensive time frame which the performance obligation can be satisfied over. Taking into account these time frames, as well as the estimated standalone selling price of the loyalty program, the annual amount attributable to the loyalty program is immaterial.

With the exception of the above there are no other items that are expected to be materially impacted by the adoption of AASB 15.

The Group plans to adopt AASB 15 using the full retrospective method. Under this method, prior year comparative amounts will be restated, and the Groups statements will appear as if the new standard has always applied.

RACQ

Notes to the Financial Statements for the year ended 30 June 2018

2. INSURANCE ACTIVITIES

2.1 INSURANCE RESULT

The following table presents details of the Insurance result included in the Consolidated Income Statement.

		RACQ Group	
	Note	2018 $'000	2017 $'000
Insurance premium revenue		819,253	758,362
Outwards reinsurance premium expense		(87,314)	(82,613)
Net premium revenue		**731,939**	**675,749**
Insurance claims expense	2.2	(535,085)	(565,973)
Reinsurance and other recoveries revenue	2.2	64,435	100,805
Net claims incurred	**2.2**	**(470,650)**	**(465,168)**
Acquisition costs		(82,737)	(79,854)
Other underwriting expenses		(91,390)	(99,303)
Underwriting expenses		**(174,127)**	**(179,157)**
Underwriting result		**87,162**	**31,424**
Investment income on technical reserves		21,623	16,624
Investment expenses on technical reserves		(1,272)	(1,224)
Insurance result		**107,513**	**46,824**

Accounting policies

(i) Insurance premium revenue

Premium revenue includes amounts charged to policyholders, including applicable levies and charges such as fire service levies, but excludes stamp duty and GST collected on behalf of third parties. Premiums are recognised as revenue from the date of attachment over the period of the insurance policy, which is usually one year.

Premium on unclosed business is brought to account based on the pattern of processing renewals and new business.

(ii) Outwards reinsurance premium expense

Premium ceded to reinsurers is recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract.

(iii) Claims expense

Claims expense represents claim payments adjusted for the movement in the outstanding claims liability. Claims represent the benefits paid or payable to the policyholder on the occurrence of an event giving rise to a loss or accident according to the terms of the policy. Claims expense is recognised as losses are incurred, which is usually the point in time when the event giving rise to the claim occurs.

(iv) Reinsurance and other recoveries revenue

Reinsurance and other recoveries represents claim recovery receipts adjusted for the movement in the reinsurance and other recoveries receivable. Recovery receipts are recognised at the point in time when the recovery is received from the third party.

Notes to the Financial Statements for the year ended 30 June 2018

(v) Underwriting expenses

Underwriting expenses for the purpose of this note includes an allocation of communication and information technology expenses, personnel expenses, amortisation of intangible assets and other expenses that are related to acquisition and underwriting activities.

2.2 NET CLAIMS INCURRED

The following table presents the total net claims incurred which comprises claims expense and revenue from reinsurance and other recoveries:

	2018			2017		
	Current year	Prior years	Total	Current year	Prior years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross claims expense						
Gross claims incurred - undiscounted	609,397	(79,515)	**529,882**	656,097	(83,690)	**572,407**
Discount movement	(13,709)	18,912	**5,203**	(13,756)	7,322	**(6,434)**
	595,688	**(60,603)**	**535,085**	**642,341**	**(76,368)**	**565,973**
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries revenue - undiscounted	(59,292)	(2,584)	**(61,876)**	(99,939)	(1,854)	**(101,793)**
Discount movement	1,561	(4,120)	**(2,559)**	1,798	(810)	**988**
	(57,731)	**(6,704)**	**(64,435)**	**(98,141)**	**(2,664)**	**(100,805)**
Total net claims incurred	**537,957**	**(67,307)**	**470,650**	**544,200**	**(79,032)**	**465,168**

The decrease in prior year net provisions is primarily due to the release of risk margins as claims were paid and valuation releases arising from favourable claims experience in CTP Insurance.

2.3 OUTSTANDING CLAIMS LIABILITY

The outstanding claims liability is measured as the central estimate of the present value of expected future payments relating to claims incurred at the reporting date, with an additional risk margin to allow for the inherent uncertainty in the central estimate. Further information is provided in 2.3.2.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and the direct and indirect costs of settling those claims. The expected future payments are discounted to present value using a risk-free discount rate.

A breakdown of the total outstanding claims liability is as follows:

	RACQ Group	
	2018	2017
	$'000	$'000
Gross outstanding claims liability		
Gross central estimate - undiscounted	708,341	744,327
Claims handling expense	48,295	50,394
	756,636	**794,721**
Discount to present value	(31,560)	(33,998)
Risk margin	139,570	154,296
Gross outstanding claims liability	**864,646**	**915,019**

Notes to the Financial Statements for the year ended 30 June 2018

	RACQ Group	
	2018	2017
	$'000	$'000
Current	335,971	336,640
Non-current	528,675	578,379
Gross outstanding claims liability	**864,646**	**915,019**
	%	%
Risk margin	**22.9**	**26.0**
Probability of sufficiency	**92.5**	**92.5**

A reconciliation of the movement in the discounted net outstanding claims liability is as follows:

	RACQ Group	
	2018	2017
	$'000	$'000
Net outstanding claims liability at the beginning of the year	746,100	690,389
Prior periods		
Claim payments	(234,273)	(162,045)
Discount unwind	9,769	7,761
Margin release on prior periods	(53,420)	(37,693)
Incurred claims due to changes in assumptions and experience	(45,303)	(72,128)
Current period		
Net central estimate for current period	266,769	256,071
Net change in reinsurance on paid claims	(604)	914
Risk margin on current period net outstanding claims	57,443	62,831
Net outstanding claims liability at the end of the year	**746,481**	**746,100**
Reinsurance and other recoveries receivable	118,165	168,919
Gross outstanding claims liability	**864,646**	**915,019**

The following table represents the Group's contractual maturities of the discounted outstanding claims liability:

	Carrying amount	1 year or less	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000
2018	864,646	335,971	462,202	66,473	**864,646**
2017	915,019	336,640	492,048	86,331	**915,019**

Notes to the Financial Statements for the year ended 30 June 2018

2.3.1 *CLAIMS DEVELOPMENT TABLE*

The following table shows the development of the estimated undiscounted outstanding claims liabilities relative to the ultimate expected claims for the 10 most recent accident years. Amounts are net of reinsurance and third party
recoveries. Personal Insurance (Home, Motor, Pleasurecraft and Pet) claims are disclosed separately as there are no material claim developments that require disclosure as the majority of claims are settled within twelve months following the reported incident.

Accident year	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	Total $'000
Estimate of net ultimate CTP claims cost:											
At end of accident year	128,115	141,527	142,357	151,096	155,581	169,902	155,377	171,782	181,531	187,867	187,867
One year later	125,969	125,074	128,012	126,160	139,449	147,050	146,065	160,153	171,963	-	171,963
Two years later	113,055	108,598	110,494	109,153	118,280	140,057	133,714	140,977	-	-	140,977
Three years later	114,349	103,134	99,573	102,062	98,069	124,223	116,999	-	-	-	116,999
Four years later	108,279	93,537	91,412	96,824	93,543	115,717	-	-	-	-	115,717
Five years later	102,649	96,195	89,111	93,601	92,855	-	-	-	-	-	92,855
Six years later	102,354	92,525	88,520	95,287	-	-	-	-	-	-	95,287
Seven years later	102,680	92,753	86,977	-	-	-	-	-	-	-	86,977
Eight years later	101,746	91,523	-	-	-	-	-	-	-	-	91,523
Nine years later	102,140	-	-	-	-	-	-	-	-	-	102,140
Current estimate of net ultimate claims cost	102,140	91,523	86,977	95,287	92,855	115,717	116,999	140,977	171,963	187,867	1,202,305
Cumulative payments	(101,054)	(86,474)	(85,309)	(89,272)	(79,202)	(86,644)	(74,353)	(66,110)	(27,403)	(2,003)	(697,824)
Net outstanding claims - undiscounted	**1,086**	**5,049**	**1,668**	**6,015**	**13,653**	**29,073**	**42,646**	**74,867**	**144,560**	**185,864**	**504,481**
Discount to present value											(28,879)
Claims handling expenses											39,449
2008 and prior											9,840
Outstanding claims - CTP											**524,891**
Outstanding claims - Personal Insurance											82,020
Risk margin											139,570
Total net outstanding claims											**746,481**

Notes to the Financial Statements for the year ended 30 June 2018

2.3.2 ACTUARIAL ASSUMPTIONS AND METHODS

The estimation of the outstanding claims liabilities is based on multiple actuarial models that analyse experience, trends and other factors utilising the Group's specific data, relevant industry data and general economic data. The selection of the appropriate model takes into account the characteristics of a claim type and class of business and the extent of the development of each past accident period.

The models use statistical analyses of historical experience. Generally, it is assumed that the development pattern of current claims will be consistent with past experience. Where historical experience is not sufficient, a combination of actual and industry experience is utilised to calculate the ultimate claims cost. An allowance is made, including relevant industry issues faced by the Group, for changes or uncertainties in the underlying assumptions derived from historical data, which might cause the cost of unsettled claims to increase or reduce compared with the cost of previously settled claims.

The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in estimating claims provisions, it is likely that the final outcome will prove to be different from the original liability established. There is a significant degree of uncertainty in the estimation of claims IBNR and claims IBNER. Personal Insurance claims are generally reported within a short timeframe following the claim event and therefore claims cost estimates are more certain. CTP Insurance claims display increased complexity and longer settlement periods and are generally subject to a greater degree of uncertainty with claims often not being adequately reported until many years after the events giving rise to the claims have happened.

Actuarial assumptions

The actuarial assumptions used in determining the outstanding claims liability are:

	2018		2017	
	Personal Insurance	CTP Insurance	Personal Insurance	CTP Insurance
Discount rate	1.9%	2.2%	1.9%	2.1%
Economic inflation rate	-	3.0%	-	3.3%
Superimposed inflation rate	-	3.0%	-	3.5%
Claims handling expense ratio	6.6%	7.4%	6.5%	7.4%
Risk margin	15.1%	24.2%	17.6%	27.3%

Discount rate

Discount rates are derived from market yields on Commonwealth Government securities at the reporting date.

Inflation and superimposed inflation rate

Economic inflation is based on economic indicators such as growth in average weekly earnings. Superimposed inflation reflects the tendency of claims costs to increase above the rate of economic inflation, due to economic, social and political forces. Inflation assumptions reflect past experience and future expectations.

No explicit allowance for economic or superimposed inflation has been made in the valuation of Personal Insurance claims. Allowances for future inflation are implicit in the selected claims cost development patterns.

Claims handling expense ratio

The future claims handling expense ratio is calculated with reference to past experience of claim handling costs as a percentage of past payments.

Risk margin

The overall risk margin is determined by the Board after analysis of the relative uncertainty of the outstanding claims estimate for each class of business. Uncertainties surrounding the outstanding claims liability estimation process include those relating to the robustness of the various valuation models and the underlying assumptions, reliability and volume of data available, past claims experience, characteristics of the classes of business written, and industry and market conditions.

The assumptions regarding uncertainty for each class of business were applied to the net central estimates, and the results are aggregated, allowing for diversification in order to arrive at an overall provision which is intended to have a probability of sufficiency of 92.5% (2017: 92.5%).

Notes to the Financial Statements for the year ended 30 June 2018

Sensitivity analysis – insurance contracts

The Group conducts sensitivity analyses to quantify the exposure to the risk of changes in the key actuarial assumptions. A sensitivity analysis is conducted on each variable while holding all other variables constant.

The following table summarises the sensitivity of the surplus/(loss) after tax. A change in each variable will have no impact on equity reserves.

