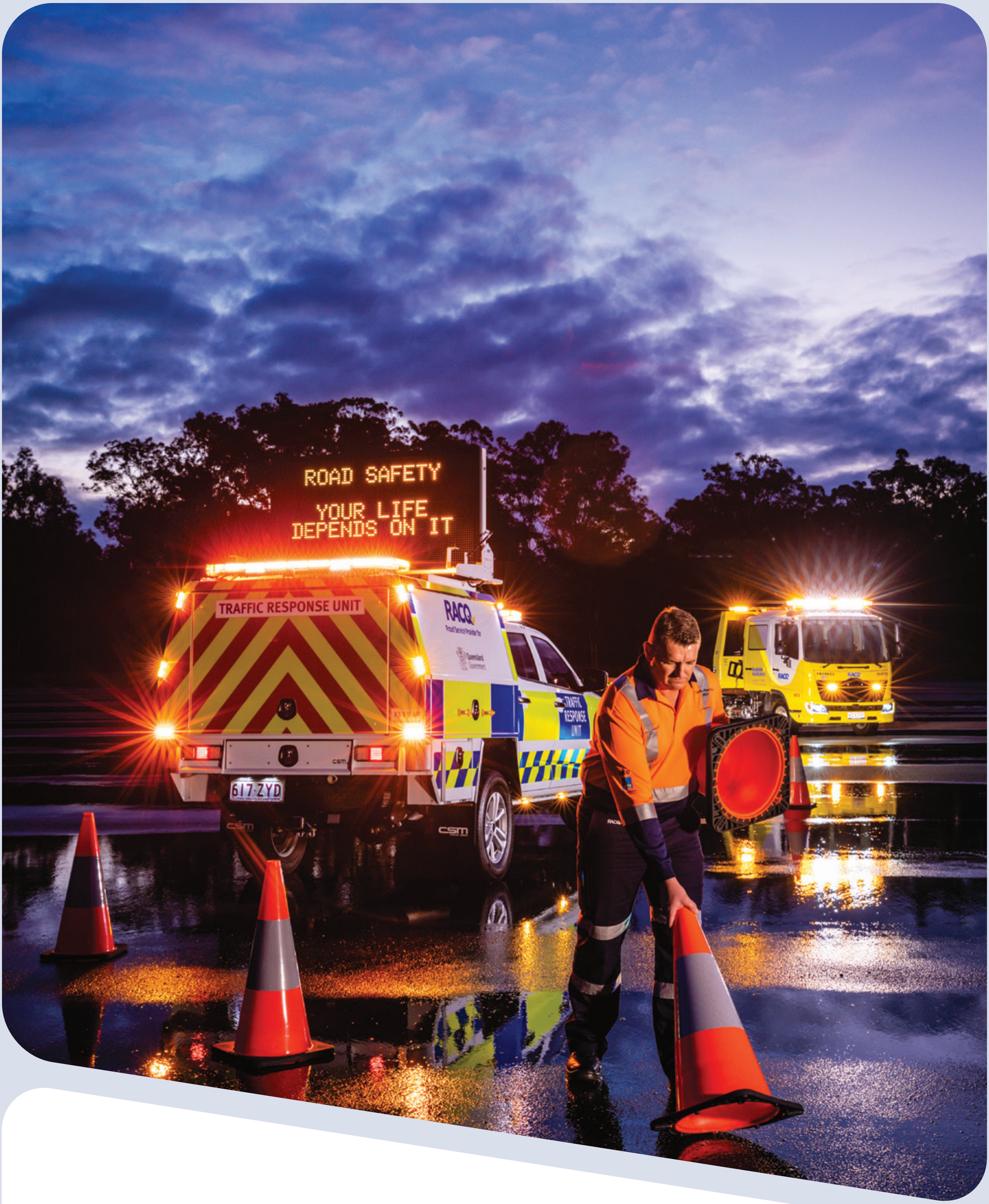


2023–2024
Annual Report

RACQ

Contents

FY24 Summary

OPERATIONS

$73.3m
net surplus

$2.3b
total revenue

$5.7b
total assets

$1.4b
total net assets

180,909
total insurance claims lodged[7]

740,303
Roadside Assistance jobs

$706.9m
RACQ Bank loans funded

MEMBERS

~1.7m
RACQ members[1]

$19.8m
savings through RACQ Member Benefits program[4]

2,106
vulnerable members supported through RACQ measures

67.5
Net Promoter Score[9]

EMPLOYEES

2,712
RACQ employees[2]

71%
employee engagement score[5]

23%
employees seconded or promoted throughout the year

$832,169
invested in employee external training and development[10]

Launched Disability Inclusion Action Plan

COMMUNITY

$8.4m
provided to charities and communities across the State

9,914
community volunteer hours through RACQ initiatives

65,210
participants in RACQ road safety programs across Queensland

3,678
missions provided by RACQ sponsored Rescue Helicopter Network

20,402
meals donated to Queenslanders in need with FareShare Australia

ENVIRONMENT

49
public EV charging sites supported by RACQ sponsorships and investments

Switched to purchasing 100% renewable electricity in our owned buildings in November 2023

50%
Scope 1 and 2 emissions reductions since FY20[8]

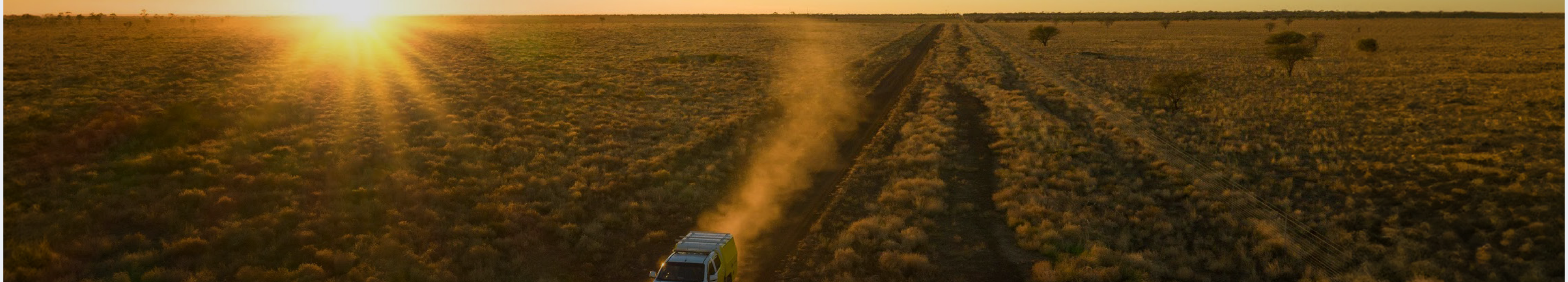
6,370kW
of residential solar capacity installed with RACQ Solar[11]

GOVERNANCE

84.5%
RepTrak® Score (brand trust and reputation)[3]

$158.5m
refunded to eligible members following pricing promises review, since remediation began in FY23[6]

Risk Intelligence
21 activities in the approved Risk Transformation Plan have been completed in the year and received two bi-annual independent assurance reports



[1] As of 30 June 2024.
[2] As of 30 June 2024.
[3] Average FY24 monthly score. RepTrak® measures the reputation of the largest companies operating nationally every quarter.
[4] Savings displayed are based on information received from third party discount providers in relation to sales made during the FY24 and are inclusive of GST.
[5] Data provided on a voluntary basis through the annual anonymous Your Voice survey in March 2024. Employee engagement is a metric that represents the levels of enthusiasm employees feel toward their organisation. It captures more than just job satisfaction or feeling happy at work – it's a measure of how motivated people are to put in extra effort for their organisation, and a sign of how committed they are to staying there.
[6] As of 30 June 2024.
[7] As of 30 June 2024. General Insurance excluding CTP and travel insurance.
[8] Our reported FY20-24 Greenhouse gas (GHG) emissions are rounded to the nearest whole number and have been calculated using Schneider Electric's energy and sustainability management platform, EcoStruxure™ Resource Advisor. Our Scope 2 emissions were calculated by applying the voluntary market-based methodology outlined in the National Greenhouse and Energy Reporting Measurement Determination and aligns with the greenhouse gas accounting methodology represented in the Greenhouse Gas Protocol Scope 2 Guidance. As we report our Scope 2 emissions primarily using the market-based methodology, we have revised our FY20 Greenhouse gas emissions baseline from 8,822 tCO2-e to 7,642 tCO2-e to ensure alignment.
[9] Average FY24 monthly score. NPS Member relationship score. Net Promoter Score (NPS) is a proprietary model developed by Bain and Co, which measures customer loyalty. NPS results are measured via a survey question and reported on a range from -100 to 100 with higher scores evidencing more positive customer loyalty.
[10] Total value of all paid external training and development.
[11] The kW calculation is based on adding together the total number of kWs of each residential system installed based on the specific manufacturer power output estimates for the different panels used.

RACQ Foundation Vehicle in Barcaldine

> We are creating a simpler and more efficient RACQ, that enables us to participate in new and exciting markets that allow us to better support our members.

LEONA MURPHY
RACQ President and Chair

RACQ's President and Chair Report

Dear member,

As I reflect on the past year, I'm excited to unveil our renewed purpose, vision and values that will propel us towards a future filled with promise and possibility for our members.

As part of Queensland's social fabric for nearly 120 years, we are proud to serve, support and advocate on behalf of our 1.7 million members. Our refreshed purpose *'To drive a positive future for all Queenslanders'* is the guiding light for our organisation and has inspired our vision to be the trusted partner for our members providing solutions to help them move and live safely, securely and sustainably. Together they provide a roadmap for the future as we transform our Club to remain meaningful and relevant, helping Queenslanders transition to renewable energy.

Supporting our purpose are our refreshed values of *Show Care, Own It, Embrace Learning, and Deliver Excellence* which serve as a compass, setting the standards and behaviours that we hold ourselves and each other accountable to. We are committed to developing good people and empower them with a positive workplace culture that enables them to do good for our members, our community and each other, daily.

The Club's purpose and vision have come into sharp focus as cost-of-living challenges continue to impact our members through increasing insurance premiums, high fuel and energy prices and interest rates. We will continue to advocate on behalf of members to make our roads safer and expand our Member Benefits program to help make day-to-day life more affordable.

Performance overview

It's been a year of solid progress across the business, and this is reflected in our results where your Club delivered a surplus of $73.3m after tax.

This was largely driven by a strong performance across all our business lines with Insurance delivering $52.7m, Assistance $45.2m and Bank $7.6m in profits.

The surplus enabled us to provide $8.4m to communities and charities across the State and make the investments we need to drive our 2032 strategy.

Your Club continues to be financially strong and remains well capitalised to deliver on our commitments to members and the communities in which we live and work.

Risk Transformation Program update

As the Club progresses its multi-year Risk Transformation Program, 2024 has underscored our journey towards setting a new standard of performance. The board is committed to this important work which is aimed at enhancing our risk management, governance, systems and culture that will improve outcomes for our members and our business alike.

Throughout the year, the program introduced various initiatives to foster a positive risk culture and ensure a clear understanding of responsibilities and accountabilities across the organisation. These efforts have strengthened RACQ's governance frameworks and processes, promoting ethical conduct and robust risk management.

Cyber security

In response to growing cyber threats throughout the country, during the year RACQ held several face-to-face member education awareness sessions with our experts as part of Privacy Awareness Week. Through these activities, we empowered members to 'Stop, Think, Protect', helping them to identify and prevent scams. At a business level, we have continued to improve and embed our cyber risk prevention, monitoring and response controls to guard against threats and maintain a resilient technology environment.

Towards 2032

We are creating a simpler and more efficient RACQ, that enables us to participate in new and exciting markets that allow us to better support our members, making it easier and more affordable for them to transition to renewable energy solutions.

With strong foundations, the Club is transforming, ready to expand on its core services to include new auto services to support both internal combustion engines (ICE) and electric vehicles (EV) as well as investing in public and home EV charging.