Impact of changes in key variables	Movement in Variable		Financial Impact on Surplus/(Loss) after tax	
	2018	2017	2018	2017
			$'000	$'000
Assumption				
	+1%	+1%	10,280	11,007
Discount rate	-1%	-1%	(10,610)	(11,381)
	+1%	+1%	(9,401)	(5,677)
Inflation rate	-1%	-1%	9,166	5,540
	+1%	+1%	(5,606)	(5,700)
Claims handling expense rate	-1%	-1%	5,606	5,700
	+1%	+1%	(5,919)	(8,209)
Risk margin	-1%	-1%	5,338	7,643

Notes to the Financial Statements for the year ended 30 June 2018

2.4 REINSURANCE AND OTHER RECOVERIES RECEIVABLE

Reinsurance and other recoveries receivable are measured as the present value of expected future receipts, calculated on the same basis as the provision for outstanding claims. These calculations are based on past recovery experience or relevant industry benchmarks and include adjustments to these assumptions where appropriate. The recoverability of these assets is assessed on a periodic basis, taking into consideration factors such as counterparty credit risk.

A breakdown of reinsurance and other recoveries receivable is as follows:

	RACQ Group	
	2018	2017
	$'000	$'000
Reinsurance recoveries		
Expected undiscounted outstanding reinsurance recoveries		
On paid claims	1,945	1,363
On outstanding claims	16,014	71,965
	17,959	**73,328**
Discount to present value	(753)	(3,322)
	17,206	**70,006**
Other recoveries		
Expected undiscounted outstanding other recoveries		
On paid claims	65,297	56,738
On outstanding claims	39,419	45,918
	104,716	**102,656**
Discount to present value	(3,757)	(3,743)
	100,959	**98,913**
Total reinsurance and other recoveries receivable	**118,165**	**168,919**
Current	75,026	105,242
Non-current	43,139	63,677
Total reinsurance and other recoveries receivable	**118,165**	**168,919**

2.5 DEFERRED ACQUISITION COSTS

Acquisition costs incurred in obtaining and recording general insurance contracts are deferred and recognised as assets when they can be reliably measured and where it is probable that they will give rise to premium revenue in subsequent reporting periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

Deferred acquisition costs are recognised as assets to the extent that the related unearned premiums exceed the sum of the deferred acquisition cost and the present value of expected future claims, including an appropriate risk margin. Refer note 2.6 Liability Adequacy Test.

The following is a reconciliation of the deferred acquisition costs:

	RACQ Group	
	2018	2017
	$'000	$'000
Deferred acquisition costs at beginning of the year	36,927	38,668
Acquisition costs incurred in the period	84,616	78,113
Amortisation expense	(82,737)	(79,854)
Deferred acquisition costs at end of the financial year	**38,806**	**36,927**

Notes to the Financial Statements for the year ended 30 June 2018

2.6 LIABILITY ADEQUACY TEST

At each reporting date the Group assesses whether the net unearned premium liability less any deferred acquisition costs is sufficient to cover expected future claims costs against current general insurance contracts. This assessment is performed separately for each portfolio of contracts subject to broadly similar risks and managed together as a single portfolio. The Group has one portfolio of contracts being personal lines, which incorporates Personal Insurance and CTP Insurance.

If a LAT deficiency occurs, it is recognised immediately in the Consolidated Income Statement. The deficiency is recognised first by writing down any deferred acquisition costs, with any excess being recorded in the Consolidated Balance Sheet as an unexpired risk liability.

Future claim costs are calculated as the present value of the expected future cash flows relating to future claims and includes a risk margin to reflect the inherent uncertainty in the central estimate, as follows:

	RACQ Group	
	2018	**2017**
	$'000	**$'000**
Central estimate present value of expected future cash flows arising from future claims	388,350	356,488
Central estimate present value of expected future cash inflows arising from reinsurance recoveries on future claims	(28,611)	(31,838)
Risk margin	24,644	24,159
Expected present value of future cash flows for future claims including risk margin	**384,383**	**348,809**

The risk margin adopted in 2018 is 7.4% (2017: 7.4%). The risk margin applied in the calculation of the LAT is intended to achieve a 75% probability of sufficiency. This differs from the 92.5% probability of sufficiency used in the calculation of the outstanding claims liability. The 75% level of sufficiency is considered appropriate given the purpose and nature of the test, which is to test the sufficiency of the net premium liabilities and to highlight deficiencies in product pricing. The process for determining the risk margin is outlined in note 2.3.2 Actuarial assumptions and methods.

As at 30 June 2018 and 30 June 2017 the LAT resulted in a surplus.

2.7 INSURANCE RISK MANAGEMENT

2.7.1 RISK MANAGEMENT OBJECTIVES AND POLICIES FOR MITIGATING INSURANCE RISK

In accordance with Prudential Standard ***CPS 220 Risk Management*** issued by the Australian Prudential Regulatory Authority (APRA), the Board of Directors of Club Insurance Holdings Pty Ltd and RACQ Insurance Limited, in conjunction with responsible management, have developed, implemented and maintained a Risk Management Strategy (RMS). The aim of the RMS is to ensure that the Group has in place prudent risk management systems to effectively identify, evaluate, mitigate and monitor all key risks that the Group faces through its insurance operations. The respective Boards of Directors are responsible for reviewing their RMS annually.

The key components of the RMSs that aim to mitigate insurance risk include:

- Underwriting operations are managed in accordance with underwriting rules and guidelines, with regular quality assessment and monitoring of operations. Each individual policyholder pays a premium that is based on their relative risk in comparison to other policyholders; and
- Claims operations are managed in accordance with claims handling rules and guidelines, with regular quality assessment and monitoring of operations. These include, among other factors, delegations of authority for acceptance and approval of claims, review processes for claim payments and processes for accurate initial and ongoing claims provisioning.

In addition to the RMS, the Group has developed, implemented and maintained a Reinsurance Management Strategy (ReMS) in accordance with ***GPS 230 Reinsurance Management*** issued by APRA. The Group has in place comprehensive reinsurance arrangements to increase the capacity to underwrite new insurance business and, at the same time, reduce the volatility of operating performance. The ReMS documents the reinsurance processes and arrangements that the Group has in place to provide the necessary security and liquidity to meet its obligations to policyholders and, hence, provide protection to the assets of the Group.

Notes to the Financial Statements for the year ended 30 June 2018

In respect of natural peril risk an annual probabilistic modelling process is undertaken to guide the setting of the upper limit of the catastrophe reinsurance program. This modelling calculates a Probable Maximum Loss (PML) at various return periods. The Board of Directors of RACQ Insurance Limited considers the outputs of the modelling on an annual basis.

2.7.2 TERMS AND CONDITIONS OF INSURANCE CONTRACTS

The Group has developed and maintains standard insurance contracts for all insurance policies. The terms and conditions of these insurance contracts are based upon legislative requirements as stipulated within the *Insurance Contracts Act 1984*. The Group utilises these standard contracts for all insurance policies. No special terms are entered into with any policyholder that has a material impact upon the consolidated financial statements.

2.7.3 CONCENTRATION OF INSURANCE RISK

The Group aims to reduce its exposure to concentration of insurance risk by maintaining a balanced diversified portfolio across both short tail (Personal Insurance) and long tail (Compulsory Third Party) classes of business. Concentration within the classes is also monitored to ensure excessive levels of exposure to certain perils and/or geographical regions are within desired levels.

All risks are aggregated via postcode and then modelled with commercial catastrophe modelling tools to evaluate the single largest risk, or PML. The largest risk faced in respect of concentration is the risk of natural catastrophes.

2.8 INSURANCE CAPITAL MANAGEMENT

All insurers that conduct general insurance business in Australia are regulated by APRA and are required to maintain internal capital targets. The Insurance Group, comprising Club Insurance Holdings Pty Ltd and RACQ Insurance Limited, has reduced its capital target to 1.85 (2017: 2.0 times) the Prescribed Capital Amount (PCA) in the period and has a trading minimum of 1.62 times the PCA, which is the capital injection trigger point, in accordance with its Internal Capital Adequacy Assessment Process (ICAAP). After each valuation period management will assess its ability to pay a dividend ensuring that the PCA does not fall below 1.76 (95% of the target) in the subsequent 12 month period.

The Insurance Group uses the standardised framework for calculating the PCA in accordance with the relevant APRA prudential standards. The Insurance Group has satisfied all externally imposed capital requirements that it was subject to during both the current and prior financial year.

Notes to the Financial Statements for the year ended 30 June 2018

The regulatory capital position of the Insurance Group is as follows:

	2018 $'000	2017 $'000
Common Equity Tier 1 capital		
Paid-up ordinary shares	470,890	470,890
Retained earnings brought forward	130,496	107,034
Current year earnings	68,947	23,463
Dividends declared or paid	(34,000)	-
Excess technical provisions (net of tax)	62,238	75,721
	698,571	**677,108**
Less: Prescribed Deductions		
Goodwill and other intangible assets	242,033	244,197
Deferred tax asset	12,482	14,160
Common Equity Tier 1 capital	**444,056**	**418,751**
Tier 2 capital		
Subordinated debt	36,000	48,000
Total Tier 2 capital	**36,000**	**48,000**
APRA capital base	**480,056**	**466,751**
Prescribed capital amount (PCA)		
Insurance risk charge	153,169	144,956
Insurance concentration risk charge	35,000	28,750
Asset risk charge	59,909	55,690
Operational risk charge	31,009	29,237
Aggregation benefit	(39,497)	(36,667)
Prescribed capital amount (PCA)	**239,590**	**221,966**
PCA multiple	**2.00**	**2.10**

The ICAAP ensures that all material risks to which the Insurance Group is exposed have been considered and ensures an appropriate level of capital is held against these risks which is consistent with the Board's risk appetite. The ICAAP also ensures that there is adequate review, monitoring and reporting of actual and forecast capital positions to the Board on a monthly basis.

Key considerations of the Insurance Group's ICAAP are return on capital targets, current and forecast profitability as defined in the annual budget process, capital structure, dividend payments, investment strategy, product mix, reserving strength and reinsurance arrangements.

Incorporated within the ICAAP are regular reviews of the Insurance Group's capital needs and risk profile. In order to quantify the Insurance Group's risk profile a dynamic financial analysis is undertaken on an annual basis. This analysis incorporates a number of factors, such as current and future profitability, reinsurance arrangements, investment mix and the insurance liability profile. It also provides simulations of multiple scenarios to determine a range of impairment risk measures. The Boards of the Insurance Group consider the risk of impairment measures through the annual risk appetite setting process to set a target and trading range of capital to sustain the business in the event of numerous adverse impacts.

The prudential standard GPS 112 *Capital Adequacy: Measurement of Capital* requires Tier 2 Capital to be amortised on a straight-line basis at a rate of 20 percent per annum over the last four years to maturity. The subordinated debt is due in August 2020 and therefore has been amortised to $36 million in 2018 (2017: $48 million).

Notes to the Financial Statements for the year ended 30 June 2018

3. BANKING ACTIVITIES

3.1 BANKING RESULT

The following table presents details of the Banking result included in the Consolidated Income Statement. The Banking result for 2017 reflects the period from 24 November 2016 to 30 June 2017.

	RACQ Group	
	2018	2017
	$'000	$'000
Interest income	64,750	37,263
Interest expense	(26,434)	(14,353)
Net interest income	**38,316**	**22,910**
Other income	9,058	6,460
Employee benefits expense	(18,815)	(13,373)
Communication and information technology expenses	(13,608)	(2,518)
Property and related costs	(3,832)	(1,716)
Other expenses	(19,665)	(5,584)
Banking result	**(8,546)**	**6,179**

Accounting policies

(i) Interest income and expense

Loan interest income and expense is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash flows over the expected life of the financial assets or liabilities to which they relate.

When a loan is classified as impaired, the Group generally ceases to recognise interest and other income earned but not yet received.

Loan origination fee income that is direct and incremental to the establishment of loans are deferred and amortised as a component of the calculation of the effective interest rate. Fees charged on loans after origination of the loan are recognised as income when the service is provided.

Notes to the Financial Statements for the year ended 30 June 2018

3.2 LOANS AND ADVANCES

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method. Losses arising from impairment are recognised in the Consolidated Income Statement in Net impairment loss on loans and advances.

	RACQ Group	
	2018	2017
	$'000	$'000
Housing loans	1,424,042	1,301,295
Revolving credit	10,902	11,795
Personal loans	34,806	26,118
Commercial loans	8,263	10,337
Gross loans and advances	**1,478,013**	**1,349,545**
Unamortised loan fees	66	99
Provision for impairment	(267)	(530)
Net loans and advances	**1,477,812**	**1,349,114**
Current net loans and advances	282,438	257,917
Non-current net loans and advances	1,195,374	1,091,197
Net loans and advances	**1,477,812**	**1,349,114**

3.3 IMPAIRMENT OF LOANS AND ADVANCES

Provision for impairment is recognised when there is objective evidence that impairment of a loan has occurred. All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired.

Specific provisions for impairment losses on loans and advances are measured as the difference between the carrying amount of loans and advances and the present value of estimated future cash flows (excluding further credit losses that have not been incurred) discounted at the loan's original effective interest rate. Bad debts are written off, as determined by management, when it is reasonable to expect that the recovery of the debt is unlikely. On secured loans, the write-off takes place following ultimate realisation of collateral value. Bad debts are written off against the provision for impairment where impairment has previously been recognised in relation to a loan. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in profit and loss. When a subsequent event results in the recovery of an impairment loss, this is recognised through profit and loss.

A collective provision is also maintained to cover risks inherent in the loan portfolio. The provision applies a loss rate approach that uses historical loss experience to calculate incurred but not reported losses on the performing portfolio. The loss rates are based on the arrears severity of the loans, and other default indicators such as industrial restructuring, job losses or economic circumstances.

Use of judgements and estimates

The amount provided for impairment of loans is determined by management and the Board of Members Banking Group Limited. The Prudential Standards issued by APRA enable the minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. This approach is adopted by the Group.

An additional specific provision is also calculated on individual loan accounts where it is unlikely that all amounts owed will be received. Management makes judgements about the borrower's financial situation and the current net realisable fair value of collateral when determining the specific provision required. Management and the Board of Members Banking Group Limited also make a provision for loans in arrears where the collectability of the debt is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impractical.

Notes to the Financial Statements for the year ended 30 June 2018

	RACQ Group	
	2018	2017
	$'000	$'000
Specific Provision		
Opening balance	47	74
Impairment expense	143	(21)
Bad debts written off	(153)	(6)
Closing balance	**37**	**47**
Collective provision		
Opening balance	483	350
Impairment expense/(write back)	(11)	255
Bad debts written off	(242)	(122)
Closing balance	**230**	**483**
Total provision for impairment	**267**	**530**
Impairment expense	(132)	(234)
Bad debts recovered	77	32
Net impairment of loans and advances	**55**	**202**

During the year and prior year, no bad debts have been written off directly to surplus.

3.4 DEPOSITS

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

The following table presents the deposits in RACQ Bank:

	RACQ Group	
	2018	2017
	$'000	$'000
Call deposits	789,423	715,092
Negotiable certificates of deposit	128,299	141,038
Term deposits	556,782	510,406
Total deposits	**1,474,504**	**1,366,536**
Current	1,442,982	1,326,406
Non-Current	31,522	40,130
Total deposits	**1,474,504**	**1,366,536**

Notes to the Financial Statements for the year ended 30 June 2018

3.5 BORROWINGS

The following table presents the borrowings in RACQ Bank:

	RACQ Group	
	2018	2017
	$'000	$'000
Medium term notes		
Opening balance	20,030	20,029
Proceeds	95,000	-
Repayments	(20,000)	-
Net interest accrued movement	411	1
Closing balance	**95,441**	**20,030**

The accounting policy for borrowings is provided in note 4.6.

3.5.1 BORROWING FACILITIES

	Approved Facility $'000	Current Borrowings $'000	Net Available $'000
2018			
Overdraft facility	10,000	321	9,679
Medium term notes	500,000	95,441	404,559
Reserve Bank of Australia repo eligible securities	457,100	-	457,100
	967,100	**95,762**	**871,338**
2017			
Overdraft facility	10,000	-	10,000
Medium term notes	500,000	20,030	479,970
Reserve Bank of Australia (internal securitisation) *restated	348,600	-	348,600
	858,600	**20,030**	**838,570**

Notes to the Financial Statements for the year ended 30 June 2018

3.6 BANKING CAPITAL MANAGEMENT

The Banking Group (including RACQ Bank, RACQ Financial Planning Pty Ltd and The Arrow Funding Trust) maintains sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with externally and internally imposed capital ratios.

The adequacy of the Banking Group's capital is monitored using, among other measures, the rules and ratios outlined by APRA. To manage, monitor and report regulatory and economic capital, the Banking Group has an Internal Capital Adequacy Assessment Process (ICAAP). During the current and prior year, the Banking Group has complied with all externally and internally imposed capital requirements.

The regulatory capital position of the Banking Group is as follows:

	Banking Group	
	2018	2017
	$'000	$'000
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	25,000	-
General reserves	-	(55)
Retained earnings	132,931	146,610
Other reserves	20,582	20,810
Common Equity Tier 1 Capital	**178,513**	**167,365**
Less: prescribed deductions	(37,840)	(34,563)
Net Common Equity Tier 1 Capital	**140,673**	**132,802**
Tier 2 Capital		
General reserve for credit losses	2,500	2,200
Less: prescribed deductions	-	-
Net Tier 2 Capital	**2,500**	**2,200**
APRA Capital base	**143,173**	**135,002**
Risk weighted assets	798,784	710,646
Risk weighted capital ratios		
Tier 1	17.6%	18.7%
Tier 2	0.3%	0.3%
Total capital ratio	**17.9%**	**19.0%**

Notes to the Financial Statements for the year ended 30 June 2018

4. FINANCIAL INSTRUMENTS

4.1 INVESTMENT INCOME

Investment income is comprised of interest income on funds invested, dividend income, realised gains/losses on the disposal of available-for-sale financial assets and changes in the fair value of financial assets held at fair value through profit or loss. Interest income is recognised using the effective interest method. Dividends and distribution income are recognised when the right to receive income is established.

Investment income comprises the following:

	RACQ Group	
	2018	2017
	$'000	$'000
Interest income		
Available for sale financial assets	5,751	4,803
Financial assets designated at fair value through profit or loss	48,125	48,036
Net gain on disposal of available-for-sale financial assets transferred from equity	7,457	5,395
Net change in fair value of financial assets designated at fair value through profit or loss		
Unrealised losses	(11,814)	(16,829)
Realised losses	(4,411)	(4,883)
Dividend income	3,719	4,319
Trust distribution income	4,548	7,146
Total investment income	**53,375**	**47,987**

4.2 INVESTMENT SECURITIES

Investment securities are classified as follows:

	RACQ Group	
	2018	2017
	$'000	$'000
Available for sale		
Equity securities	86,939	89,081
Deposits and bills	122,000	137,120
Unit trusts	179,258	147,105
Shares in unlisted equities	16,491	15,758
Held to Maturity		
Deposits with ADIs	217,919	162,001
Designated at fair value through profit or loss		
Debt securities	1,251,938	1,214,458
Deposits and bills	149,068	129,113
Total investment securities	**2,023,613**	**1,895,139**
Current	642,513	582,430
Non-current	1,381,100	1,312,206
Total investment securities	**2,023,613**	**1,894,636**

Accounting policies for investments are provided in note 4.6.

RACQ

Notes to the Financial Statements for the year ended 30 June 2018

4.3 FAIR VALUE HIERARCHY

The Group measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: quoted closing prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4.3.1 FINANCIAL INSTRUMENTS *MEASURED AT FAIR VALUE*

The following table presents the financial instruments that are measured at fair value categorised by fair value hierarchy:

RACQ Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2018				
Financial Assets				
Available for sale	208,939	179,258	16,491	404,688
Fair value through profit or loss	149,068	1,251,938	-	1,401,006
	358,007	**1,431,196**	**16,491**	**1,805,694**
2017				
Financial Assets				
Available for sale	226,201	147,105	15,758	389,064
Fair value through profit or loss	129,113	1,214,458	-	1,343,571
	355,314	**1,361,563**	**15,758**	**1,732,635**

There were no transfers between the levels of the fair value hierarchy during the year ended 30 June 2018 (2017: nil).

4.3.2 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The table below sets out the fair value of financial instruments not measured at fair value after initial recognition or where their carrying value is not a reasonable approximation of fair value, and analyses them by the level in the fair value hierarchy into which each instrument is categorised.

RACQ Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Carrying amount $'000	Total fair value $'000
2018					
Financial Assets					
Financial assets held to maturity	-	217,919	-	217,919	220,227
Loans and advances	-	-	1,477,812	1,477,812	1,489,058
Financial Liabilities					
Deposits	-	(1,474,504)	-	(1,474,504)	(1,476,250)
Borrowings	-	(95,441)	-	(95,441)	(95,890)
Redeemable preference shares[1]	-	-	(654)	(654)	(654)
	-	**(1,352,026)**	**1,477,158**	**125,132**	**136,491**

RACQ

Notes to the Financial Statements for the year ended 30 June 2018

RACQ Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Carrying amount $'000	Total fair value $'000
2017					
Financial Assets					
Financial assets held to maturity	-	162,001	-	162,001	164,549
Loans and advances	-	-	1,349,114	1,349,114	1,366,000
Financial Liabilities					
Deposits	-	(1,366,536)	-	(1,366,536)	(1,373,028)
Borrowings	-	(20,030)	-	(20,030)	(20,068)
Redeemable preference shares[1]	-	-	(673)	(673)	(673)
	-	**(1,224,565)**	**1,348,441**	**123,876**	**136,780**

[1]Redeemable preference shares have been included in Trade and other payables in the Consolidated Balance Sheet.

4.3.3 VALUATION APPROACH

The following methods and assumptions are used to determine the fair values of financial assets and financial liabilities:

Available for sale/fair value through profit or loss	For investments traded in an active market, fair value is determined by reference to quoted bid price or redemption price for similar instruments at the reporting date. For investments traded in a market that is not active, valuation techniques are used based on market observable inputs. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.
Assets measured at amortised cost	The fair value of these assets was determined using discounted cash flow models based on the maturity of the deposits. The discount rates applied were based on the 30 June benchmark rates on offer for the remaining term of each deposit
Loans and Advances	The carrying value is net of provisions for impairment. For variable rate loans the carrying value is a reasonable estimate of the fair value. The fair value for fixed rate loans was calculated by using discounted cash flow models based on the repricing date of the loans. The discount rates applied were based on the 30 June benchmark rates on offer for the remaining fixed term of each loan.
Deposits and Borrowings	The fair value of non-interest bearing, at call and variable rate deposits is the carrying value as at 30 June. Discounted cash flow models based upon deposit types and related maturities were used to calculate the fair value of other deposits. The discount rates applied were based on the 30 June benchmark rates on offer for the remaining term of each deposit

4.4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk. Information about the Group's financial risks and the objectives, policies and processes for managing these risks are following.

4.4.1 OVERVIEW

The Board of Directors, including the Board for each of the regulated entities, Club Insurance Holdings Pty Ltd, Club Finance Holdings Limited, RACQ Insurance Limited and Members Banking Group Limited, have overall responsibility for the establishment and oversight of the risk management framework, including setting the risk appetite. Each Board has established Risk Committees which assist their respective Boards in developing and monitoring risk management policies. These Committees report regularly to their Boards on activities.

Notes to the Financial Statements for the year ended 30 June 2018

The Group adopts an enterprise risk management approach, which incorporates the concept of the 'three lines of defence'. The three lines are:

1st line:	Management of risks in accordance with the risk management framework
2nd line:	Governance of risk management framework, including non-executive challenge to risk management decisions; and
3rd line:	Audit of risk management and framework governance, including non-executive challenge to risk management decisions.

Risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities.

4.4.2 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a member, financial institution or other counterparty to a financial instrument fails to meet its contractual obligations.