We will build communities that can economically transition to EVs while withstanding the challenges of climate change and natural disasters. We will champion advice and education, innovation, and fund initiatives that align with our unwavering commitment to leaving no Queenslander behind.

With the transition of the Air Rescue Network to full government funding and naming rights, the focus of our community investment in FY25 will be to reorient the portfolio, learn and build capability in line with our 2032 Community Strategy which aims to amplify RACQ's social impact and catalyse investment towards our community impact missions which include supporting more resilient regions and inclusive mobility.

Over the past year, we continued to deliver vital on-the-ground support through four Community Assistance projects. As part of our reconciliation journey, RACQ Foundation volunteers travelled to the Aboriginal community of Cherbourg as well as other regions to assist with flood recovery and enhance future resilience. Among many other initiatives, we also collaborated with Wildlife Warriors to plant 1,000 eucalypt seedlings around Australia Zoo. Celebrating an incredible 10 years of partnership with Wildlife Warriors, we provided two new vehicles for use as animal ambulances responding to wildlife emergencies.

Board update

There were a number of key governance changes during the year including the appointment of Group CEO David Carter to a director on the board to reflect his leadership and value that he brings to the boardroom.

Following changes to the constitution approved at the 2023 AGM, directors' fees for all RACQ companies are now met through a single fee pool approved by members, resulting in efficiencies and a reduction in costs.

The AGM was the last for Company Secretary Brad Bowes, with Matthew Payten appointed to the Group Company Secretary role and General Counsel for the RACQ Group. I would like to thank Brad for his hard work and commitment to the board and to RACQ over his 11 years in the role and wish him well in retirement.

Additionally, in April this year, with the completion of many of its initial objectives, the Strategy and Innovation Committee was discontinued, with most of its residual responsibilities reassigned to the board.

I would like to thank my fellow board members for their dedication over the year. Their skills, experience, hard work and commitment have been highly valued.

Australia Zoo's Erina Kilmore and Leona Murphy with the two new wildlife rescue vehicles.

In closing

None of the achievements during the year would have been possible without the hard work of RACQ's people. I want to acknowledge David's leadership and the whole executive team, as well as the hard-working staff and contractor network who are there for our members in their moments of need.

I would also like to thank our members for their ongoing loyalty and support – you help us make a difference to building a more resilient community where everyone deserves to move and live safely, securely and sustainably.

As we move into FY25 and the Club's momentous 120th anniversary, we remain focused on delivering our 2032 strategy in a bid to drive a positive future for all Queenslanders.

Stay safe everyone.

Regards

Leona

Leona Murphy
RACQ President and Chair

"Remaining true to our purpose, to drive a positive future for all Queenslanders, will keep us on track to achieve our strategic priorities."

DAVID CARTER
Managing Director and Group Chief Executive Officer

RACQ's Managing Director and Group CEO Report

Dear member,

This past year, ongoing high inflation rates have continued to impact everyday expenses. We understand these cost-of-living pressures are causing ongoing challenges for many of our members, as well as our own business as the cost of materials and services increase. We have attempted to balance our support to members while ensuring the Club is sustainable.

Despite this difficult environment, RACQ made strong progress across our business and advocacy efforts, continuing to support our members and communities.

Good progress has been achieved in the Risk Transformation Program with the design phase nearing completion across key work streams. This includes a strengthening of our risk governance accountabilities and culture.
The remediation program stemming from the pricing promises review is substantially complete. As of 30 June, $158.5m had been refunded to eligible members who had not received the full benefit of discounts. We also finalised the matter with ASIC, incurring a $10m fine. To reduce errors and remove complexities in our systems, we made improvements to the way our contact centre and retail staff are trained, how we administer our insurance policies and claims and implemented a major systems upgrade.

Performance of business lines

This year, the Group recorded a net surplus after tax of $73.3m, reflecting the positive contributions provided by Insurance, Bank and Assistance, as well as a strong focus on cost discipline across the Group. Our Insurance result also reflects a net $28m provision which was released from funds allocated to the pricing promises remediation program because less refunds were required.

The Group further strengthened its capital position with our Insurance and Bank businesses holding capital above board targets while returning $33m of dividends to the Group.

Insurance

Despite predictions of a dry and warm El Niño summer, our state faced two cyclones and several back-to-back weather events that tested the resilience of communities.

The impacts were significant, affecting thousands of Queenslanders. As of 8 July 2024, RACQ received 13,928 insurance claims relating to these severe weather events, and 70.5% had been finalised. The increasing frequency and severity of natural disasters coupled with rising reinsurance costs, inflation, supply chain volatility and a shortage of qualified tradespeople continue to drive up claims costs, resulting in premium increases for many of our members.

Notwithstanding the impact of these events on the bottom line, Insurance reported an after-tax profit of $52.7m. This was driven by the continued embedment of improved underlying operational performance across core portfolios, supported by the exit from the CTP scheme, premium rate increases that offset increases in claims costs, and the provision release related to pricing promises.

Total product gross written premium decreased by 2.8% for the financial year following our exit from the CTP scheme in October 2023. Our remaining personal lines portfolios grew by 14.8% in gross written premium and 2.9% in active policies on the prior year due to strong growth in our partnership with Honey Insurance.

Excluding year-on-year CTP exit and Loss Portfolio Transfer impacts, net incurred claims[1] increased by 12.5% on the prior year, including the impact of frequent and severe weather-related events exceeding our allowances by $63.3m. Personal lines average net incurred working claims cost growth stabilised at <3% during the year following benefits delivered through our claims management practices and supply chain management. Investment net income from both technical reserves and shareholder funds of $74.7m improved on last financial year.

[1] This is a non-IFRS measure

Assistance

Our Assistance business delivered a net profit after tax of $45.2m following the successful rollout of the Roadside Reimagine program, the expansion of our Auto business and growth in our automotive services product lines, including glass and batteries, as well as our travel business.

We now have 551,007 policies for coverage of personal mobility devices, reinforcing our commitment to supporting members in new ways of transportation.

Pleasingly, our member satisfaction score remains strong at 94.8%. Our patrols attended 740,303 roadside assistance events, helping over 91% of drivers get back on the road with an average response time of 35 minutes.

Following a year of rebuilding our travel business after COVID, we have seen 121,698 in sales across our International Driving Permits and Travel Insurance products and our travel joint venture, Members Travel Group, has also capitalised on the pent-up demand for international travel, rebuilding both profitability and capital within the business.

Bank

RACQ Bank reported a net profit after tax for the year ended 30 June 2024 of $7.6m. The result was primarily driven by the increase in net interest income by 1.4% to $57.6m, supported by strong balance sheet growth and partly offset by a decrease in net interest margin during the year.

Net interest margin decreased from 2.21% to 2.13% partly due to the lag effect of official cash rate increases from the prior year on the term deposit book and replacement of the RBA's Term Funding Facility with higher cost wholesale funding.

The loan portfolio grew by 13.3%, representing 2.8 times system growth. Loan growth was predominantly funded through member deposits, with retail term deposits increasing by $115m and at-call deposits increasing by $71.1m.

Impairment expense for the year was $0.29m compared to $0.17m in the prior year, reflecting strong loans growth and a more uncertain economic outlook. The Bank's focus on good value products resulted in the Bank receiving 10 industry awards.

Supporting members

Members can now access a range of benefits to make everyday life more affordable. Our Member Benefits platform expanded throughout the year with the launch of dining discounts and cashback rewards, and we continue to have strong uptake on our fuel, movie, and gift card discounts. In FY24, 43% of members used the Club's Member Benefits platform, saving $19.8m.

Advocacy

Road safety continues to be one of our biggest focuses and challenges. The road toll is still far too high and most people dying on our roads are men. This was the motivation behind our Blooms for Blokes campaign which encouraged Queenslanders to reach out to the men in their lives, encouraging them to drive safely.

Our advocacy is being heard loud and clear by decision makers. This year we saw public transport fares temporarily cut to 50 cents, the New Vehicle Efficiency Standard (NVES) legislation which will make cleaner cars more accessible and affordable was passed in Parliament, and we have continued to fight for fairer fuel prices, urging daily caps on fuel price hikes.

RACQ continues to advocate for Federal and State Government action to improve insurance affordability, through changes to the Northern Australia Cyclone Reinsurance Pool, to increase the coverage provided, and also to reduce the rising impost of double taxation (GST and stamp duty) on insurance premiums.

In FY24, our sponsorship of LifeFlight, CapRescue and CQ Rescue ended as the State Government increased funding for the services. The reallocated funding will be used to transition our investment towards new community-led projects aligned to our 2032 strategy, providing members with solutions to move and live safely, securely and sustainably.

Our people

During the year, there were changes to our leadership team with Stephen Burton appointed Chief Financial Officer following the departure of Michael Lonergan. Barney Burke stepped into the role of Chief Executive Banking, following Michelle Winzer's decision to leave the organisation.

The overall Group employee engagement score was 71% - a slight decrease (-1%) from the March 2023 result of 72%. However, our score performed well in comparison to the Financial Services benchmark at 70%, which experienced a -3% decrease from the previous year. Participation continued to be exceptional with more than 92% of our people completing the survey. I would like to thank our people for their hard work and dedication to serving our members, embracing change and to continuously improving.

In closing

Remaining true to our purpose, to drive a positive future for all Queenslanders, will keep us on track to achieve our strategic priorities.

In the year ahead, we will:

- Prioritise our advocacy efforts on road safety and fairer fuel prices
- Continue to simplify the business and our products to remove complexity for our members
- Invest in processes and systems necessary to deliver the best outcomes for our members and stakeholders
- Continue to support the next big transition – as electric vehicles and renewable home energy converge, RACQ is uniquely placed to be the trusted partner for Queenslanders.

I would like to thank our members for their ongoing trust in our organisation which helps us to positively impact our communities and effectively advocate for a better Queensland.

In 2025 we will celebrate our 120th anniversary. As Queensland's largest Club, we look forward to honouring our legacy and celebrating how far we've come, knowing as the world around us continues to evolve and transform, we remain dedicated to meeting the ever-changing needs of those we serve.

Regards

David Carter
Managing Director & Group Chief Executive Officer

RACQ 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 2024 and the Auditor's Report thereon.

Directors

The names of directors in office during the year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

- **Leona C Murphy**
  (President and Chair)
- **David A Carter**
  (appointed Managing Director 23 October 2023)
- **Duncan V Brain**
  (appointed 19 July 2023)
- **Annabel L Dolphin**
- **William J Fellowes**
- **Robert Hubbard**
- **John F Minz**
- **Andrew G Moore**
- **Sarah J P Pearson**

Further information on the current directors is contained in the RACQ Directors section on pages 16 to 18. This section also includes their qualifications, experience and responsibilities.

EV chargers are supporting mobility solutions for our members.

Company Secretary

Matthew Payten is RACQ's Company Secretary in office as at the end of the financial year. The qualifications and experience of the Company Secretary are outlined on page 19.

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors), and each RACQ director's attendance at those meetings during the financial year, were:

	RACQ Limited Board		Group Audit Committee		RACQ Limited Risk and Compliance Committee		People and Purpose Committee		Strategy and Innovation Committee*	
	A	H	A	H	A	H	A	H	A	H
Leona Murphy	10	10	-	-	-	-	3	3	2	2
Duncan Brain	10	10	5	5	7	7	-	-	-	-
David Carter	7	7	-	-	-	-	-	-	-	-
Annabel Dolphin	10	10	-	-	7	7	5	5	1	1
William Fellowes	10	10	4	5	-	-	5	5	1	1
Robert Hubbard	9	10	5	5	7	7	-	-	-	-
John Minz	9	10	3	3	2	2	4	4	2	2
Andrew Moore	10	10	-	-	7	7	2	2	3	3
Sarah Pearson	9	10	5	5	-	-	3	3	3	3

All Directors may attend board committee meetings even if they are not a member of the relevant committee. The table above excludes the attendance of those Directors who attended meetings of board committees of which they are not a member.
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.
* The Strategy and Innovation Committee ceased operating on 29 April 2024.