Insurance Operations

Credit risk arises principally from the Group's investment in interest-bearing securities, receivables under reinsurance contracts and other insurance-related recoveries from third parties and trade and other receivables. The Group mitigates credit risk by ensuring the Group invests in secure assets, contracts with financially sound reinsurers and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on a regular basis.

(i) Investment in interest-bearing securities

Interest-bearing securities are held in accordance with the investment guidelines approved by the Boards of Directors. The investment guidelines detail the investment strategies, asset selection, asset allocation, credit worthiness and maximum exposures to single counterparties. The Group limits its exposure to credit risk by only investing in interest-bearing securities that comply with Board-approved credit rating exposure limits that are reviewed on a regular basis. The risk of losses is further reduced by limit settings for credit risk rating bands.

(ii) Reinsurance and other recoveries

Credit risk with respect to reinsurance programs is mitigated by the placement of cover with a number of reinsurers with high credit ratings. Reinsurance arrangements and recoveries are regularly monitored and managed by an Executive Committee of RACQ Insurance Limited and by specialised reinsurance brokers operating within the international reinsurance market. The credit risk to reinsurers is managed through the Group having a pre-determined policy on the appropriate credit rating a reinsurer must have to participate in the reinsurance program. Reinsurance is placed with companies with Standard and Poor's credit ratings of 'A minus' or better. Reinsurance contracts include a provision that protects the Group in the event of a downgrade below 'A minus' whereby that individual reinsurer can be replaced.

The credit risk from other insurance-related recoveries with third parties arises from the issuing of recovery action against individual counterparties. Following the identification of a recovery, the debt is monitored and pursued to ensure receipt or to assess recoverability where difficulties arise.

(iii) Trade and other receivables

The majority of trade and other receivables relate to insurance policies which are paid on a monthly instalment basis. The late payment of amounts due under such arrangements allows for the cancellation of the related insurance contract, eliminating the credit risk for the unpaid amounts.

Notes to the Financial Statements for the year ended 30 June 2018

The following table provides information regarding the credit risk exposure of non-RACQ Bank related financial assets classified according to Standard & Poor's credit ratings.

	Neither past due nor impaired					Past due but not impaired	Impaired	Total
	AAA	AA+ to AA-	A+ to A-	Below A-	Not Rated			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018								
Cash and cash equivalents	18,956	-	534	-	937	-	-	20,427
Trade and other receivables								
Trade and other receivables	-	-	-	-	34,835	-	-	34,835
Insurance premiums receivable	-	-	-	-	201,914	-	-	201,914
Total Trade and other receivables	**-**	**-**	**-**	**-**	**236,749**	**-**	**-**	**236,749**
Reinsurance and other recoveries receivable	50,157	7,655	9,550	-	50,803	-	-	118,165
Debt securities	805,499	132,145	221,242	93,052	-	-	-	1,251,938
Deposits and bills	166,350	19,971	82,747	-	2,000	-	-	271,068
	1,040,962	**159,771**	**314,073**	**93,052**	**290,489**	**-**	**-**	**1,898,347**
2017								
Cash and cash equivalents	25,529	1,197	-	-	2,280	-	-	29,006
Trade and other receivables								
Trade and other receivables	-	-	-	-	17,433	-	-	17,433
Insurance premiums receivable	-	-	-	-	194,503	-	-	194,503
Total Trade and other receivables	**-**	**-**	**-**	**-**	**211,936**	**-**	**-**	**211,936**
Reinsurance and other recoveries receivable	52,921	28,157	41,848	-	45,993	-	-	168,919
Debt securities	376,767	559,160	193,979	84,552	-	-	-	1,214,458
Deposits and bills	145,508	55,034	45,559	17,132	3,000	-	-	266,233
	600,725	**643,548**	**281,386**	**101,684**	**263,209**	**-**	**-**	**1,890,552**

The carrying amount of the relevant asset classes in the Consolidated Balance Sheet represent the maximum amount of credit exposures as at reporting date.

Notes to the Financial Statements for the year ended 30 June 2018

Banking Operations

Due to the nature of RACQ Bank's business, credit risk exposure arising from RACQ Bank's financial assets is managed separately to other business areas of the Group. Credit risk arises principally from the loan book, investment assets and derivative contracts.

(i) Loans and Advances

The method of managing credit risk on loans is by way of strict adherence with credit assessment policies before the loans are approved, close monitoring of any defaults in the repayment of loans thereafter and active monitoring of the quality of the loan portfolio on an ongoing basis. The Credit Risk Management System has been endorsed by the Board of Members Banking Group Limited to ensure that loans are only made to members that are assessed as credit-worthy (capable of meeting loan repayments) and that appropriate security is taken against loans made. Adherence to the Credit Risk Management Strategy is monitored by RACQ Bank's Credit Committee.

RACQ Bank has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure to individual borrowers;
- Reassessment and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies by a dedicated Credit Risk Review unit.

A regular review of compliance is also conducted as part of the internal audit scope.

Maximum Credit Risk Exposure

RACQ Bank's maximum credit risk exposure on loans and advances is $1,529,686,000 (2017: $1,374,459,000). This does not take into account the value of any collateral or other security held in the event other parties fail to perform their obligations.

The following table shows the current loan to value ratios (LVRs) on the residential term loan portfolio. Valuation amounts used in these calculations are based on the security value taken at the time the loans were originated.

	RACQ Group	
	2018	2017
	$'000	$'000
LVR 0% - 60%	455,397	406,553
LVR 60.01% - 80%	622,027	573,846
LVR 80.01% - 90%	201,632	198,108
LVR 90.01% - 100%	144,500	123,680
LVR > 100%	774	416
	1,424,330	**1,302,603**

Past due and impaired loans

A loan or overdraft is past due when the counterparty has failed to make a payment when contractually due. Past due does not mean that a counterparty will never pay but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Weekly reports monitor loan repayments to detect delays in repayments and recovery action is undertaken where appropriate.

A loan or overdraft will be classified as impaired regardless of whether it is past due where there is doubt as to whether the full amount due, including interest and other payments, will be repaid in a timely manner. In such situations, an appropriate provision is made against the exposure.

Loans and similar facilities that are past due 90 days or more and are not well secured will be treated, for the total amounts outstanding, as impaired. Overdrafts and other revolving facilities that have remained continuously outside approved limits for 14 or more consecutive days, and which are not well secured, will also be treated for the total amounts outstanding, as impaired.

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Notes to the Financial Statements for the year ended 30 June 2018

4.4.2.1 LOANS AND ADVANCES BY IMPAIRMENT CLASS

The following table shows the credit quality of loans and advances by impairment class:

	RACQ Group	
	2018	2017
	$'000	$'000
Net impaired loans	422	1,369
Past due but not impaired	34,557	46,930
Neither past due nor impaired	1,442,767	1,300,716
Unamortised loan fees	66	99
Net loans and advances	**1,477,812**	**1,349,114**

4.4.2.2 AGEING ANALYSIS OF LOANS PAST DUE BUT NOT IMPAIRED

The following table represents an ageing analysis of loans past due but not impaired as at the end of the reporting period:

	0-30 days	31-90 days	91-180 days	181+ days	Total
	$'000	$'000	$'000	$'000	$'000
2018					
Past due but not impaired	**26,454**	**5,413**	**2,690**	**-**	**34,557**
2017					
Past due but not impaired	37,728	4,873	3,675	654	46,930

Collateral securing loans

The major portion of the loan book is secured against residential property in Australia. Therefore, RACQ Bank is exposed to the potential risk of an increase in the LVR, and thus a reduction in security cover should the property market experience a decline in values.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security. Lender's Mortgage Insurance (LMI) is obtained by RACQ Bank in order to cover any shortfall in the outstanding loan principal and accrued interest. LMI is generally obtained for residential mortgages with a LVR in excess of 80%. The financial effect of these measures is that the remaining credit risk on residential loans is minimal.

The following table shows the collateral against loans and advances to members:

	RACQ Group	
	2018	2017
	$'000	$'000
Loans and advances with collateral	1,455,489	1,328,294
Loans and advances with no collateral	22,524	21,251
Total gross loans and advances	**1,478,013**	**1,349,545**

Where collateral is held, it is in the form of mortgage interests over property, other registered securities over assets, mortgage insurance and guarantees. The fair value of the collateral is measured at the time of providing the loan or advance. The fair value of the collateral is generally not updated except when a loan or advance is individually assessed as impaired.

No assets were acquired by RACQ Bank during the financial year. The policy of RACQ Bank is to sell the assets via auction at the earliest opportunity, after the measures to assist the members to repay debts have been exhausted.

Notes to the Financial Statements for the year ended 30 June 2018

Concentration risk

RACQ Bank holds no significant concentrations of exposures to members.

RACQ Bank has a concentration of loans to members employed in the teaching profession and the education industry generally. As a risk, this concentration has largely arisen as RACQ Bank was originally formed to service these members. Loans and advances to members employed in the education industry amounted to $885,669,000 or 65% of total loans and advances (2017: $875,378,000 or 65%).

RACQ Bank's major exposures to home loans in Queensland are segmented according to major population centres and regions in Queensland.

(ii) Investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent credit rating of the investment counterparty and the limits to concentrations with any one counterparty. Risk of losses is further reduced by limit settings for credit risk rating bands.

RACQ Bank's policy is to maintain liquid investments with Cuscal Limited (Cuscal) of at least 120% of all committed facility limits with them. Cuscal is a company set up to support its mutual ADI members and has a Standard & Poor's long term rating of A+ and a short-term rating of A- (2017: long term rating of A+ and short term rating of A-1).

All liquid investments are required to be with financial institutions with a minimum Standard and Poor's rating of BBB- long term and A-3 short term (or equivalent) or in securities eligible for repurchase by the Reserve Bank of Australia.

The carrying values of liquid investments associated with each credit quality category for RACQ Bank are listed below. There are no provisions (2017: nil) held against these exposures.

	RACQ Group	
	2018	2017
	$'000	$'000
ADIs – rated AA- long term and above	96,660	80,020
ADIs – rated A- long term and above, but below AA- long term	91,770	55,322
ADIs – rated BBB- long term and above, but below A- long term	50,170	41,400
Total	**238,600**	**176,742**

4.4.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group maintains a prudent approach to managing liquidity risk by ensuring, as far as possible, that it will have sufficient liquid assets on a daily basis to meet its payment obligations when due, under both normal and stressed conditions, without incurring unacceptable losses.

To ensure the Group has sufficient funds to meet daily obligations, minimum levels of cash are held within the trading bank accounts. These accounts are reviewed daily, in conjunction with obligations to ensure sufficient funds are maintained.

Insurance operations

The assets backing insurance liabilities consist of government securities and other quality securities which can generally be readily sold or exchanged for cash. These assets are managed so as to broadly match the maturity profile of the expected pattern of insurance claims payments. In the event of a major catastrophe, cash access may also be available under the terms of reinsurance arrangements.

Banking operations

RACQ Bank manages liquidity risk by:

- Forecasting cash flows on a daily and monthly basis including examining the impacts of various scenarios;
- Continuously monitoring actual and daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Limit setting and management of funding diversity;
- Maintaining adequate liquidity reserves, liquidity support facilities, reserve borrowing facilities and a Reserve Bank of Australia (RBA) repurchase facility arrangement; and
- Monitoring the prudential liquidity ratio daily.

During the financial year, RACQ Bank's special purpose vehicle, the Arrow Funding Trust, issued Residential Mortgage Backed Securities

Notes to the Financial Statements for the year ended 30 June 2018

(RMBS) which are eligible for repurchase by the RBA. This facility arrangement is for the purposes of contingent liquidity management and serves to strengthen RACQ Bank's liquidity risk management.

Under APRA Prudential Standards, RACQ Bank is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within two business days. RACQ Bank's policy is to maintain an agreed buffer above this level and includes a number of measures to ensure that appropriate actions are taken where it is anticipated that liquidity levels will fall below various levels prescribed in the policy. These measures include, but are not limited to, accessing any unutilised borrowing facilities.

Note 3.5.1 sets out the borrowing facilities as at the end of the reporting date.

The following table represents the Groups' contractual maturities of financial liabilities. Contractual cash flows are at undiscounted values (including future interest expected to be paid). Accordingly, these values may not agree to the carrying amount.

	Carrying Amount		Gross Nominal Outflows		Within 1 month		1-3 months		3-12 months		1-5 years		Over 5 years	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Financial Liabilities														
Deposits	1,474,504	1,366,536	1,483,549	1,375,975	906,849	848,208	185,498	247,748	357,045	236,692	34,157	43,327	-	-
Borrowings	95,441	20,030	98,160	20,275	-	-	631	137	1,604	20,138	95,925	-	-	-
Redeemable preference shares[1]	654	673	654	673	-	-	-	-	-	-	-	-	654	673
Total Financial Liabilities	**1,570,599**	**1,387,239**	**1,582,363**	**1,396,923**	**906,849**	**848,208**	**186,129**	**247,885**	**358,649**	**256,830**	**130,082**	**43,327**	**654**	**673**
Unrecognised Items														
Undrawn commitments	225,986	182,015	225,986	182,015	225,986	182,015	-	-	-	-	-	-	-	-

[1] Redeemable preference shares have been included in Trade and other payables in the Consolidated Balance Sheet.

Notes to the Financial Statements for the year ended 30 June 2018

4.4.4 MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates, credit spreads, asset prices and equity prices, will affect the Group's income or the value of its holdings of financial instruments.

The Group, through the Group Capital and Investment Committee reviews and approves the investment management strategies and Investment Mandates at least annually. The performance of all investment managers (both external and internal), including compliance with investment guidelines stipulated within the investment strategies and mandates, is reviewed on a regular basis by management, the Group Capital and Investment Committee and Boards of Directors. The Asset and Liability Committee (ALCO) of RACQ Bank is responsible for capital and balance sheet risk including treasury credit, liquidity and market risk.

(i) Interest rate risk

Insurance Operations

Interest rate risk is the risk that the Group is impacted by significant changes in interest rates and mainly arises from investments in interest-bearing securities and the valuation of insurance liabilities.

At 30 June 2018, if interest rates had changed by +/- 1% (2017: +/- 1%) from the year-end rates, with all other variables held constant, the surplus for the year would have been $16,100,000 higher/lower (2017: $16,800,000 higher/lower)

Movements in interest rates should have minimal impact on the insurance profit due to the Group's policy of investing in assets backing insurance liabilities principally in fixed interest securities broadly matched to the expected payment pattern of the insurance liabilities. Movements in investment income on assets backing insurance liabilities broadly offset the impact of movements in discount rates on the insurance liabilities.

Exposure to interest rate risk is managed by asset and liability matching, using measures such as duration and credit. To mitigate this risk, the investments in interest-bearing securities are held at an average duration that broadly matches the average duration of corresponding outstanding claims liabilities. The investment manager provides a comparison of assets and liabilities across an annual time series. This is monitored on a monthly basis to ensure that the risk is within the Group's risk appetite. Interest rate risk is also managed through the controlled use of interest rate derivative instruments, including interest rate swaps and futures. The external investment manager is required to regularly report on compliance with the use of derivatives in accordance with the relevant investment mandate.

Banking Operations

Due to the nature of RACQ Bank's business, market risk for RACQ Bank is managed separately.

RACQ Bank uses the Value at Risk (VaR) methodology for quantifying interest rate risk within the portfolio. VaR measures the theoretical loss in the economic value of the balance sheet based on historical movements in interest rates.

Based on VaR calculations as at 30 June 2018, the net VaR position as a percentage of capital for RACQ Bank, after allowing for hedges and prepayments was $3,143,000 (2017: $2,820,000). The VaR limit is $7,000,000 (2017: $10,280,000) of capital.

(ii) Price risk

Price risk is the risk of loss in current and future earnings from adverse moves in asset prices or equity prices and arises from the RACQ Group's direct investment in Australian equity securities classified as available-for-sale financial assets.

Equity risk is reduced by incorporating a diverse holding of equities. 100% (2017: 100%) of the market value of the equity securities portfolio comprises stock that forms part of the Standard & Poor's ASX 200 Index. At 30 June 2018, if a 1% increase/decrease was applied to the ASX 200 index and all other variables were held constant, equity reserves would have increased/decreased by $707,328 (2017: $1,023,108).

At 30 June 2018, the Group also held units in a number of trusts, the underlying assets of which, listed and unlisted infrastructure, Australian and international equities, as well as money market securities and bonds. The fair values of such financial instruments are affected by changes in the market price of the underlying instruments.

Notes to the Financial Statements for the year ended 30 June 2018

4.5 GROUP CAPITAL MANAGEMENT

The Group's capital management objective is to maintain sufficient capital to protect the interests of all members and regulators while also efficiently deploying capital and managing risk. As a company limited by guarantee, The Royal Automobile Club of Queensland Limited has no shareholders or owners. All surpluses are therefore used to develop the Group's business for the benefit of the members.

The Board of Directors' policy is to hold the level of capital that is judged to be prudent and sustainable within the bounds of the Group's risk appetite, the restrictions imposed by the Group's legal structure and the fulfilment of the Group's purpose. On this basis, the RACQ Group aims to achieve a balance between:

- Maintaining sufficient capital to protect the Group from material and unexpected financial shocks;
- Ensuring that there is sufficient provisioning for future capital requirements; and
- Avoiding the holding of excess capital, which could otherwise be put to the benefit of members.

Capital consists of total accumulated funds as shown on the Consolidated Balance Sheet.

Entities within the group are subject to externally imposed capital requirements as set by APRA. Refer to note 2.8 for Insurance and note 3.6 for Banking capital management.

4.6 ACCOUNTING POLICIES FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Non-derivative financial assets

The Group has the following non-derivative financial assets:

(i) Cash and cash equivalents

Cash includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid financial assets with original maturities of three months or less that are readily convertible to known amounts of cash. These are used by the Group in the management of its short-term commitments.

(ii) Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments, evaluates the performance and makes purchases and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy.

Upon initial recognition, transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value on each reporting date, and changes therein, including any interest and dividend income, are recognised in profit or loss.

The Group's financial assets at fair value through profit or loss include those investment securities held to back insurance liabilities.

(iii) Trade and other receivables

Trade and other receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses. Trade and other receivables are assessed at each reporting date to determine whether there is objective evidence of impairment, such as default or delinquency by a debtor.

(iv) Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities (those that are not held to back general insurance liabilities) are classified as available-for-sale financial assets where they are intended to be held for an indefinite period of time, but which may be sold in response to a need for liquidity or changes in interest rates. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly in other comprehensive income and presented within equity in the investment revaluation reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to surplus.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the cumulative losses in the investment revaluation reserve in equity to surplus. The amount reclassified is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in surplus.

Notes to the Financial Statements for the year ended 30 June 2018

(v) Financial assets held to maturity

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held to maturity financial assets are recognised initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

(vi) Off-setting

Financial assets and financial liabilities are set off and the net amount presented in the Consolidated Balance Sheet when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the financial liability simultaneously.

Non-derivative financial liabilities

(i) Trade and other payables

Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Trade and other payables are unsecured, non-interest bearing and are usually settled within 30 days.

(ii) Deposits and borrowings

Deposits and borrowings are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.

Interest on deposits is recognised as interest accrues using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments over the life of the financial liability to which they relate.

Derivative financial instruments

Interest rate swaps are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at fair value. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For interest rate swaps which do not qualify for hedge accounting, changes in fair value are recorded through profit or loss. Interest earned or incurred is accrued in interest income or expense respectively, according to the terms of the contract.

Notes to the Financial Statements for the year ended 30 June 2018

5. OTHER ASSETS AND LIABILTIES

5.1 PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment is as follows:

2018	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Capital works in progress $'000	Total $'000
Cost					
Balance at 1 July 2017	20,481	82,533	124,653	6,427	**234,094**
Additions	-	1,406	-	12,708	**14,114**
Disposals	-	-	(27,082)	-	**(27,082)**
Transfer from capital works in progress	-	-	16,798	(16,798)	**-**
Balance at 30 June 2018	**20,481**	**83,939**	**114,369**	**2,337**	**221,126**
Depreciation and impairment loss					
Balance at 1 July 2017	-	(10,109)	(66,106)	-	**(76,215)**
Depreciation	-	(2,088)	(13,675)	-	**(15,763)**
Disposals	-	-	24,555	-	**24,555**
Balance at 30 June 2018	**-**	**(12,197)**	**(55,226)**	**-**	**(67,423)**
Carrying amounts					
Carrying amounts as at 1 July 2017	20,481	72,424	58,547	11,037	162,489
Carrying amounts as at 30 June 2018	**20,481**	**71,742**	**59,143**	**2,337**	**153,703**
2017					
Cost					
Balance at 1 July 2016	20,830	80,938	115,007	4,846	**221,621**
Additions	-	1,695	-	12,894	**14,589**
Disposals	(349)	(100)	(7,914)	-	**(8,363)**
Acquisitions through merger with QTMB	-	-	5,920	327	**6,247**
Transfer from capital works in progress	-	-	11,640	(11,640)	**-**
Balance at 30 June 2017	**20,481**	**82,533**	**124,653**	**6,427**	**234,094**
Depreciation and impairment loss					
Balance at 1 July 2016	-	(8,080)	(60,888)	-	**(68,968)**
Depreciation	-	(2,068)	(10,567)	-	**(12,635)**
Disposals	-	39	5,349	-	**5,388**
Balance at 30 June 2017	**-**	**(10,109)**	**(66,106)**	**-**	**(76,215)**
Carrying amounts					
Carrying amounts as at 1 July 2016	20,830	72,858	54,119	4,846	152,653
Carrying amounts as at 30 June 2017	**20,481**	**72,424**	**58,547**	**11,037**	**162,489**

Notes to the Financial Statements for the year ended 30 June 2018

Accounting policies

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group, and its cost can be measured reliably. Repairs and maintenance costs are expensed as they are incurred.

(ii) Depreciation

Depreciation is recognised on a straight-line basis over the estimated useful life of the property, plant and equipment. Land is not depreciated. The depreciation rates used for each class of asset in the current and comparative periods are as follows:

Category	*Useful life*
Buildings	40 years or lease term, if shorter
Plant and equipment	2.5 - 25 years

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

(iii) Impairment

Property, plant and equipment that is subject to depreciation is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Refer to 5.2.1.(iii) for further detail on impairment.