Objectives and Strategy

Today, RACQ stands ready to support Queensland's next big transition.

As electric vehicles and renewable home energy converge, RACQ is uniquely placed to be the trusted partner for Queenslanders – helping them transition how they move and live, ensuring no one is left behind.

This transition is challenging and complex and we are dedicated to making it easier – just like we did 119 years ago when we became part of Queensland's social fabric, proudly serving, supporting and advocating on behalf of our 1.7 million members.

We are investing in the future today, offering new products and services across the eMobility landscape.

While mobility has and will always be at the heart of the Club, the transition to a low-carbon future enables us to expand our strategy into the home, connecting more deeply with our members.

From home to public charging, to solar panels, batteries, and home energy solutions, we are determined to be there for our members so they can maximise benefits and savings that come from renewable energy.

Aligning our investments and advocacy to meet the ever-changing needs of Queenslanders also provides RACQ with new and exciting opportunities including:

- Helping to improve safety in our infrastructure, vehicles, regulation and community.
- Putting resilience at the centre of decision making through advocating for ensuring that Queensland homes are the most resilient in Australia and making sure members are financially protected from the growing impacts of climate change through the ongoing sustainability of insurance.
- Helping to deliver affordable and fair mobility choices through a number of measures including keeping motorists' costs of buying and running a vehicle affordable and fostering a competitive fuel market.
- Working towards zero-low emission transition by providing affordable, convenient and sustainable home energy options.

In FY24, RACQ made progress against its long-term strategic objective to help members navigate the transition to the electrification of mobility by delivering the following initiatives:

- Launched a car comparison platform on RACQ.com enabling Queenslanders to overcome the complexity of purchasing a car, including EVs, as well as access to useful guides, advice, and tools across greener motoring, buying, selling and owning a car.
- Launched the RACQ Car Buying Service in partnership with AP Eagers to make it easy for our members to buy a car, including an EV, by helping them with their car buying journey from finding the right car to managing sales paperwork.
- Established a position in the emerging public EV charging market by taking ownership of a newly constructed EV Charging site at Carseldine Central Shopping Centre. Secured co-funding from the Queensland Government for seven regional EV charging sites (Bundaberg, Cairns, Gladstone, Toowoomba, Hervey Bay, Sarina, Mitchell) with site construction commencing from July 2024 and completing prior to the end of FY25. The sites will complement the still growing RACQ-sponsored Queensland Electric Super Highway (QESH) and allow motorists to travel around Queensland and charge their electric vehicles at an increased number of locations.

Principal Activities

RACQ is a public company limited by guarantee, incorporated and domiciled in Australia. RACQ's principal activities during the year included the provision of roadside assistance, motoring services, general insurance, banking, travel and solar products.

In June 2023, RACQ announced plans to withdraw from Queensland's Compulsory Third Party (CTP) insurance scheme, effective 1 October 2023. This change does not affect RACQ's other insurance products, or its commitment to providing Queenslanders with motor and home insurance now and into the future.

There were no other significant changes in the nature of activities during the year.

Measurement of performance

Throughout FY24, RACQ continued to deliver value for our members through our motoring, insurance, assistance and banking services and advocated for safer roads and more resilient communities in the face of increasing climate risk. RACQ measures its performance against the objectives and priorities outlined in the 'RACQ Group Strategic Plan and Budget' through financial analysis including profit and loss, balance sheet, and capital and liquidity reporting. Key performance measures include member engagement, retention and acquisition, product metrics and growth, key financial ratios and people and culture metrics.

Risk Transformation Program

RACQ is focused on the success of its Risk Transformation Program (RTP), which is delivering the RTP Plan as approved by APRA.

The multi-year program of works formally commenced on 3 July 2023 and includes a strengthening of RACQ's risk governance, accountabilities and culture, together with enhanced risk management practices, processes and systems.

With the design phase largely complete, the program's focus for FY25 and FY26 is to implement and embed the changes across RACQ.

RACQ has provided for costs associated with the implementation of the RTP Plan.

Member Remediation

In 2022, RACQ committed to refunding eligible members to address the findings from the pricing promises review. A member remediation program was established to ensure eligible members were refunded accurately and the process developed was independently reviewed. The costs associated with the program were provided for in the 2022 financial statements, and included amounts for member refunds, interest attributable to those refunds and other administrative costs and obligations.

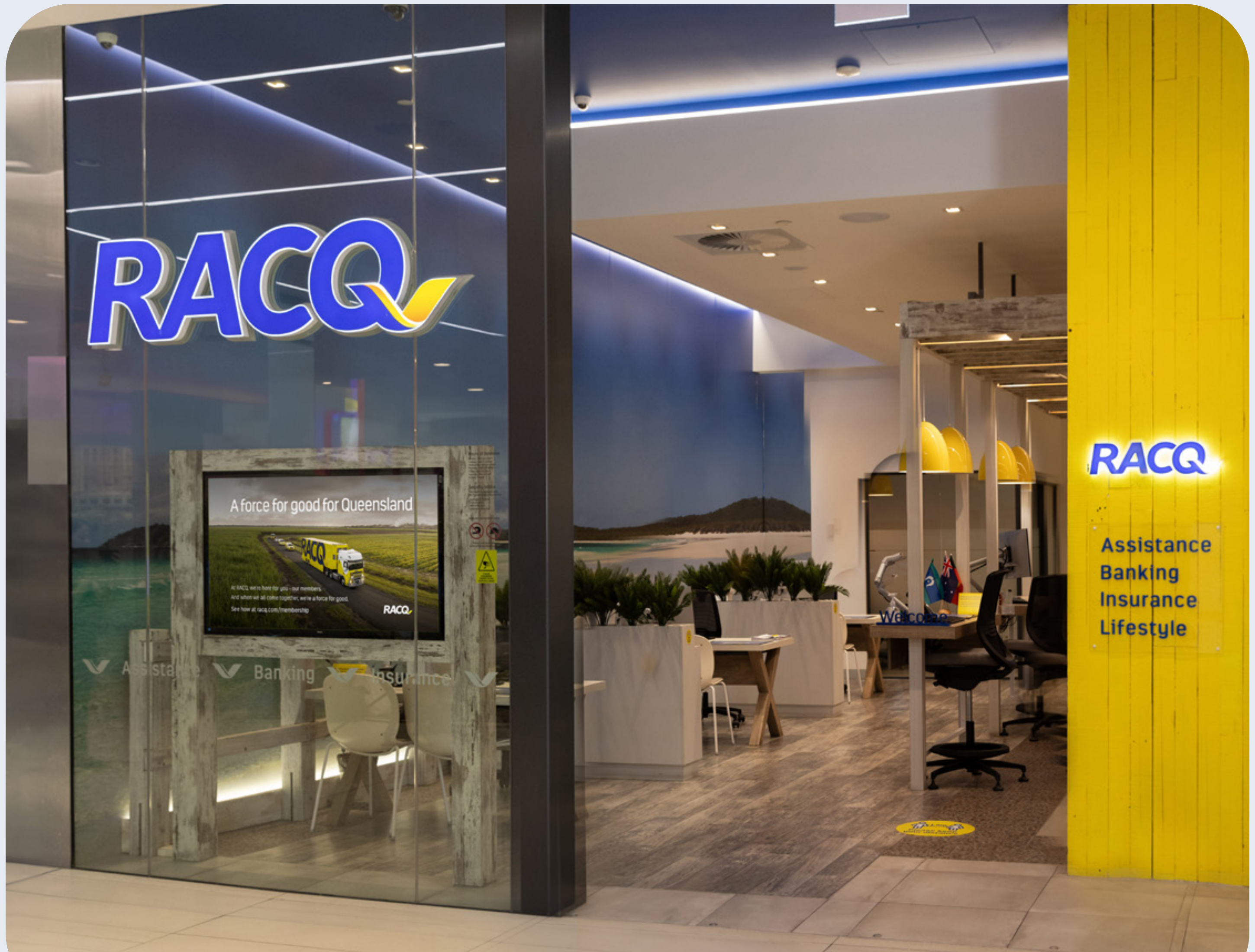
Since reporting the outcomes of the review in 2022, RACQ has processed more than $158.5 million (as at 30 June 2024) in refunds to eligible members. and the program will be substantially complete by Q1 2025.

During the year, the Federal Court imposed a civil penalty of $10 million plus costs on RACQ Insurance Limited for contraventions of the ASIC Act. RACQ had anticipated this penalty and provisioned accordingly in the 2023 financial statements, with payment made in the current year.

Risk Management

The RACQ Group has reviewed and updated its Risk Management Framework throughout the year to take account of the current material risks impacting the business and to align with governance changes made to manage these risks more effectively. The Risk Management Framework and Risk Management Strategy allows our organisation to prioritise risk more effectively and to make informed risk decisions to assist in the delivery of RACQ's strategy. Within RACQ's internal environment, the following major change activities represent material risks to RACQ's future financial performance:

- The delivery of RACQ's RTP, as the completion of this program sets the foundations to enable the future growth of our organisation and ensures compliance with our prudential obligations for our APRA-regulated businesses. This is a multi-year program for RACQ, with the risk to the organisation decreasing in line with the closure of the specified activities. The board and management have allocated significant resources to deliver this program and respond to this risk, as discussed further below. Delivery of this program will substantially reduce the Group's Regulatory and Compliance risk.
- RACQ's exit from Queensland's CTP Insurance Scheme, which when completed successfully, presents a positive opportunity for the future financial performance of our insurance business. This is due to the negative impact it has had on historic and future-projected financial performance. The board and management are committed to ensuring a seamless transition for existing RACQ CTP policyholders, and the Club remains focused on advocating for initiatives and changes that improve road safety across Queensland.



RACQ store Indooroopilly, Brisbane

Taking account of the external environment, RACQ's future performance is also exposed to the following material risks:

- **Capital and Reinsurance risks –** Managing the resilience of the Group's balance sheet and liquidity. This includes the deployment of capital to progress long-term strategic objectives and to ensure our regulated entities maintain sufficient capital to comply with their Internal Capital Adequacy Assessment Process, having regard to APRA prudential obligations. The availability of reinsurance and the expectations from reinsurers in relation to the future frequency of natural hazard events in Queensland, presents a material risk to both profitability and capital. Capital resilience will increase in line with progress on completion of the RTP, Member Remediation Program and exit from the CTP Insurance Scheme.
- **Climate change risk –** RACQ's operations will be impacted by the changing climate over future time horizons, necessitating an adaptation of existing operational activities. The changed weather conditions will have impacts on the liveability of Queensland communities, and therefore how RACQ services members in these areas and prices its products to respond. Understanding these impacts and prioritising investment in adapting our operations to respond, will be a focus in managing this risk.
- **Social risk –** The general cost of living for our members continues to increase and will likely reduce the affordability of RACQ's products and services for many Queenslanders in the near term. RACQ's input costs are also increasing, with areas of significant change including the hardening in the reinsurance market, supply chain challenges and increasing interest rates. Cost increases will impact the pricing of RACQ's products and services to ensure the financial sustainability of the Group, as will the ability of our members to afford the products and services that RACQ offers.
- **Capability and Culture / People risk –** Access to skilled resources is a risk for RACQ, particularly in the short term as significant change initiatives are underway across the business and we are operating in a low unemployment environment. Longer-term, the changing expectations of RACQ's workforce, particularly with respect to their workplace environments and flexibility, presents a risk to attracting and retaining talent within the organisation. Investment in the evolution of RACQ's employee value proposition will reduce this risk.
- **Cyber risk -** As a large member-based organisation, we are exposed to the growing threat of cyber security risk and the significant impact a data breach could have on our members, business and reputation. RACQ continues to enhance the security of our technology and data systems and infrastructure capabilities to better protect our members and our business. This year, as part of our annual Cyber Security resilience program, we implemented additional security and control measures across our organisation, strengthened employee system access processes, and completed a program of securing our internal network through segmentation. As technology continues to evolve, cyber security will remain a significant risk for all organisations, and RACQ will continue to prioritise investments to protect our business, members and data.