5.2 INTANGIBLE ASSETS

The composition of intangible assets is as follows:

2018	Goodwill $'000	Software and licensing costs $'000	Customer relationships $'000	Core deposit $'000	Outstanding claims fair value adjustment $'000	Software Development costs $'000	Total $'000
Cost							
Balance at 1 July 2017	246,644	225,296	38,500	4,800	48,962	22,615	**586,817**
Additions	-	-	-	-	-	15,246	**15,246**
Disposals	-	(21,427)	-	-	-	-	**(21,427)**
Transfer from capital works in progress	-	34,884	-	-	-	(34,884)	**-**
Balance at 30 June 2018	**246,644**	**238,753**	**38,500**	**4,800**	**48,962**	**2,977**	**580,636**
Depreciation and impairment loss							
Balance at 1 July 2017	-	(177,108)	(31,739)	(363)	(44,210)	-	**(253,420)**
Amortisation	-	(24,198)	(894)	(581)	(2,415)	-	**(28,088)**
Disposals	-	21,308	-	-	-	-	**21,308**
Impairment loss	-	(1,883)	-	-	-	-	**(1,883)**
Balance at 30 June 2018	**-**	**(181,881)**	**(32,633)**	**(944)**	**(46,625)**	**-**	**(262,083)**
Carrying amounts							
Carrying amounts as at 1 July 2017	246,644	48,188	6,761	4,437	4,752	22,615	333,397
Carrying amounts as at 30 June 2018	**246,644**	**56,872**	**5,867**	**3,856**	**2,337**	**2,977**	**318,553**

Notes to the Financial Statements for the year ended 30 June 2018

2017	Goodwill $'000	Software and licensing costs $'000	Customer relationships $'000	Core deposit	Outstanding claims fair value adjustment $'000	Software Development costs $'000	Total $'000
Cost							
Balance at 1 July 2016	238,850	210,520	31,800	-	48,962	8,204	**538,336**
Additions	-	-	-	-	-	26,448	**26,448**
Merger with Members Banking Group	7,794	2,753	6,700	4,800	-	-	**22,047**
Disposals	-	(14)	-	-	-	-	**(14)**
Transfer from capital works in progress	-	12,037	-	-	-	(12,037)	**-**
Balance at 30 June 2017	**246,644**	**225,296**	**38,500**	**4,800**	**48,962**	**22,615**	**586,817**
Depreciation and impairment loss							
Balance at 1 July 2016	-	(134,940)	(27,730)	-	(43,878)	-	**(206,548)**
Amortisation	-	(37,840)	(4,009)	(363)	(332)	-	**(42,544)**
Disposals	-	13	-	-	-	-	**13**
Impairment loss	-	(4,341)	-	-	-	-	**(4,341)**
Balance at 30 June 2017	**-**	**(177,108)**	**(31,739)**	**(363)**	**(44,210)**	**-**	**(253,420)**
Carrying amounts							
Carrying amounts as at 1 July 2016	238,927	75,580	3,993	-	5,084	8,204	331,788
Carrying amounts as at 30 June 2016	**246,644**	**48,188**	**6,761**	**4,437**	**4,752**	**18,005**	**328,787**

5.2.1 IMPAIRMENT TESTING FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The aggregate carrying amounts of goodwill allocated to each cash generating unit (CGU) is as follows:

	RACQ Group	
	2018	2017
	$'000	$'000
RACQ Insurance Limited	238,208	238,208
Members Banking Group Limited	7,794	7,794
Other CGU without significant goodwill	642	642
Carrying amount at end of year	**246,644**	**246,644**

Notes to the Financial Statements for the year ended 30 June 2018

RACQ Insurance Limited

The recoverable amount of the Insurance CGU has been determined based on value in use calculations, determined by discounting the future cash flows generated from the continuing use of the CGU based on cash flows projected from the financial forecasts approved by the Board of Directors covering a five-year period. These calculations require the use of assumptions, which represent management's assessment of future trends in the industry and are based on both external and internal sources of data. Key assumptions used in the calculation of recoverable amounts are as follows:

	Discount Rate		Terminal Value Growth Rate		Budgeted Average EBITDA Growth Rate	
	2018	2017	2018	2017	2018	2017
	%	%	%	%	%	%
RACQ Insurance Limited	9.25	9.25	2.5	2.5	8.0	8.0

The discount rate is a post-tax measure estimated based on past experience, and industry average weighted average cost of capital. A long-term growth rate into perpetuity has been determined that does not exceed the long-term average growth rate for the industry. Budgeted EBITDA growth rate has been based on past experience, with adjustments where future activities are expected to differ materially from past performance.

RACQ Bank

A purchase price allocation exercise on the acquisition of QTMB was completed in late March 2017 and goodwill associated with this acquisition was valued at this time. The net asset valuation methodology was utilised during this process and also in calculating recoverable amount for impairment testing the Bank CGU for 2018. A price to book ratio of 1:1.1 was utilised giving consideration to other relevant banks in the current environment.

Accounting policies

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Other intangible assets, including customer relationships, which are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired in a business combination, the cost of that asset is its fair value at acquisition date.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, the amount is above the capitalisation threshold and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in surplus as incurred.

(ii) Amortisation

Except for goodwill, intangible assets are amortised over the estimated useful life of the intangible asset from the date the asset is available for use. The amortisation bases used for each class of asset for the current and comparative periods are as follows:

Category	*Basis*	*Useful life*
Software and licensing costs	Straight line	3 - 10 years
Customer relationships	Discounted cash flow	9 - 15 years
Net fair value of claims reserve	Claims runoff	19 years
QTMB brand name	Discounted cash flow	1 year
Core deposits	Discounted cash flow	20 years

Amortisation methods, useful lives and residual values are reassessed at each reporting date. A review of assets associated with the Group's current product/pricing/billing and member engagement systems has been undertaken which has resulted in a reassessment of the useful lives and an accelerated amortisation expense of $4,842,740.

(iii) Impairment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For the purposes of impairment testing assets are grouped together at the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGU).

Notes to the Financial Statements for the year ended 30 June 2018

The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in surplus. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.3 EMPLOYEE BENEFITS

5.3.1 EMPLOYEE BENEFITS EXPENSE

	RACQ Group	
	2018	**2017**
	$'000	**$'000**
Wages and salaries	170,446	152,326
Defined contribution superannuation expenses	14,484	13,105
	184,930	**165,431**

5.3.2 EMPLOYEE BENEFITS LIABILITIES

	RACQ Group	
	2018	**2017**
	$'000	**$'000**
Wages and salaries accrued	4,410	5,663
Incentive accrual	10,111	6,384
Liability for annual leave	13,494	13,174
Liability for long service leave	16,649	16,465
	44,664	**41,687**
Current	38,447	35,573
Non-current	6,217	6,114
	44,664	**41,687**

Accounting policies

(i) Short term employee benefits

Short term employee benefits represent the amount that the Group has a present obligation to pay resulting from employees' services provided up to the reporting date, which are expected to be wholly settled within twelve months of the reporting date. They are measured at undiscounted amounts based on wage and salary rates that the Group expects to pay when the liability is settled, including related on-costs, such as workers' compensation insurance and payroll tax.

(ii) Long term employee benefits

The Group's obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is calculated using expected future increases in wage and salary rates, including related on-costs and expected settlement dates, and is discounted using high quality corporate bond rates to determine its present value. Re-measurements are recognised in surplus in the period in which they arise.

(iii) Superannuation

Obligations for contributions to defined contribution superannuation funds are recognised as an expense as the related services is provided.

Notes to the Financial Statements for the year ended 30 June 2018

5.4 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) of the Group may obtain assistance, insurance and banking products and other services and products from the Company and/or its controlled entities, RACQ Insurance Limited and Members Banking Group Limited, on the same terms and conditions as those obtained by Company employees and are trivial or domestic in nature.

No KMP have entered into a material contract with the Group (2017: nil) and there were no material contracts involving KMP interests at 30 June 2018 (2017: nil).

5.4.1 KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation comprises:

	RACQ Group	
	2018	2017
	$	$
Short-term employee benefits	9,986,055	8,266,467
Post-employment benefits	546,272	537,059
Other long-term benefits	1,365,961	1,177,298
Termination benefits	308,438	1,612,820
	12,206,726	**11,593,644**

5.4.2 DIRECTOR COMPENSATION

(i) Director compensation for The Royal Automobile Club of Queensland Limited

During the year, non-executive directors received the following remuneration and benefits for their service as directors on the Board of The Royal Automobile Club of Queensland Limited. As of 1 July 2017, directors receive $89,250 per annum with additional fees paid for committee work and chairman responsibilities. Fees paid are inclusive of superannuation.

	2018	2017
	$	$
Bronwyn Morris, Chairman [1 2 3]	149,072	100,317
Nigel Alexander [1 4]	124,941	196,813
Jayne Arlett (appointed 1 January 2017) [2]	108,909	57,502
Fay Barker (resigned 22 November 2016)	-	45,602
Campbell Charlton [2]	108,909	113,602
Anthony Gambling [1]	90,013	88,201
Elizabeth Jameson [1]	102,610	100,551
Stephen Maitland (resigned 21 November 2017)	51,091	125,952
John Minz (appointed 14 August 2016) [2]	101,560	96,514
Karl Morris [2]	112,248	113,602
Leona Murphy (appointed 29 May 2018) [1]	9,933	-
	959,285	**1,038,656**

[1] Director of Club Insurance Holdings Pty Ltd whilst also a director of RACQ Insurance Limited.

[2] Director of Club Finance Holdings Limited whilst also a director of Members Banking Group Limited.

[3] Appointed Chairman 21 November 2017

[4] Resigned Chairman 21 November 2017

The remuneration and benefits paid by RACQ Insurance Limited to RACQ directors, for their services as an RACQ Insurance Limited director during the year to June 2018, was $605,179 (2017: $515,184). Refer note 5.4.2 (ii). The remuneration and benefits paid by Members Banking Group Limited to RACQ directors, for their services as a Members Banking Group Limited director during the year to June 2018 was $238,810 (2017: $39,324). Refer note 5.4.2 (iii). Directors of all other subsidiary companies within the RACQ Group are not separately remunerated for their services to those subsidiary companies.

The Group Chief Executive Officer of The Royal Automobile Club of Queensland Limited, Mr Ian A Gillespie, is a director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Club Finance Holdings Limited and Members Banking Group Limited. Mr Gillespie acted in his role as the nominee for The Royal Automobile Club of Queensland Limited and was not separately remunerated.

Notes to the Financial Statements for the year ended 30 June 2018

(ii) Director compensation for RACQ Insurance Limited

Directors of the Company who are also directors of RACQ Insurance Limited are paid fees by RACQ Insurance Limited. This remuneration is supplementary to the remuneration paid by the Company. Directors of RACQ Insurance Limited who also sit on The Royal Automobile Club of Queensland Limited Board receive $83,946 per annum and directors who do not sit on The Royal Automobile Club of Queensland Limited board receive $115,260 per annum. Additional fees are paid for committee work and Chairman responsibilities. Fees paid are inclusive of superannuation.

During the year, non-executive directors received the following remuneration and benefits for their service as directors of RACQ Insurance Limited. Remuneration is inclusive of the services delivered for board and committee responsibilities.

	2018 $	2017 $
Nigel Alexander, Chairman	168,706	165,351
Anthony Gambling	119,208	120,051
Neville Ide (resigned 21 November 2017)	49,215	138,401
Elizabeth Jameson	109,903	115,008
Raymond Jones	135,682	139,102
Bronwyn Morris	94,285	114,774
Leona Murphy (appointed 31 August 2017)	113,077	-
Vyn Tozer	154,577	151,452
	944,653	**944,139**

(iii) Director compensation for Members Banking Group Limited

Directors of the Company who are also directors of Members Banking Group Limited are paid fees by Members Banking Group Limited. This remuneration is supplementary to the remuneration paid by the Company. Directors of Members Banking Group Limited receive $55,156 per annum. Additional fees are paid for committee work and Chairman responsibilities. Fees paid are inclusive of superannuation.

During the year, non-executive directors received the following remuneration and benefits for their service as directors of Members Banking Group Limited. Fees are inclusive of the services delivered for board and committee responsibilities. Remuneration and benefits disclosed below for the 2017 financial year are for the period 1 July 2016 to 30 June 2017.

	2018 $	2017 $
John Minz, Chairman [1 2]	95,442	33,371
Peter Whitelaw (resigned 30 November 2017)	76,890	64,702
Adam Allan (resigned 31 December 2017)	29,105	31,764
Jayne Arlett (appointed 1 January 2018)	28,342	-
Janette Bowe	62,038	34,768
Campbell Charlton (appointed 1 January 2018)	31,019	-
Helen Coyer	56,682	31,764
John Fisher-Stamp (resigned 31 December 2017)	31,782	34,768
Neville Ide (appointed 24 November 2016)	63,602	33,371
Nathan King (resigned 31 December 2017)	29,105	31,764
Anthony McGruther (resigned 31 December 2017)	29,105	54,453
Bronwyn Morris (appointed 25 May 2017)	55,665	5,953
Karl Morris (appointed 1 January 2018)	28,342	-
	617,119	**356,678**

[1] Appointed Director on 24 November 2016
[2] Appointed Chairman on 1 December 2017

Notes to the Financial Statements for the year ended 30 June 2018

(iv) Loans to Key Management Personnel and their Close Family Members

	2018 $	2017 $
The aggregate value of loans as at year end	8,496,217	4,461,047
The aggregate value of revolving credit facilities available at year end	1,112,000	162,000
Amounts drawn down included in the aggregate value	(427,384)	(10,456)
Total undrawn revolving credit facilities at year end	674,695	151,544
Interest earned on loans and revolving credit facilities	247,311	133,608

There are no loans that are impaired in relation to the loan balances with KMP or their close family members. All loans and overdrafts completed, guaranteed or secured to KMP and their close family members have been undertaken on normal terms and conditions. The terms and conditions in respect of all loans and overdrafts to KMP and their close family members have not been breached.

(v) Other Transactions with Key Management Personnel and their Close Family Members

	2018 $	2017 $
Total value of term deposits and savings accounts	998,432	986,777
Total interest paid on these deposits during the year	7,059	18,499

Interest on deposits are paid on terms and conditions no more favourable than those available on similar transactions to members of RACQ Bank. RACQ Bank's policy for receiving deposits from other related parties and in respect of other related party transactions is that all transactions are approved and deposits are accepted on the same terms and conditions that apply to members.

5.5 UNEARNED REVENUE

Unearned revenue at the end of the reporting period was as follows:

	RACQ Group	
	2018 $'000	2017 $'000
Unearned premiums		
Opening balance	393,834	368,131
Insurance premiums written during the year	851,941	784,065
Insurance premiums earned during the year	(819,253)	(758,362)
Unearned premiums balance	**426,522**	**393,834**
Unearned assistance premiums	81,281	75,498
Total unearned revenue	**507,803**	**469,332**

Accounting policies

(i) Revenue from assistance activities

The earned portion of roadside and home assistance subscriptions received is recognised as revenue evenly over the subscription period using the 365-day method (earned over one year). Revenue received applicable to the unexpired period of the subscription term is recognised as unearned revenue.

Notes to the Financial Statements for the year ended 30 June 2018

(ii) Unearned insurance premium liability

Premium revenue received or receivable but not earned at the reporting date is recognised as unearned premium liability. The unearned premium liability represents premium revenue which will be earned in subsequent reporting periods.

5.6 INCOME TAX

5.6.1 INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax and is recognised in the Consolidated Income Statement 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 in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The Company and its wholly-owned Australian resident entities are not part of a tax-consolidated group. Consequently, each entity is separately assessed for tax.

The Royal Automobile Club of Queensland Limited is a company limited by guarantee and is unable under the Corporations Act to pay dividends and accordingly is unable to utilise or distribute the franking account credits.

The components of income tax expense are:

	RACQ Group	
	2018	2017
	$'000	$'000
Recognised in surplus		
Current tax		
Current income tax	29,534	19,182
Adjustments in respect of current income tax of previous year	(492)	(1,765)
	29,042	**17,417**
Deferred tax		
Origination and reversal of temporary differences	(3,794)	(4,391)
Total income tax expense	**25,248**	**13,026**
Deferred tax recognised directly in equity		
Relating to re-measurement of defined benefit plan	93	190
Relating to sale of land and building	996	-
Relating to available for sale financial assets	1,100	2,625
Total income tax expense recognised directly in accumulated funds	**2,189**	**2,815**

RACQ

Notes to the Financial Statements for the year ended 30 June 2018

5.6.2 RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

A reconciliation between the tax expense and the operating surplus for the year before income tax is as follows:

	RACQ Group	
	2018	2017
	$'000	$'000
Prima facie tax expense calculated at 30% (2017: 30%) on operating surplus before tax	26,880	11,931
Adjust for tax effect of:		
- Non-deductible expenses	759	673
- Non-assessable income	(346)	(364)
- Mutual income and related deductions	-	1,672
- Tax offset for franked dividends	(1,229)	(874)
- Foreign income tax offsets	(170)	(115)
- Withholding tax credits	(9)	-
- Prior year over provision for research and development amendments	(112)	(742)
- Prior year under provision	(525)	845
Income tax expense on operating surplus	**25,248**	**13,026**

5.6.3 RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable surplus will be available against which they 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset.

Deferred tax assets and liabilities are attributable to the following:

RACQ Group	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment and Intangibles	7,380	1,120	-	-	7,380	1,120
Accruals	3,576	3,196	-	-	3,576	3,196
Acquisition adjustment	2,806	3,513	(5,327)	(6,517)	(2,521)	(3,004)
Investments	507	1,096	(10,437)	(8,163)	(9,930)	(7,067)
Claims handling costs on outstanding claims	15,248	16,526	-	-	15,248	16,526
Employee benefits	9,099	9,260	-	-	9,099	9,260
Provisions	1,796	1,920	(162)	(152)	1,634	1,768
Other items	1,376	1,465	(912)	(270)	464	1,195
Tax offsets carried forward	7,834	11,544	-	-	7,834	11,544
Tax losses recognised	3,359	-	-	-	3,359	-
Tax assets / (liabilities)	**52,981**	**49,640**	**(16,838)**	**(15,102)**	**36,143**	**34,538**
Set off of tax	(16,838)	(15,102)	16,838	15,102	-	-
Net tax assets	**36,143**	**34,538**	**-**	**-**	**36,143**	**34,538**

Notes to the Financial Statements for the year ended 30 June 2018

6. OTHER NOTES

6.1 FEE AND OTHER INCOME

	2018 $'000	2017 $'000
Trade towing income	12,986	12,002
Rental income	4,123	6,625
Advertising income	2,869	1,073
Financial planning income	4,019	2,331
Other fee and commission income	24,802	21,583
Profit on sale of investment property	-	8,335
Other income	12,090	22,118
Total fee and other income	**60,889**	**74,067**

Fees charged on loans after origination of the loan are recognised as income when the service is provided.

Fees and commissions are recognised on an accrual basis once a right to receive consideration has been attained or when service to the customer has been rendered.

6.2 OTHER EXPENSES

	2018 $'000	2017 $'000
Advertising and Sponsorship	3,558	3,654
Bank fees	6,073	4,911
Contractor and Consulting	8,018	7,962
Director Fees	1,418	922
Donations	5,262	6,422
Marketing, research and development	22,357	19,144
Motor vehicle expenses	2,993	4,111
Other fee and commission expense	2,741	9,611
Subscriptions and printing	3,970	5,081
Travel accommodation and entertainment	2,057	1,735
Other expenses	6,785	1,524
Total other expenses	**65,232**	**65,077**

Included in contractor and consulting expenses in the 2017 financial year are acquisition related costs from the legal merge with Members Banking Group Limited amounting to $1,442,254 (refer note 6.6.2 for further details).

Notes to the Financial Statements for the year ended 30 June 2018

6.3 NOTES TO THE STATEMENT OF CASH FLOWS

6.3.1 RECONCILIATION OF PROFIT AFTER INCOME TAX TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

	RACQ Group	
	2018	2017
	$'000	$'000
Surplus for the year	64,353	26,743
Add/(less) items classified as investing activities		
Loss on disposal of property, plant and equipment	1,127	1,113
Profit on disposal of investment property	-	(8,335)
Investment income	(15,665)	(16,650)
Investment interest income	(53,876)	(52,825)
Rental income	(3,221)	(1,267)
Add/(less) non-cash items		
Impairment loss on intangibles	1,883	4,341
Impairment loss on loans and advances	55	202
Depreciation and amortisation expense	43,851	55,179
Gain on sale of investments	4,351	4,659
Change of fair value of investments	11,814	16,829
Share of profit of equity accounted for investments	(365)	(606)
Contribution holiday taken for payment of RACQ Superannuation Fund	67	13
Net cash provided by operating activities before change in net assets and liabilities	**54,374**	**29,396**
Change in assets and liabilities		
Trade and other receivables	(25,534)	(27,068)
Reinsurance and other recoveries receivable	50,754	(34,554)
Loans and advances	(128,698)	(63,924)
Other assets	(348)	(139)
Deferred acquisition costs	(1,879)	1,741
Unearned revenue	38,471	29,792
Trade and other payables	(25,066)	29,540
Deposits	107,968	50,644
Outstanding claims liability	(50,373)	90,265
Provision for employee benefits	2,977	858
Deferred tax balances	(2,601)	(1,576)
Income tax receivable	4,912	8,606
Net cash provided by operating activities	**24,957**	**113,581**

Notes to the Financial Statements for the year ended 30 June 2018

6.4 *LEASES AND COMMITMENTS*

The Group has entered into commercial leases on certain properties expiring at various times up to 15 years from reporting date. The leases have varying terms, options and rent renewals. On renewal, if applicable, the terms are renegotiated.

Commitments not provided for in the financial statements and payable:	<1 Year $'000	1-5 Years $'000	5+ Years $'000	Total $'000
2018				
Non-cancellable operating lease commitments	4,313	6,261	41	**10,615**
Capital commitments	4,668	-	-	**4,668**
2017				
Non-cancellable operating lease commitments	6,011	8,196	382	**14,589**
Capital commitments	6,412	-	-	**6,412**

During the year to 30 June 2018 minimum operating lease payments of $5,230,454 were recognised (2017: $5,477,408).

Future revenues not provided for in the financial statements and receivable:	<1 Year $'000	1-5 Years $'000	5+ Years $'000	Total $'000
2018				
Operating lease revenue as lessor	2,858	3,435	-	**6,293**
2017				
Operating lease revenue as lessor	3,153	6,291	-	**9,444**

During the year to 30 June 2018 minimum operating lease receipts of $3,220,538 were recognised (2017: $5,375,791).

Outstanding Loan Commitments not provided for:	<1 Year	1-5 Years	5+ Years	Total
2018				
Loans and credit facilities approved but not advanced or drawn at the end of the financial years are as follows:				
Loans approved but not advanced	51,385	-	-	**51,385**
Undrawn overdraft and line of credit facilities at call	82,344	-	-	**82,344**
Amounts available for redraw	92,257	-	-	**92,257**
Total	**225,986**	**-**	**-**	**225,986**
2017				
Loans and credit facilities approved but not advanced or drawn at the end of the financial years are as follows:				
Loans approved but not advanced	23,606	-	-	**23,606**
Undrawn overdraft and line of credit facilities at call	82,363	-	-	**82,363**
Amounts available for redraw	76,046	-	-	**76,046**
Total	**182,015**	**-**	**-**	**182,015**

The withdrawal of loans approved but not funded is at the discretion of RACQ Bank and is subject to available liquid funds. It is anticipated that these commitments will be paid within twelve months.

Amount undrawn on the overdraft, line of credit and available for redraw facilities are revocable at RACQ Bank's discretion.

Notes to the Financial Statements for the year ended 30 June 2018

6.5 AUDITOR'S REMUNERATION

The following services were provided by the Group's auditor during the reporting period:

	RACQ Group	
	2018	2017
	$	$
Amounts received or due and receivable by KPMG for:		
Audit services:		
Audit of the financial report	481,500	495,000
Other regulatory audit services	108,650	94,900
Total audit services	**590,150**	**589,900**
Audit related services:		
Other assurance services	5,200	35,100
Total audit related services	**5,200**	**35,100**
Other services:		
Taxation compliance services	415,857	280,892
IT Advisory services	-	84,663
Accounting advisory services	15,375	57,948
Other services	86,595	49,250
Total other services	**517,827**	**472,753**
Total auditor's remuneration	**1,113,177**	**1,097,753**

Notes to the Financial Statements for the year ended 30 June 2018

6.6 GROUP STRUCTURE

6.6.1 PARENT ENTITY DISCLOSURES

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 $2.00 per member. The Company has 1,815,452 (2017: 1,775,813) guaranteeing members.