Strategic Outlook

The directors recognise the challenges caused by increasing climate risk and particularly the impacts of natural hazard claim costs on RACQ Insurance which was experienced during the year. This resulted in exploration of enhanced capital management with the company further expanding its use of reinsurance through quota share reinsurance on its personal lines portfolio, exiting the Queensland CTP Scheme on 1 October 2023 to enable capital releases, and joining the Federal Government's Cyclone Reinsurance Pool on 30 June 2023. The board continues to review and focus on the exploration of optimal capital structures and strategic partnerships with the aim of improving the utilisation of members' funds, optimising member experience in delivering insurance and banking products and services and supporting the transition to a low-carbon future.

Director Compensation

Non-executive directors are remunerated to recognise the responsibilities, accountabilities and associated risks of directors and members of board committees. Directors are remunerated by way of a base fee plus superannuation, plus additional fees for committee membership, where appointed as chair of the board or of a committee, or (where needed) for duties outside the scope of the ordinary duties of a director.

Payment is by way of a single group fee for all appointments.

The Constitution of RACQ specifies that the aggregate remuneration paid to all directors for services as a director shall not exceed the Maximum Aggregate Remuneration as approved by members. For the financial year ended 30 June 2024, the Maximum Aggregate Remuneration for director fees was $1,950,000, which was approved by Members at the Annual General Meeting on 23 October 2023.

During the year, non-executive directors received the following fees (including superannuation) for their services as a director:

2024	Board $	Committees $	Total director fees $
Non-Executive Directors			
Leona Murphy	358,830	-	**358,830**
Duncan Brain[1]	142,619	29,874	**172,493**
Annabel Dolphin	149,750	47,546	**197,296**
William Fellowes	149,750	31,865	**181,615**
Robert Hubbard	149,750	44,062	**193,812**
John Minz	149,750	31,332	**181,082**
Andrew Moore	149,525	29,232	**178,757**
Sarah Pearson	149,750	45,456	**195,206**
Total 2024	**1,399,724**	**259,367**	**1,659,091**
Total 2023	**1,840,498**	**297,354**	**2,137,852**

1 - Appointed 19 July 2023

The directors of the Company are also directors of the APRA-regulated subsidiaries within the RACQ Group and are not separately remunerated for their services to those subsidiary companies.

Directors do not receive any at-risk variable remuneration linked to RACQ's performance.

In accordance with the Constitution of RACQ, and at the approval of the board, non-executive directors can be paid extra remuneration for special attention to the business of the Company, or who otherwise performs services which are considered outside the scope of the ordinary duties of a director of the Company.

As outlined in rule 9.14(j) of the Constitution, amounts paid for these additional services do not form part of the Maximum Aggregate Remuneration. Additional remuneration paid under this rule during the year ended 30 June 2024 was as follows:

- $84,000 (2023: $158,307) was paid by RACQ to Mr Duncan Brain for RACQ Group related activities outside the scope of a director.
- $2,458 (2023: $nil) was paid by RACQ to Mr Andrew Moore for services as a director of an external company as a nominee of RACQ Group.

The table above does not include the executive remuneration of any director who is the Managing Director or an Executive Director, as these amounts do not form part of the Maximum Aggregate Remuneration in accordance with rule 9.14(l) of the Constitution.

Executive Remuneration

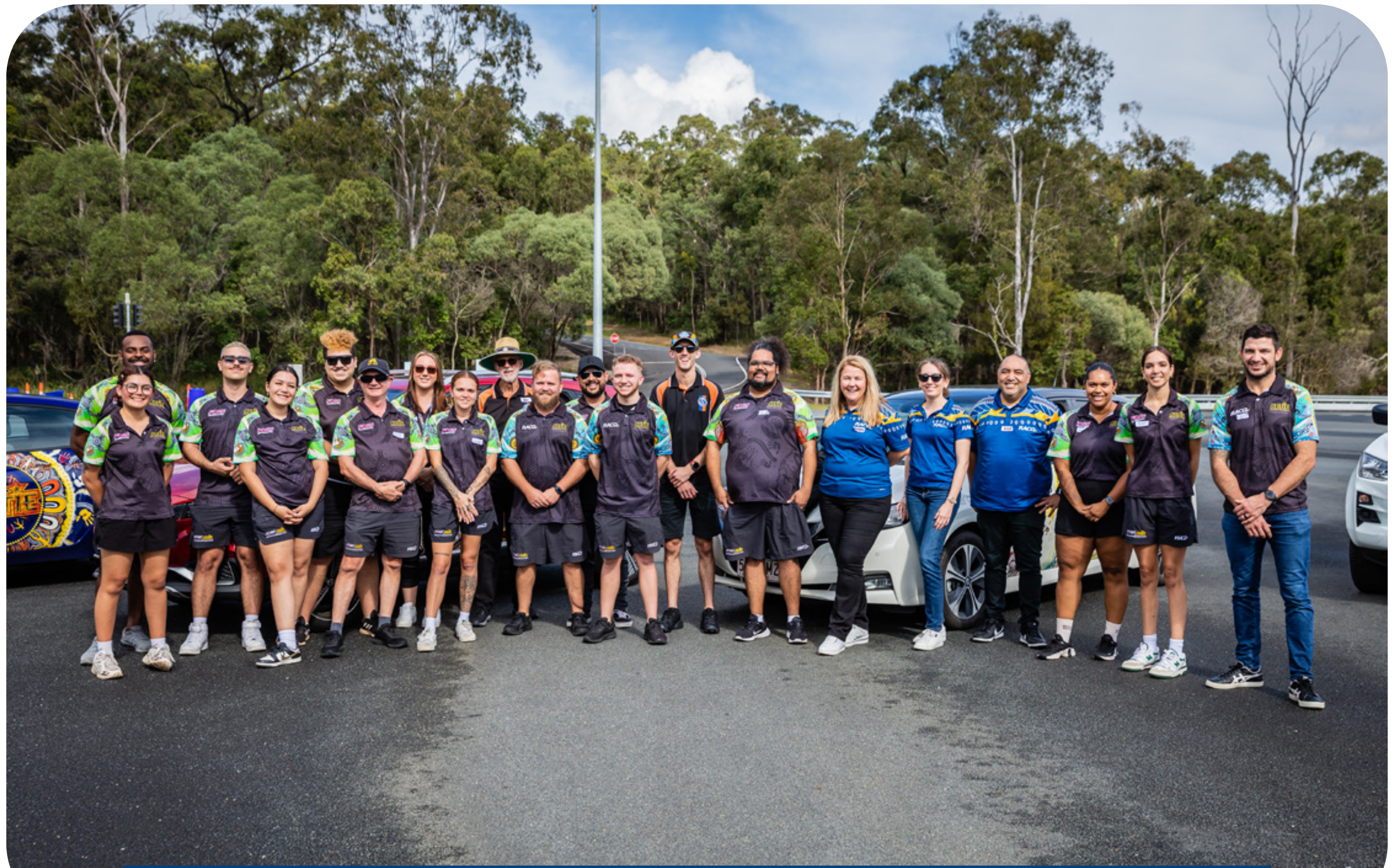
RACQ's approach to executive remuneration is outlined in the Group Remuneration Policy as approved by the board. The policy outlines that RACQ aims to provide a market competitive remuneration for its executives, balancing priorities between members, sustainability, people and risk while driving long-term sustainable performance.

The remuneration of the Managing Director & Group Chief Executive Officer and Group Executives is considered on an annual basis by the People & Purpose Committee, who make annual recommendations to the board for approval. The committee may engage an external remuneration consultant to assist in determining the amount or elements of executive remuneration.

Executive remuneration includes a combination of fixed annual and variable rewards. A portion of the fixed reward is deferred and at risk based on behaviours and alignment to RACQ values. Variable rewards are discretionary and align to the achievement of organisational and personal objectives and are partially deferred to support longer-term decision making and retention. The board is responsible for annually assessing and approving the payment of any deferred fixed rewards and the granting of any variable rewards.

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. As at 30 June 2024, RACQ had 1,728,461 guaranteeing members resulting in a total contribution of $3,456,922 upon winding up.



ARTIE Academy Mentors attend a driver training day in honour of National Reconciliation Week at the RACQ Mobility Centre.

Lead auditor's independence declaration

The Lead Auditor's Independence Declaration is set out on page 21 and forms part of the Directors' Report for the year ended 30 June 2024.

Rounding off

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

Corporate Governance

RACQ's Corporate Governance Statement is available in the Governance and policies section on RACQ's website.

Signed in accordance with a resolution of the RACQ Directors.

LEONA MURPHY
President and Chair
29 August 2024

RACQ Directors and Executive Team

Information on the RACQ directors is set out below, including qualifications, experience and particular responsibilities as at the date of this report.

Leona C Murphy, President and Chair

President and Chair, RACQ Limited Elected Director – South East Queensland

BCom, GAICD

Leona has been a Director of RACQ Limited since 2018, and President and Chair since November 2022. She is Chair of the Members Banking Group Limited, Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd.

Leona is an experienced company director and brings more than 25 years' experience in the insurance and financial services sectors, having held senior executive positions for several ASX-listed companies. She is currently a Director of Liberty Financial Limited and Chair of Helia Group Limited.

Leona has a deep passion for building resilient communities which is reflected through her current role as Board member and Ambassador for the Climate Ready Initiative and former role as co-chair of the United Nations Environment Programme Finance Initiative for Sustainable Insurance. In 2015, she was recognised as one of Australia's Top 100 Women of Influence in the Australian Financial Review and Westpac Awards for her work in Global Resilience.

David Carter

Managing Director and Group Chief Executive Officer

BCom, FCPA, F FIN, G.Dip Fin Planning, G.Dip Applied Finance and Investment, GAICD

Joining in March 2020, David leads the Club to deliver long-term, sustainable value to its members. With 30 years' experience helping guide financial services institutions, including Suncorp Group and ANZ Limited, to success, David has a strong connection to his home state of Queensland. David is a Certified Practicing Accountant and has a Bachelor of Commerce.

David was appointed Managing Director of RACQ Limited, Members Banking Group Limited, Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd in 2023.

David is the RACQ representative director of the Australian Automobile Association (AAA), Australian Motoring Services (AMS), and GEM Energy Australia Pty Ltd. He is also a director of RACQ Foundation Pty Ltd, Qld Ballet and Netball Qld.

Duncan V Brain

RACQ Limited Appointed Director

B.App.Sc (Maths), MBA, MAICD

Duncan has been a director of RACQ since 2021 (although ceased between September 2022 and July 2023). He is a Director of Members Banking Group Limited, Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd.

He is also a member of the Group Audit Committee, Bank Audit Committee, RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee and Bank Risk and Compliance Committee.

With more than 30 years' experience, Duncan is an experienced financial services executive with extensive knowledge of the insurance industry. He has worked for a number of ASX listed insurance companies, including as Divisional CEO for a major general insurer. Beyond his domestic experience, Duncan has held CEO and board positions across seven countries, working and partnering with market and global leading financial services groups.

Annabel L Dolphin

RACQ Limited Elected Director – Regional Queensland

BBus (Mgmt), Dip NSL, GAICD, CAHRI

Annabel has been a Director of RACQ Limited since 2019. She is a Director of Members Banking Group Limited, Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Annabel is also Chair of the RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee and Bank Risk and Compliance Committee and is a member of the People and Purpose Committee.

Annabel is an experienced company director with more than 20 years' specialising in strategic human resources, organisational design and culture change across a diverse range of sectors.

Annabel is passionate about regional Queensland and has occupied positions which have allowed her to support communities across the State. She is President of the Saints Netball Club Mackay Inc, Non-Executive Director for Tourism Australia and is also Director of Dolphin Ventures Pty Ltd where she sits on several independent advisory boards. She is also a Director of Wander Beyond Pty Ltd t/a Helloworld Travel Mackay, Mt Pleasant and Townsville.

William (Will) J Fellowes

RACQ Limited Elected Director – Regional Queensland

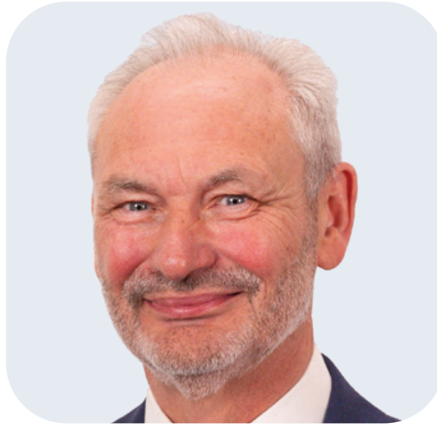
BCom, GradDipCA, GAICD

Will has been a Director of RACQ Limited since November 2021, and is Director of Members Banking Group Limited, Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. He is also a member of the People and Purpose Committee, Group Audit Committee, Bank Audit Committee, and a Director of the RACQ Foundation Pty Ltd.

Will is an experienced Non-Executive Director (NED) and financial services expert, with specialisation in external audit, internal audit, financial consulting, advisory and assurance. Will brings to the boardroom global experience having worked as a PwC Director for more than 16 years.

Will has advised multinational clients, ASX listed organisations, government entities and private companies across a number of industries.

He also serves on the boards of Children's Health Queensland Hospital & Health Service and Opera Queensland and is an independent expert of the Investment Committee for the Royal Flying Doctor Service (Queensland). Previously he was NED and Chair of the Finance, Audit and Risk Committee for Northern Australia Primary Health Limited; and is Co-Founder and Managing Director of outback Queensland's first and only distillery, Western Queensland Spirit.



Robert (Rob) Hubbard

RACQ Limited Elected Director – South East Queensland

BA (Hons), Accy, FCA

Rob has been a Director of RACQ Limited since November 2021. He is a Director of Members Banking Group Limited, Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Rob is also Chair of the Group Audit Committee, Bank Audit Committee and is a member of the RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee and Bank Risk and Compliance Committee.

Rob has more than 20 years' experience in accounting, corporate finance, assurance and audit and is a former partner of consulting firm PwC in Brisbane. During his time with PwC, he was also a Director of MS Australia and Opera Queensland, and a member of the Council of the University of the Sunshine Coast.

Since retiring from his executive career in 2013, Rob has held a number of non-executive Director roles at top ASX listed companies. He is Director of Lifeline Australia and JK Tech Pty Ltd and a member of the Queensland Advisory Committee to the Australian Institute of Company Directors (AICD). Rob was Chair of healthcare company Healius Limited, Deputy Chair of Allkem Limited, Chair of Central Petroleum Limited, and a Director of Bendigo and Adelaide Bank Limited from 2013 until 2021 where he also chaired the Bank's Audit Committee.

John F Minz

RACQ Limited Elected Director – Regional Queensland

BCom, GDip Commercial Computing, Sen. Fellow FINSIA, FAIM, FAICD

John has been a Director of RACQ Limited since 2016. He is a Director of Members Banking Group Limited, Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. John is a member of the People and Purpose Committee, Group Audit Committee and Bank Audit Committee.

John is an experienced financial services executive, having retired as the Chief Executive Officer of Heritage Bank in 2015 after 23 years with the bank where he led the organisation through a period of sustained growth and modernisation.

John is a member of the Toowoomba Regional Committee of the Australian Institute of Company Directors.

Andrew G Moore

RACQ Limited Appointed Director

BEcon, BSc, MBA (INSEAD), CA, F FIN, GAICD

Andrew has been a Director of RACQ Limited since 2020. He is a Director of Members Banking Group Limited, Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Andrew is a member of the People and Purpose Committee, RACQ Limited Risk and Compliance Committee, Insurance Risk and Compliance Committee and Bank Risk and Compliance Committee.

Andrew is the RACQ representative director on Honey Insurance Pty Ltd and is also a director of Helia Group Limited.

Andrew is an experienced financial services executive with more than 30 years' domestic and global experience. His previous executive positions include Managing Director of GE Capital Home Lending (Aust & NZ) and General Manager of St. George Retail Bank.

In recent years, Andrew has been instrumental in driving digital transformation and disruption in the financial services industry, particularly through his work as CEO of Spaceship Financial Services, a business focused on delivering an innovative and engaging investment and superannuation experience to young Australians.

Sarah J P Pearson

RACQ Limited Elected Director – South East Queensland

DPhil (Oxon), FTSE, GAICD

Sarah has been a Director of RACQ Limited since November 2021. She is a Director of Members Banking Group Limited, Club Finance Holdings Limited, RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Sarah is also Chair of the People and Purpose Committee, and is a member of the Group Audit Committee and Bank Audit Committee.

Sarah is an experienced Non-Executive Director, investor and advisor with global executive leadership expertise spanning FTSE 100 multinationals, international C-suite roles, brands such as Cadbury and McKinsey, universities and startups.

Her passion is to leverage emerging technology and innovation to accelerate economic growth, disrupt disadvantage and address global challenges. She applies this through director roles with the Royal Flying Doctor Service QLD and RFDS Foundation, ANU Council, and sits on investment committees and boards responsible for ~$1Bn of venture capital globally, investing in emerging technology and women-led businesses. Sarah is Chair of the Inspiring Australia QLD Reference Group and in 2023 was appointed to the Foreign Investment Review Board.

She has represented Australia globally as Chief Scientist & Chief Innovation Officer at the Department of Foreign Affairs and Trade, helped the growth of new technology companies, led the uptake of innovation and technology in the public and private sectors, and helped build innovation communities that have driven economic diversification across Australia.

GROUP COMPANY SECRETARY

Matthew Payten

MEmpLaw, LLB, BCom, G.Dip Applied Finance and Investment, GAICD

Matthew commenced in the role of Company Secretary and General Counsel for the RACQ Group in October 2023, having worked for RACQ since 2016 in various legal and human resources roles. He leads a team focused on the provision of commercial legal and governance services, including managing all matters associated with the efficient and effective operation of the boards and committees of the Group.

With 25 years' legal experience, Matthew has worked both domestically and internationally in a variety of executive roles in the resources sector and in private legal practice.

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 MD&GCEO. As at the date of this report, the GEX comprise of the following:

Managing Director & Group Chief Executive Officer – David Carter
BCom, FCPA, F FIN, G.Dip Fin Planning, G.Dip Applied Finance and Investment, GAICD

Chief Purpose Officer – Mary-Jane (MJ) Bellotti
MBA, GAICD

Chief Risk Officer – Ailsa Heise
BBus, FCPA, GAICD

Chief Financial Officer – Stephen Burton
BCom, FCA

Chief Audit Officer – Wendy Parker
BCom (Law, Economics), BAcc, Chartered Accountant CA(SA)

Chief Executive Insurance – Trent Sayers
BCom, GAICD

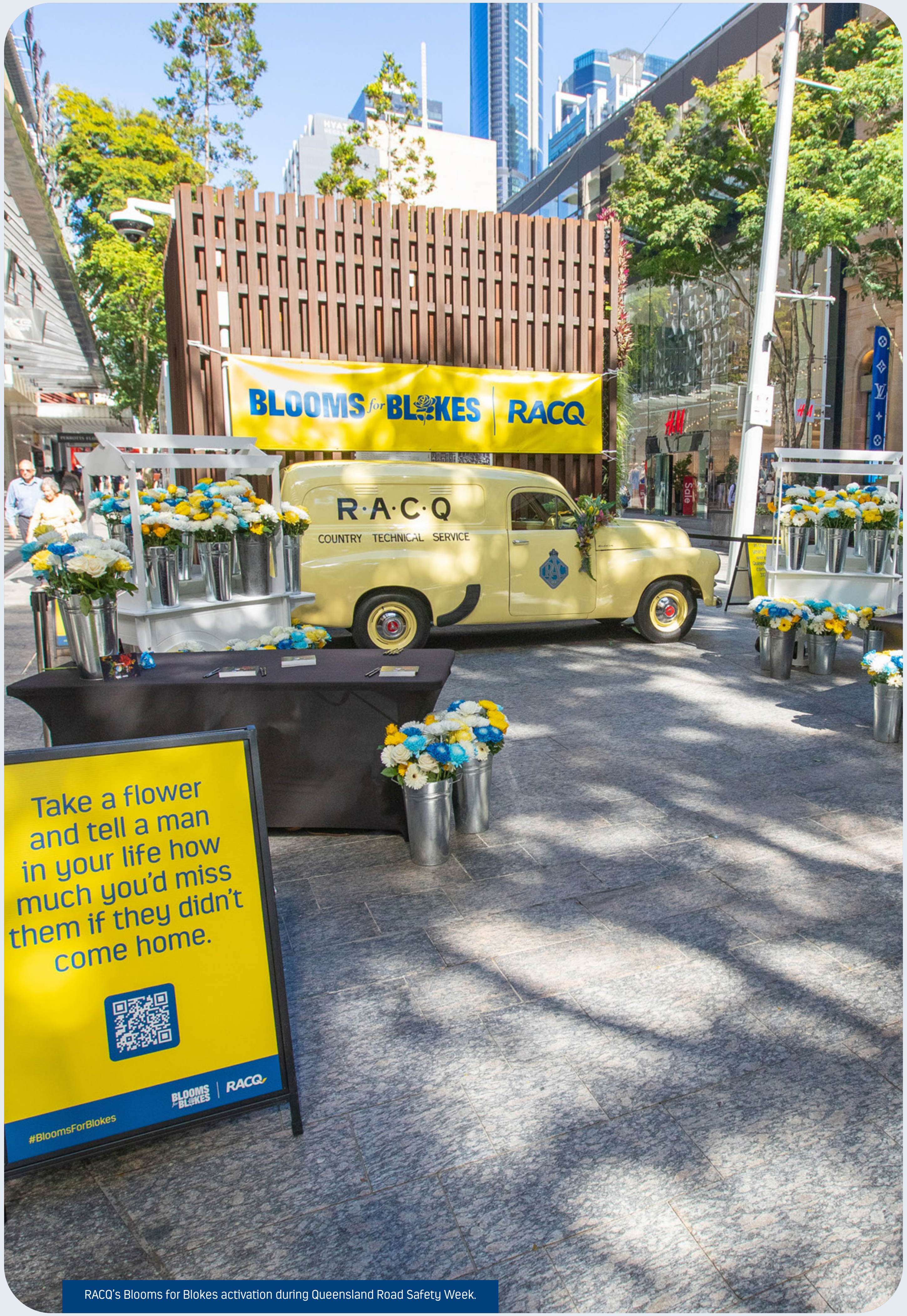
Chief Operating Officer – Bernadette Stone
BSC(Hons) Physics

Chief Executive Assistance – Glenn Toms
BBus, G.Dip Fin & Inv, F FIN, FAIM, GAICD

Chief Executive Banking – Bernard (Barney) Burke
BCom, CA

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

From left: Mary-Jane Bellotti, Trent Sayers, David Carter, Bernadette Stone, Barney Burke, Stephen Burton, Glenn Toms, Wendy Parker and Ailsa Heise.



RACQ's Blooms for Blokes activation during Queensland Road Safety Week.