	The Royal Automobile Club of Queensland Limited	
	2018	2017
	$'000	$'000
Surplus/(Loss) for the year	663	(7,504)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the year	**663**	**(7,504)**

	The Royal Automobile Club of Queensland Limited	
	2018	2017
	$'000	$'000
Financial position of the Company:		
Current assets	861,711	743,537
Total assets	1,154,338	1,012,708
Current liabilities	478,813	337,846
Total liabilities	478,813	337,846
Total accumulated funds of the Company comprising of:		
Reserves	166,467	166,467
Retained surplus	509,058	508,395
Total accumulated funds	**675,525**	**674,862**

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered a Deed of Cross Guarantee ("the Deed") with the effect that the Company guarantees debts in respect of its subsidiaries. Further details, including the subsidiaries subject to the Deed are disclosed in note 6.6.3 and 6.6.4.

Parent Entity Lease Commitments

	2018	2017
	$'000	$'000
a) Operating lease commitments as lessor		
Within one year	5,224	5,243
Between one but not more than 5 years	13,799	15,262
More than 5 years	20,096	17,897
Total	**39,119**	**38,402**

Notes to the Financial Statements for the year ended 30 June 2018

6.6.2 CONTROLLED ENTITIES

The Group structure and the interest held in each controlled entity is as follows:

	Interest held	
	2018	2017
	%	%
RACQ Operations Pty Ltd [2]	100	100
The Road Ahead Publishing Co Pty Ltd [2]	100	100
RACQ Investments Pty Ltd [2]	100	100
Club Equities Pty Ltd	100	100
Club Equities Holdings Pty Ltd	100	100
RACQ-Queensland Driving Excellence Centre Pty Ltd	100	100
Fuel Assist Pty Ltd	100	100
RACQ Investments No.2 Pty Ltd [2]	100	100
Club Insurance Holdings Pty Ltd[1]	100	100
RACQ Insurance Limited	100	100
Club Finance Holdings Limited[3]	100	100
Members Banking Group Limited	100	100
RACQ Financial Planning Pty Ltd [4]	100	75
Arrow Funding Trust	100	100
RACQ Foundation Pty Ltd	100	100
RACQ Foundation Fund	100	100
RACQ Foundation Trust	100	100

[1] 50% of the shares in Club Insurance Holdings Pty Ltd are held by RACQ Investments Pty Ltd, and 50% of the shares in Club Insurance Holdings Pty Ltd are held by RACQ Investments No.2 Pty Ltd.

[2] Subsidiaries are parties to the Deed of Cross Guarantee, as provided in note 6.6.4.

[3] 10% of the shares in Club Finance Holdings are held by 65,424 legacy shareholders in Members Banking Group Limited.

[4] On 9 March 2018 Members Banking Group Limited acquired 25% of the non-controlling interest of RACQ Financial Planning Pty Ltd for a purchase consideration of $2,260,000.

Notes to the Financial Statements for the year ended 30 June 2018

6.6.3 DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations Instrument 2016/191, RACQ Operations Pty Ltd is relieved from the *Corporations Act 2001* requirements for preparation, audit, and lodgment of a financial report, and a directors' report. A condition of the instrument is the Company and each of the subsidiaries noted in note 6.6.2 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.

A Consolidated Income Statement, Consolidated Statement of Profit and Loss and Other Comprehensive Income and Consolidated Balance Sheet, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed, are as follows:

Consolidated Income Statement for the year ended 30 June 2018

	Consolidated parties to the Deed	
	2018	2017
	$'000	$'000
Revenue		
Revenue from assistance activities	162,414	154,147
Investment income	59,588	25,823
Fee and other income	254,253	242,015
Total Revenue	**476,255**	**421,985**
Expenses		
Employee benefits expense	(231,662)	(192,541)
Payments to contractors for assistance services	(55,408)	(58,293)
Communication and information technology expenses	(21,416)	(25,823)
Depreciation and amortisation expense	(36,586)	(52,296)
Property and related occupancy costs	(11,530)	(11,895)
Other expenses	(81,382)	(77,746)
Total expenses	**(437,984)**	**(418,594)**
Share of profit of equity-accounted investments in Associates	365	606
Surplus before income tax	**38,636**	**3,997**
Income tax expense/(benefit)	54	(2,226)
Surplus for the year	**38,690**	**1,771**

Consolidated Statement of Profit and Loss and Other Comprehensive Income for the year ended 30 June 2018

Surplus for the year	**38,690**	**1,771**
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Defined benefit plan actuarial gains	310	634
Income tax expense	(93)	(190)
Total items that will not be reclassified to profit or loss	**217**	**444**
Items that may be reclassified subsequently to profit or loss:		
Net change in fair value of financial assets held as available-for-sale	11,106	12,638
Net change in fair value of available-for-sale financial assets sold reclassified to profit or loss	(7,440)	(4,563)
Income tax expense	(1,100)	(2,422)
Total items that may be reclassified subsequently to profit or loss	**2,566**	**5,653**
Total other comprehensive income for the year, net of income tax	**2,783**	**6,097**
Total comprehensive income for the year	**41,473**	**7,868**

Notes to the Financial Statements for the year ended 30 June 2018

Consolidated Balance Sheet as at 30 June 2018

	Consolidated parties to the Deed	
	2018	2017
	$'000	$'000
Assets		
Cash and cash equivalents	8,613	12,234
Trade and other receivables	200,885	89,483
Investment securities	1,063,828	1,023,169
Current tax receivable	5,548	-
Property, plant and equipment	151,029	150,798
Deferred tax assets	20,925	20,964
Intangible assets	49,403	64,052
Other assets	16,513	14,224
Total assets	**1,516,744**	**1,374,924**
Liabilities		
Trade and other payables	139,608	56,128
Unearned revenue	81,281	75,498
Current tax payable	-	1,768
Employee benefits	44,478	31,627
Total liabilities	**265,367**	**165,021**
Net assets	**1,251,377**	**1,209,903**
Accumulated funds		
Retained surplus	1,069,165	1,030,258
Reserves	182,212	179,645
Total accumulated funds	**1,251,377**	**1,209,903**

6.7 EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which have significantly affected the operations of the Group, the results of those operations or the state of affairs of the Group.

DIRECTORS' DECLARATION

In the opinion of the directors of The Royal Automobile Club of Queensland Limited (the "Company"):

(a) the consolidated financial statements and notes, set out on pages 19 to 68, are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of the RACQ Group as at 30 June 2018 and of its performance, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 6.6.3 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 Corporations Instrument 2016/191.

The directors draw attention to Note 1 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Bronwyn Morris

Chairman

Brisbane

24 September 2018

KPMG

Independent Auditor's Report

To the members of The Royal Automobile Club of Queensland Limited

Opinion

We have audited the ***Financial Report*** of The Royal Automobile Club of Queensland (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Balance Sheet as at 30 June 2018
- Consolidated Income Statement, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in The Royal Automobile Club of Queensland Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

T Baker

Tracey Barker
Partner

Brisbane
24 September 2018

Corporate Directory

Club Patron
His Excellency Mr Paul de Jersey AC Governor of Queensland

President and Chairman
Bronwyn K Morris (President and Chaiperson)
BCom, FCA, FAICD

GROUP EXECUTIVE TEAM

Group Chief Executive Officer – Ian Gillespie
BA, Dip Laws(BAB), FCEOI, FAICD, FAIM

Chief Executive Officer, Bank – Michelle Bagnall
BBus, MBA, SA Fin, GAIC

Chief Information Officer – Gregory Booker
MBA, MMgmnt, MAICD

Group Company Secretary – Bradley Bowes
PhD, FGIA, FCIS, MAICD

Chief Risk Officer and General Counsel – Darryn Hammond
BSci (Hons), LLB, .Dip Corp Gov, MQLS, FGIA, FCIS

Chief Executive Officer, Insurance – John Myler
BCom & Marketing, Grad. Dip. Insurance, Fellow ANZIIF, MAICD

Group Chief Financial Officer – Michael Lonergan
BBus, FCPA, Grad Dip App Fin

Chief Strategy Officer – Mark Mugnaioni
BBus(Mgt), LLB(Hons), LLM, GradDip(LegalPrac), GradCert(AppFin), FAICD, FAIM

Chief People Officer - Heidi Suominen
BBus (HR Mgt), Grad Dip Training and Development, GAICD

Chief Executive Officer, Assistance – Glenn Toms
BBus, GDip Fin and Inv, FFin, FAIM, GAICD

Chief Communication Officer - Paul Turner
GAICD

Chief Sales and Marketing Officer – Christopher Walsh
BCom (Acc.), GAICD, FIML

Auditors - KPMG
Riparian Plaza Level 16, 71 Eagle Street, Brisbane, QLD, 4000

Registered Head Office
2649 Logan Road, Eight Mile Plains, QLD 4113
Telephone: 61 7 3361 2444
Facsimile: 61 7 3341 8024
Email: racq@racq.com.au
Website: racq.com

Postal Address
PO Box 4 Springwood, QLD 4127
ACN 009 660 575
ABN 72 009 660 575

STORES AND MAJOR AGENCIES

Brisbane

Brisbane City – 103 Adelaide Street, Brisbane
Capalaba – Capalaba Park Shopping Centre, Crn Redland Bay & Mt Cotton Rd
Carindale – Westfield Carindale Shopping Centre, 1151 Creek Road
Chermside – Westfield Chermside Shopping Centre, 395 Hamilton Road
Eight Mile Plains – RACQ Operations Centre, 2649 Logan Road
Inala – Inala Plaza, 156 Inala Ave
Indooroopilly – Indooroopilly Shopping Centre, 322 Moggill Rd
North Lakes - Westfield North Lakes, Anzac Ave and North Lakes Dr
Strathpine – Strathpine Shopping Centre, 295 Gympie Road

Other Areas

Beenleigh – Beenleigh Mall, Main Street
Bundaberg – 249 Bourbong Street
Cairns – Stockland Shopping Centre, 537 Mulgrave Road
Caloundra – 104 Bulcock Street
Elanora – The Pines Shopping Centre, Guineas Creek Road
Gladstone – 50 Hanson Road
Gympie – Goldfields Plaza, 71 Monkland Street
Helensvale – Westfield Shopping Centre, 1-29 Millaroo Drive
Hervey Bay – Stockland Shopping Centre, 6 Central Ave, Pialba
Ipswich – Riverlink Shopping Centre, cnr Pine Street and The Terrace
Mackay – Caneland Central, Cnr Victoria Street and Mangrove Road
Maroochydore – 25-33 Cornmeal Parade
Morayfield – Morayfield Shopping Centre, 165-175 Morayfield Road
Nambour – Nambour Plaza Shopping Centre, 28 Ann St
Nerang – Centro Shopping Centre, 57 Station Street
Noosa – Noosa Civic, 28 Eenie Creek Road
Redcliffe – Blue Water Square, Cnr Anzac Avenue and Sutton Street
Robina – Robina Town Centre, 19 Robina Town Centre Drive
Rockhampton – Red Hill Homemaker Centre, Yaamba Road
Toowoomba – Clifford Gardens Shopping Centre, Cnr James Street and Anzac Ave
Townsville – 202 Ross River Road, Aitkenvale
Warwick – Rose City Shopping World, Palmerin Street

RACQ BANK BRANCHES

Cairns – Cairns Central Shopping Centre, Corner of McLeod St and Spence St
Capalaba – Capalaba Park Shopping Centre, Redland Bay Road
Fortitude Valley – 515 St Pauls Terrace, Fortitude Valley
Gold Coast – Southport Central Shopping Centre, 56 Scarborough Street
Greenslopes – Greenslopes Shopping Centre, 720 Logan Road
Indooroopilly – Indooroopilly Shopping Centre, 322 Moggill Rd
North Lakes – Westfield North Lakes, Anzac Ave and North Lakes Dr
Springfield – Springfield Town Centre, 1 Main Street
Springwood – Springwood Shopping Mall, Cnr Rochedale Road & Fitzgerald Avenue
Stafford - Stafford City Shopping Centre, 400 Stafford Road
Toowoomba - Grand Central Shopping Centre, cnr Margaret St and Dent St
Townsville - 130 Ross River Road
Upper Mt Gravatt – The Village, 1932 Logan Road


RACQ
LifeFlight


RACQ
RACQ

The Royal Automotive Club
of Queensland Limited
ACN 009 660 575
ABN 72 009 660 575