EY
Building a better working world

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Auditor's Independence Declaration to the Directors of The Royal Automobile Club of Queensland Limited

As lead auditor for the audit of The Royal Automobile Club of Queensland Limited for the financial year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. no contraventions of any applicable code of professional conduct in relation to the audit; and

c. no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Royal Automobile Club of Queensland Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

RBurrows

Rebecca Burrows
Partner
29 August 2024

Consolidated Statement of Comprehensive Income

For the financial year ended 30 June 2024

	Note	2024 $'000	Restated 2023 $'000
Insurance revenue	4.1	1,398,839	1,290,034
Insurance service expense	4.1	(1,266,364)	(1,096,956)
Reinsurance premium expense	4.1	(564,375)	(448,610)
Reinsurance recoveries	4.1	426,739	278,055
Insurance service result		**(5,161)**	**22,523**
Insurance finance (expense) / income		(3,296)	24,575
Reinsurance finance income / (expense)		5,529	(31,175)
Net insurance financial result		**(2,928)**	**15,923**
Banking interest income	5.1	140,397	101,532
Banking interest expense	5.1	(82,817)	(44,741)
Net banking interest income		**57,580**	**56,791**
Revenue from contracts with members	8.1.1	285,650	262,499
Investment interest and dividend income	6.1	68,773	63,926
Net gains / (losses) on financial assets	6.1	34,812	(6,439)
Net gains / (losses) on disposal of business assets		4,619	(666)
Other income		3,171	3,112
Other employee benefits expense	7.3.1	(216,550)	(216,458)
Other operating expenses		(163,327)	(174,589)
Member and other remediation release / (expense)	8.2.1	31,356	(28,784)
Credit and other financial asset impairment (loss)	5.3	(291)	(172)
Share of profit in associates and joint ventures	8.7	900	1,110
Surplus / (Deficit) before income tax		**103,765**	**(23,747)**
Income tax (expense) / benefit	7.5.1	(30,494)	5,896
Surplus / (Deficit) for the year		**73,271**	**(17,851)**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net gains / (losses) on equity investments at fair value through other comprehensive income		1,109	(3,187)
Related income tax benefit	7.5.1	(333)	956
Total other comprehensive income / (loss) for the year		**776**	**(2,231)**
Total comprehensive income / (loss) for the year		**74,047**	**(20,082)**

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 26 to 66.
The Group adopted AASB 17 Insurance Contracts from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption is detailed in Note 2.1.

Consolidated Balance Sheet

As at 30 June 2024

	Note	2024 $'000	Restated 2023 $'000
Assets			
Cash and cash equivalents		125,652	208,323
Trade and other receivables	6.3.2	21,055	52,096
Current tax receivable		-	6,192
Financial assets	6.2	1,939,009	2,101,664
Loans and advances	5.2	2,442,581	2,156,330
Reinsurance contract assets	4.3	624,885	648,601
Other assets		26,428	29,837
Equity-accounted investments	8.7	13,954	18,438
Property, plant and equipment	7.1	134,040	137,290
Deferred tax assets	7.5.3	67,657	96,816
Goodwill and other intangible assets	7.2	270,895	264,218
Total assets		**5,666,156**	**5,719,805**
Liabilities			
Trade and other payables	6.3.3	83,274	126,589
Current tax payable		653	-
Insurance contract liabilities	4.2	1,375,868	1,458,847
Provisions	8.2	54,349	270,258
Deposits	5.4	2,434,254	2,199,526
Contract liabilities	8.1.2	95,459	91,286
Borrowings	5.5	191,020	217,258
Employee benefit liabilities	7.3.2	54,007	52,816
Total liabilities		**4,288,884**	**4,416,580**
Net assets		**1,377,272**	**1,303,225**
Accumulated funds			
Retained surplus		1,357,986	1,284,715
Reserves		19,286	18,510
Total accumulated funds		**1,377,272**	**1,303,225**

The Consolidated Balance Sheet is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 26 to 66
The Group adopted AASB 17 Insurance Contracts from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption is detailed in Note 2.1.

Consolidated Statement of Changes in Accumulated Funds

For the financial year ended 30 June 2024

2024	Retained surplus $'000	Investment revaluation reserve $'000	Merger reserve $'000	Total accumulated funds $'000
Restated balance as at 1 July 2023	**1,284,715**	**(119)**	**18,629**	**1,303,225**
Surplus for the year	73,271	-	-	**73,271**
Other comprehensive income / (loss) for the year	-	776	-	**776**
Total comprehensive income / (loss) for the year	**73,271**	**776**	**-**	**74,047**
Balance as at 30 June 2024	**1,357,986**	**657**	**18,629**	**1,377,272**
2023				
Balance as at 1 July 2022, as previously reported	**1,245,845**	**2,116**	**18,629**	**1,266,590**
Impact of initial application of AASB 17, net of tax	56,717	-	-	**56,717**
Restated balance as at 1 July 2022	**1,302,562**	**2,116**	**18,629**	**1,323,307**
Restated deficit for the year	(17,851)	-	-	**(17,851)**
Other comprehensive income / (loss) for the year	4	(2,235)	-	**(2,231)**
Restated total comprehensive income / (loss) for the year	**(17,847)**	**(2,235)**	**-**	**(20,082)**
Restated balance as at 30 June 2023	**1,284,715**	**(119)**	**18,629**	**1,303,225**

The Consolidated Statement of Changes in Accumulated Funds is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 26 to 66
The Group adopted AASB 17 Insurance Contracts from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption is detailed in Note 2.1..

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2024

	Note	2024 $'000	Restated 2023 $'000
Cash flows from operating activities			
Insurance premiums received		1,579,891	1,591,404
Revenue from contracts with members received		299,395	257,761
Banking interest received		140,397	101,532
Reinsurance recoveries received		305,670	315,862
Insurance investment income received		61,383	61,003
Reinsurance premiums paid, net of ceding commission received		(414,061)	(659,512)
Acquisition costs paid		(101,980)	(74,198)
Claims and other insurance service expenses paid		(1,276,798)	(1,279,155)
Remediation and other expenses paid		(173,010)	(20,491)
Banking interest paid		(74,957)	(34,232)
Payments to suppliers and employees		(537,538)	(454,365)
Income taxes received / (paid)		5,511	35,701
Net movement in operating assets and liabilities			
Loans and advances		(286,541)	(64,487)
Deposits		227,177	(4,854)
Net cash flows from operating activities	**8.3.1**	**(245,461)**	**(228,031)**
Cash flows from investing activities			
Proceeds from other investing activities and asset sales		25,647	2,986
Proceeds from sale or maturity of financial assets		1,919,945	3,558,029
Payments for financial assets		(1,725,519)	(3,402,748)
Payments for intangible assets		(14,512)	(8,378)
Payments for property, plant and equipment		(11,539)	(13,721)
Net cash flows from investing activities		**194,022**	**136,168**
Cash flows from financing activities			
Payments for redeemed preference shares		-	(25)
Repayments of principal for lease liabilities		(4,686)	(4,046)
Proceeds from borrowings	5.5	70,000	65,000
Repayments of borrowings	5.5	(96,546)	(60,000)
Net cash flows from financing activities		**(31,232)**	**929**
Net increase / (decrease) in cash and cash equivalents		(82,671)	(90,934)
Cash and cash equivalents at the beginning of the year		208,323	299,257
Cash and cash equivalents at the end of the year		**125,652**	**208,323**

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Consolidated Financial Statements set out on pages 26 to 66
The Group adopted AASB 17 Insurance Contracts from 1 July 2023 and has correspondingly restated the comparative period. The impact of adoption is detailed in Note 2.1.

Notes to the consolidated financial statements

For the financial year ended 30 June 2024

1. Basis of Preparation

Reporting entity

The Royal Automobile Club of Queensland Limited ('RACQ' or the 'Company') is a company limited by guarantee domiciled and incorporated in Australia. The Company's registered office is 2649 Logan Road, Eight Mile Plains, Queensland, 4113.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as 'RACQ Group' or the 'Group') and were authorised for issue by the Board of Directors on 29 August 2024.

The Company is a for-profit entity for the purposes of preparing the financial statements. The Group's principal activities during the financial year were the provision of assistance, insurance and retail banking products and services to members.

Statement of compliance

The consolidated financial statements are general purpose financial statements that has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Board (IASB). The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

Material accounting policy information has been included in the relevant note to which the policies relate. The accounting policies have been applied consistently to all periods presented in these consolidated financial statements. Certain comparative amounts have been re-presented to conform with changes in presentation in the current financial year.

Significant estimates, judgements and assumptions

In preparing these consolidated financial statements, management has made certain 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

- Insurance and reinsurance contract assets and liabilities (Note 4.4)
- Fair value of financial instruments (Note 6.2)
- Impairment testing of cash-generating units containing goodwill (Note 7.2.1)
- Provisions and contingent liabilities (Note 8.2)

Basis of measurement

The consolidated financial statements are presented in Australian dollars and have been prepared on the historical cost basis, except where the application of fair value measurement is required by the relevant accounting standards.

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and all financial information presented has been rounded off to the nearest thousand dollars, unless otherwise stated.

The consolidated balance sheet is prepared in liquidity format. In the notes to the consolidated financial statements, amounts expected to be recovered or settled no more than 12 months after the reporting date are classified as 'current', otherwise they are classified as 'non-current'.

Basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2024. Control is achieved when the Group is exposed to, 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) Interests in equity-accounted investees

The Group's interest in equity-accounted investees comprise interest in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(iii) Transactions eliminated on consolidation

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

2. New Australian Accounting Standards

AASB 17 *Insurance Contracts*

AASB 17 *Insurance contracts* (AASB 17) is a new accounting standard for all types of insurance contracts and replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* (AASB 1023) and AASB 1038 *Life Insurance Contracts.* AASB 17 is effective for the Group's consolidated financial statements for the reporting period beginning 1 July 2023.
The related accounting policies have been included in Insurance and reinsurance contract assets and liabilities (Note 4).

Transition

AASB 17 is to be applied retrospectively to all insurance contracts on the transition date unless it is impractical to do so, in which case a modified retrospective or fair value approach may be applied.

The Group has applied the full retrospective approach.

2.1 Impact Of Adoption Of AASB 17 Insurance Contracts At 1 July 2022

AASB 17 establishes new accounting requirements for insurance contracts. The new standard was adopted in accordance with its transitional provision which require retrospective application and restatement of comparatives information as if AASB 17 had always been in effect. The adoption of AASB 17 has resulted in an increase in equity/net assets at 1 July 2022 of $56.7 million after tax. This amount, being the cumulative retrospective effect of adoption, was recognised as an adjustment to the opening balance of retained surplus as shown in the Consolidated Statement of Changes in Accumulated Funds.

The increase in opening net assets from the application of the AASB 17 mainly reflects decreases in risk adjustment ($93 million) and a higher discount rate due to the inclusion of an illiquidity premium ($5 million), partially offset by onerous contracts ($3 million) and the write off of previously held deferred acquisition costs ($14 million).

3. Standards Issued but not yet effective

As at the date of this financial report, there are several new or revised accounting standards published by the AASB that will be mandatory in future financial years.

None of these new or revised accounting standards are expected to have a material impact on the Group's consolidated financial statements.

4. Insurance activities
4.1 Insurance result

	Note	2024 $'000	Restated 2023 $'000
Insurance revenue – external		1,398,839	1,290,034
Insurance revenue – inter-segment[1]		590	476
Insurance revenue		**1,399,429**	**1,290,510**
Insurance service expense – external		(1,266,364)	(1,096,956)
Insurance service expense – inter-segment[1]		(14,875)	(17,779)
Insurance service expense		**(1,281,239)**	**(1,114,735)**
Reinsurance recoveries		426,739	278,055
Reinsurance premium expense		(564,375)	(448,610)
Insurance service result		**(19,446)**	**5,220**
Insurance finance income / (expense)		(3,296)	24,575
Reinsurance finance income / (expense)		5,529	(31,175)
Investment income on technical reserves		46,632	36,565
Investment expenses on technical reserves		(1,173)	(1,232)
Net insurance investment result		**47,692**	**28,733**
Insurance service and investment result		**28,246**	**33,953**
Investment income on shareholder's funds		29,762	14,396
Investment expenses on shareholder's funds		(534)	(619)
Interest expense		(224)	-
Interest expense – inter-segment[1]		(5,270)	(4,414)
Other income		1,459	1,713
Member remediation release / (expense)		31,448	(28,784)
Other expenses		(10,488)	(2,077)
Insurance result[1]		**74,399**	**14,168**

Accounting policies

Measurement of insurance contracts and reinsurance contracts

The Group's insurance contracts issued and reinsurance contracts held are not measured individually but are aggregated into portfolios, each comprising contracts that are of similar risks and managed together.

The portfolios consist of Home, Motor and CTP for insurance contracts issued. The portfolios for reinsurance contracts held are based on the reinsurance arrangement considering the related underlying insurance contracts held.

Insurance contracts and reinsurance contracts are measured and presented separately, comprising the following:

- the liability for remaining coverage (LRC) representing coverage for contracts that will be provided after the balance date for insured events that have not yet occurred; and
- the liability for incurred claims (LIC) representing claims and expenses for insured events that have already occurred. The LIC relates to claims reported and claims not reported (Incurred But Not Enough Reported, Incurred But Not Reported).

Reinsurance contract assets comprise the following:

- the asset for remaining coverage (ARC) representing the estimated amounts recoverable from reinsurers in relation to future insured claims that have not yet been incurred: and
- the assets for incurred claims (AIC) representing the estimated amounts recoverable from reinsurers in relation to claims that have been incurred on underlying contracts.

Liability for Remaining Coverage (LRC)/Asset for Remaining Coverage (ARC)

AASB 17 features the General Measurement Model (GMM) as its default measurement model but allows a simplified measurement model known as the Premium Allocation Approach (PAA) for contracts with a coverage period of one year or less, or when the LRC/ARC under the PAA does not differ materially from that of the GMM.

The Group applies the PAA for all insurance contracts issued and reinsurance contracts held.

For groups of insurance contracts issued, the LRC is measured as the premiums received less insurance revenue recognised and less acquisition costs deferred. The Group has elected to offset any premium receivables from intermediaries against the corresponding insurance contract liability.

[1] Includes intercompany transactions that eliminate on consolidation.

For groups of reinsurance contracts held, ARC is measured as ceding premiums paid less reinsurance expenses recognised for the services received.

When applying the PAA, discounting of LRC and ARC is not required if the time between providing/receiving the insurance service and the premium due date is no more than one year. Applying this, the Company has chosen not to discount the LRC. However, to comply with the requirements for AASB 17, the Group has applied discounting to all retroactive reinsurance arrangements which forms a part of the ARC.

Application of PAA allows acquisition costs relating to insurance contracts issued to policyholders to be immediately expensed or capitalised and amortised over the coverage period of the related groups of insurance contracts. The Group has elected for the later and includes acquisition costs in the LRC and amortises them based on the passage of time.

LRC Loss Component/ Loss Recovery Component

AASB 17 requires the identification of groups of onerous contracts issued, with a loss component recognised on initial recognition of the group of contracts and added to the LRC. Under the PAA, the Group assumes that no contracts in the portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise.

Where onerous contracts are covered by reinsurance contracts entered into before or at the same time as the onerous contracts, a loss-recovery component representing the reinsurance recoveries attributable to the onerous contract losses is recognised, which reduces ARC and increases reinsurance income.

The Group has developed a framework, using internal information, for identifying indicators of possible onerous contracts on recognition and during the life of the contract.

The risk adjustment and probability of sufficiency for loss on onerous contracts is as follows:

	2024 %	2023 %
Risk adjustment	8.0	6.8
Probability of sufficiency	75.0	75.0

Liability for Incurred Claims/ Asset for Incurred Claims

The LIC comprises discounted estimates of future cash flows for claims incurred, adjusted to account for non-financial risks using risk adjustments. Similarly, the AIC comprise the discounted estimates of future cash flows adjusted to account for non-financial risks being transferred to the reinsurer.

This note should be read in conjunction with Actuarial assumptions and methods (Note 4.3).

Insurance revenue

Insurance 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 of risk over the period of the insurance policy, which is usually one year.

Insurance Finance Expense or Income and Reinsurance Finance Expense or Income

The finance expense or income relates to changes for the time value of money and financial risks associated with contracts issued and reinsurance contracts held. This is presented separately in the Consolidated Statement of Comprehensive Income under insurance finance income or expense and reinsurance finance income or expense.

Member remediation release/(expense)

Member remediation release/expense is associated with the Group's pricing promises remediation program. Refer to note 8.2.1 for further information on the Member remediation provision.

4.2 Insurance Contract Liabilities

	2024					2023				
	Liability for remaining coverage		Liability for incurred claims			Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	PV of future cashflows	Risk adjustment	Total	Excluding loss component	Loss component	PV of future cashflows	Risk adjustment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening insurance contract liabilities	280,174	5,750	1,080,488	92,441	1,458,853	252,548	51,913	1,203,811	84,578	1,592,850
Net insurance contract liabilities as at 1 July	**280,174**	**5,750**	**1,080,488**	**92,441**	**1,458,853**	**252,548**	**51,913**	**1,203,811**	**84,578**	**1,592,850**
Insurance revenue[1]	**(1,399,429)**	**-**	**-**	**-**	**(1,399,429)**	**(1,290,510)**	**-**	**-**	**-**	**(1,290,510)**
Incurred claims and other insurance service expenses[1]	-	(5,750)	1,260,690	28,254	1,283,194	-	(51,913)	1,115,715	39,201	1,103,003
Changes that relate to past services	-	-	(49,927)	(40,159)	(90,086)	-	-	(30,832)	(31,338)	(62,170)
Losses and reversals on onerous contracts	-	1,158	-	-	1,158	-	5,750	-	-	5,750
Amortisation of insurance acquisition cash flows	86,973	-	-	-	86,973	68,152	-	-	-	68,152
Insurance service expense	**86,973**	**(4,592)**	**1,210,763**	**(11,905)**	**1,281,239**	**68,152**	**(46,163)**	**1,084,883**	**7,863**	**1,114,735**
Insurance service result	**(1,312,456)**	**(4,592)**	**1,210,763**	**(11,905)**	**(118,190)**	**(1,222,358)**	**(46,163)**	**1,084,883**	**7,863**	**(175,775)**
Insurance finance expense	-	-	3,296	-	3,296	-	-	(24,575)	-	(24,575)
Changes in comprehensive income	**(1,312,456)**	**(4,592)**	**1,214,059**	**(11,905)**	**(114,894)**	**(1,222,358)**	**(46,163)**	**1,060,308**	**7,863**	**(200,350)**
Cash flows:										
Premiums received[1]	1,580,481	-	-	-	1,580,481	1,591,880	-	-	-	1,591,880
Insurance acquisition costs paid	(101,980)	-	-	-	(101,980)	(74,198)	-	-	-	(74,198)
Claims and other insurance service expenses paid[1]	-	-	(1,291,673)	-	(1,291,673)	-	-	(1,296,934)	-	(1,296,934)
Total cash flows	**1,478,501**	**-**	**(1,291,673)**	**-**	**186,828**	**1,517,682**	**-**	**(1,296,934)**		**220,748**
Transactional taxes and other movements	(276,597)	-	121,678	-	(154,919)	(267,698)	-	113,297	-	(154,401)
Closing insurance contract assets	-	-	-	-	-	-	-	-	-	-
Closing insurance contract liabilities	169,622	1,158	1,124,552	80,536	1,375,868	280,174	5,750	1,080,482	92,441	1,458,847
Net insurance contract liabilities at balance date	**169,622**	**1,158**	**1,124,552**	**80,536**	**1,375,868**	**280,174**	**5,750**	**1,080,482**	**92,441**	**1,458,847**

[1]Includes intercompany transactions that eliminate on consolidation.

The total net liability for remaining coverage amounts to $170.8 million (2023: $285.9 million) and net liability for incurred claims amount to $1,205.1 million (2023: $1,172.9 million).

4.3 Reinsurance Contract Assets

	2024					2023				
	Assets for remaining coverage		Assets for incurred claims			Assets for remaining coverage		Assets for incurred claims		
	Excluding loss component	Loss recovery component	PV of future cashflows	Risk adjustment	Total	Excluding loss component[1]	Loss recovery component	PV of future cashflows	Risk adjustment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening reinsurance contract assets	198,345	457	420,614	29,185	648,601	7,414	18,275	463,166	17,826	506,681
Net reinsurance contract assets as at 1 July	**198,345**	**457**	**420,614**	**29,185**	**648,601**	**7,414**	**18,275**	**463,166**	**17,826**	**506,681**
Reinsurance premium expense	**(564,375)**	**-**	**-**	**-**	**(564,375)**	**(448,610)**	**-**	**-**	**-**	**(448,610)**
Recoveries of incurred claims and other insurance service expenses	-	(457)	439,655	11,310	450,508	-	(18,275)	309,839	15,411	306,975
Changes that relate to past services	-	-	(13,908)	(10,756)	(24,664)	-	-	(25,325)	(4,052)	(29,377)
Recovery of onerous contract losses and reversals of those recoveries	-	895	-	-	895	-	457	-	-	457
Reinsurance recoveries	**-**	**438**	**425,747**	**554**	**426,739**	**-**	**(17,818)**	**284,514**	**11,359**	**278,055**
Net income/(expense) from reinsurance contracts	**(564,375)**	**438**	**425,747**	**554**	**(137,636)**	**(448,610)**	**(17,818)**	**284,514**	**11,359**	**(170,555)**
Reinsurance finance expense	6,446	-	(917)	-	5,529	(19,971)	-	(11,204)	-	(31,175)
Changes in comprehensive income	**(557,929)**	**438**	**424,830**	**554**	**(132,107)**	**(468,581)**	**(17,818)**	**273,310**	**11,359**	**(201,730)**
Cash flows:										
Premiums paid	414,061	-	-	-	414,061	659,512	-	-	-	659,512
Recoveries received	-	-	(305,670)	-	(305,670)	-	-	(315,862)	-	(315,862)
Total cash flows	**414,061**	**-**	**(305,670)**	**-**	**108,391**	**659,512**	**-**	**(315,862)**	**-**	**343,650**
Closing reinsurance contract assets	**54,477**	**895**	**539,774**	**29,739**	**624,885**	**198,345**	**457**	**420,614**	**29,185**	**648,601**
Net reinsurance contract assets at balance date	**54,477**	**895**	**539,774**	**29,739**	**624,885**	**198,345**	**457**	**420,614**	**29,185**	**648,601**

[1] This includes a reinsurance contract held by the Group which provides retroactive cover. The coverage relates to events that occurred before the purchase of the reinsurance; therefore, the net cost of reinsurance is recognised in profit or loss on initial recognition (2023: $11.3 million loss).

The total assets remaining coverage amounts to $55.3 million (2023: $198.9 million) and assets for incurred claims amount to $569.5 million (2023: $449.8 million).

4.4 Actuarial assumptions and methods

Significant accounting judgements and estimates

The estimation of the LIC 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 claim type characteristics 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 credible or appropriate, a combination of industry experience or model adjustments are utilised to estimate the ultimate claims cost.

The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in estimating claims provisions, it is expected that the final outcome will be different from the original liability estimated. There is a significant degree of uncertainty in the estimation of claims case estimates, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER). Personal Insurance claims are generally reported and settled within a short timeframe following the claim event and therefore claims cost estimates are more certain. CTP Insurance claims and Personal Insurance liability claims display increased complexity and longer settlement periods, therefore there is a greater degree of uncertainty regarding the ultimate cost of these claims.

The estimation of AIC is calculated based on the LIC and in accordance with the underlying reinsurance contracts.

The ARC for the loss portfolio transfer (LPT) is calculated using the LIC for CTP claims occurring prior to 31 December 2021 in line with the contractual terms of the reinsurance arrangement.

Actuarial assumptions

The key actuarial assumptions used in determining the insurance contracts liabilities, reinsurance contracts assets and ARC on LPT are:

	2024		2023	
	Personal Insurance	CTP Insurance	Personal Insurance	CTP Insurance
Discount rate	4.3%	4.5%	4.2%	4.5%
Economic inflation rate	-	3.5%	-	3.5%
Superimposed inflation rate	-	1.5%	-	1.5%
Claims handling expense ratio	8.1%	6.0%	6.2%	7.4%
Risk adjustment	4.9%	8.8%	5.8%	10.0%
Duration (years)	0.63	2.19	0.61	2.13

Discount rate

Projected future claims payments, for both insurance and reinsurance, and other recoveries and associated claims handling costs, are discounted to present value using discount rates for all incurred claims including short tail.

To calculate the discount rate, a bottom-up approach is applied, whereby the risk-free yield curve is adjusted to reflect the liquidity characteristics of the insurance cash flows through the addition of an illiquidity premium which will increase the discount rate. The illiquidity premium is based on the element of illiquidity within the insurance liabilities. The short duration insurance liabilities are very liquid as policyholders can cancel their policy and request a refund. The illiquidity premium only applies to the material long duration insurance liabilities which is CTP.

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

Economic inflation and superimposed inflation rate

Economic inflation for CTP claim settlement costs 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. For CTP Insurance, superimposed inflation is unchanged at 1.5% in recognition of the relatively benign experience over the last 10 years.

No explicit allowance for economic or superimposed inflation has been made in the valuation of Personal Insurance claims. Allowances for future inflation are implicit within the actuarial models employed.

Claims handling expense ratio

The future claims handling expense ratio is estimated in periodic reviews of historic claim handling costs as a percentage of past claim payments.

Risk adjustment

A risk adjustment is added to the discounted estimates of future cash flows to reflect the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risks as the entity fulfills insurance contracts. With regard to reinsurance contracts held, the risk adjustment reflects the compensation the reinsurer requires for the uncertainty of the cash flows transferred.

The Group has adopted the confidence level technique (i.e. probability of sufficiency) to estimate the risk adjustment. This allows for direct comparison of the AASB 17 risk adjustment and APRA reporting.

The overall required level of sufficiency of LIC and AIC is set by the Board at the recommendation of Management with the assistance from the appointed actuary. Actuarial modelling is performed to determine appropriate risk adjustment rates to achieve the required level of sufficiency. Uncertainties surrounding the LIC and AIC estimation process include the robustness of the actuarial models, model parameters used, applicability of past claims experience, and the uncertainty of future market conditions when claims are settled. Risk adjustment for Personal Insurance represents the range for the dominant classes (Home and Motor).

Risk adjustment rates are set to allow for diversification across products to arrive at an overall provision which is intended to have a probability of sufficiency of 75% (2023: 75%).

Duration
Duration reflects the weighted average term to claims settlement and is determined from the inflated and discounted expected future net cash flows by class of business. Historical finalisation patterns are used to determine the expected future payment patterns.

Sensitivity analysis – liability for incurred claims
The Group conducts sensitivity analyses to quantify the exposure to the risk of changes in the key actuarial assumptions while holding all other variables constant. This analysis is summarised below as a sensitivity of the surplus/(loss) after tax to a 1% change in the key variable. A change in each variable will have same impact on equity.

Impact of changes in key variables	Movement in Variable	Surplus/(Loss) after tax (Gross)		Surplus/(Loss) after tax (net)	
		2024 $'000	2023 $'000	2024 $'000	2023 $'000
Assumption					
Discount rate	+1%	12,749	13,734	5,546	6,387
	-1%	(13,337)	(14,375)	(5,802)	(6,688)
Inflation rate	+1%	(10,320)	(11,769)	(4,561)	(5,397)
	-1%	10,072	11,481	4,447	5,259
Risk adjustment	+1%	(7,853)	(7,536)	(3,750)	(3,437)
	-1%	7,853	7,536	3,750	3,437

4.5 Claims Development Table

The following table shows the development of the estimated undiscounted LIC's relative to the ultimate expected claims for the 10 most recent accident years. Amounts are net of reinsurance and other recoveries. Personal Insurance (such as Home and Motor) 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	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	2024 $'000	Total $'000
Estimate of net ultimate CTP claims cost:											
At end of accident year	155,377	171,782	181,531	187,866	198,207	206,147	152,439	127,037	144,117	88,156	
One year later	146,065	160,153	171,963	167,516	173,960	186,161	159,166	86,359	144,318		
Two years later	133,714	140,977	153,349	156,341	164,497	193,155	84,745	77,092			
Three years later	116,999	125,045	152,349	165,441	169,854	144,270	78,764				
Four years later	114,393	119,928	145,768	171,595	141,745	143,308					
Five years later	115,634	116,239	144,944	144,229	142,241						
Six years later	115,658	117,635	126,027	143,481							
Seven years later	116,201	110,741	124,762								
Eight years later	110,313	110,485									
Nine years later	110,251										
Current estimate of net ultimate CTP claims cost	110,251	110,485	124,762	143,481	142,241	143,308	78,764	77,092	144,318	88,156	1,162,858
Cumulative CTP payments	(109,182)	(109,982)	(123,227)	(140,409)	(138,644)	(135,146)	(72,470)	(44,533)	(26,399)	(2,196)	(902,188)
Net LIC CTP - undiscounted	**1,069**	**503**	**1,535**	**3,072**	**3,597**	**8,162**	**6,294**	**32,559**	**117,919**	**85,960**	**260,670**
Discount to present value											(26,867)
Claims handling expenses											43,887
2014 and prior											3,393
Net LIC - CTP											**281,083**
Net LIC - Personal Insurance											**160,038**
Net risk adjustment											38,155
Total net LIC											479,276
Adjustment for retroactive[1]											**156,299**
Total net LIC after retroactive cover											**635,575**

The net LIC after retroactive cover is made up as follows:

LIC	1,205,088
AIC	(569,513)

[1]This includes a reinsurance contract held by the Group which provides retroactive cover and is reported as Asset for Remaining Coverage in Note 4.3.

4.6 Insurance risk management

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 RACQ Insurance, 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 Board of Directors of RACQ Insurance is responsible for reviewing the RMS annually.

The key components of the RMS that aims 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.

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 considers the outputs of the modelling on an annual basis.

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 financial statements.

Concentration of insurance risk

Concentration within the property classes is monitored to ensure peak levels of exposure to certain perils and/or geographical regions are within desired levels. Risks are modelled using their location with commercial catastrophe modelling tools to evaluate the single largest risk, or probable maximum loss.

The largest risks faced relates to both natural catastrophes in areas with large numbers of insured risks and unexpected CTP claims inflation impacting outstanding claims.

The largest reinsurer concentration risk of reinsurance recoveries as at 30 June 2024 is 45.3% (2023: 37.0%) which equates to $282.2 million (2023: $224.9 million).

4.7 Insurance capital management

As RACQ Insurance Limited (RACQ Insurance) is a general insurer regulated by APRA, it must maintain adequate capital against the risks associated with its activities. RACQ operates an Insurance Group, comprising Club Insurance Holdings Pty Ltd (non-operating holding company) and RACQ Insurance.

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

The RACQ Insurance Board Target PCA multiple is 1.95 and operates within a corresponding target PCA multiple trading range of 1.72–2.10 to provide for volatility arising from normal operating activity and fluctuations in financial performance that result in actual capital levels deviating from plan. As at 30 June 2024 the PCA multiple was 2.57 (2023: 2.14). A volatility buffer or "Watch Zone" level of capital (1.40-1.71), currently set at 72.0% - 87.5% of the target PCA multiple, facilitates early intervention and minimises the chance of the capital position falling below the 'trigger' level of capital (set at a PCA multiple of 1.40). The bottom end of the 'watch' range (1.40), being 72.0% of the target PCA multiple, is defined as the PCA trigger point. Should the PCA multiple fall below this, the Insurance Recovery and Exit Plan will be enacted with a potential injection of capital to restore the PCA multiple to a level equal to or above the trigger point as required. The Boards, together with management, will consider the outlook for capital in arriving at the appropriate restored capital level.

Excess capital is available for distribution to the shareholder and dividends are considered by management when the capital position exceeds the target PCA multiple. Dividend payments cannot reduce the capital position below 95% of target across a twelve-month outlook. Dividends are evaluated on a biannual basis, coinciding with the full and half year results. The capital position is reported to the Boards as part of its regular monthly Chief Financial Officer's financial reporting update. Additional short-term forecasts are provided where a deviation from the target PCA multiple is experienced or where levels are close to the lower end of the target range of capital in actual for forecasts.

The following table represents the regulatory capital position of the Level 2 Insurance Group:

Level 2 Insurance Group	2024 $'000	2023 $'000
Common Equity Tier 1 capital		
Paid-up ordinary shares	857,890	857,890
Retained (losses) / earnings brought forward	(37,182)	(68,976)
Impact of initial application of AASB 17	31,469	-
Current year earnings	52,654	31,794
Dividends declared or paid	(28,000)	-
Excess technical provisions (net of tax)	20,644	32,462
	897,475	**853,170**
Less: Deductions		
Goodwill and other intangible assets	238,553	238,679
Deferred tax asset	17,513	61,504
Common Equity Tier 1 capital	**641,409**	**552,987**
Tier 2 capital		
Subordinated debt	60,000	60,000
Total Tier 2 capital	**60,000**	**60,000**
APRA capital base	**701,409**	**612,987**
Prescribed capital amount		
Insurance risk charge	123,007	134,506
Insurance concentration risk charge	65,000	59,671
Asset risk charge	102,568	113,933
Asset concentration risk charge	-	-
Operational risk charge	41,081	42,268
Aggregation benefit	(59,101)	(64,113)
Prescribed capital amount	**272,555**	**286,265**
PCA multiple	**2.57**	**2.14**

Application of 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 at least every two years. 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.

RACQ Insurance has entered into a Deed of Support with its ultimate parent entity, The Royal Automobile Club of Queensland Limited, to receive additional capital if and to the extent it is required for RACQ Insurance to maintain its capital adequacy requirements in accordance with the relevant APRA prudential standards.

5. Banking activities

5.1 Banking result

	2024 $'000	2023 $'000
Interest income	140,397	101,532
Interest expense	(82,817)	(44,741)
Net interest income	**57,580**	**56,791**
Other Income	2,433	2,428
Employee benefits expense	(29,680)	(27,485)
Other operating expenses	(19,427)	(23,325)
Credit and other financial asset impairment (loss) / reversal	(291)	(172)
Banking result	**10,615**	**8,237**

Accounting policies

Interest income and expense

Interest income and expense on financial assets and liabilities is recognised as interest and is accrued using the effective interest rate 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.

For loans classified as Stage 3 within the Expected Credit Loss (ECL) assessment, interest revenue is recognised on gross carrying amounts net of impairment provisions.

Fees, transaction costs and issue costs directly attributable to the establishment or issue of financial assets and liabilities are capitalised and included in the interest recognised over the expected life of the instrument.

Other income

Other income includes investment income and a range of fees earned on the provision of banking services to members. Account servicing and facility fees are generally charged on a monthly or annual basis and are recognised as revenue over the service period. Transaction based fees are charged and recognised at the time of the transaction.

5.2 Loans and advances

	2024 $'000	2023 $'000
Housing loans	2,320,911	2,040,690
Personal loans	114,228	107,722
Revolving credit	6,358	6,692
Commercial loans	1,863	2,207
Gross loans and advances	**2,443,360**	**2,157,311**
Unamortised loan fees	1,374	833
Provision for impairment	(2,153)	(1,814)
Net loans and advances	**2,442,581**	**2,156,330**
Current	587,901	549,556
Non-current	1,854,680	1,606,774
Total	**2,442,581**	**2,156,330**

Accounting policies

Loans and advances are financial assets held within a business model whose objective is to collect contractual cash flows. The contractual cash flows for loans and advances are solely payments of principal and interest on the principal amount outstanding. These instruments are accordingly measured at amortised cost in accordance with *AASB 9 Financial Instruments* (AASB 9).

Loans and advances are recognised at settlement date when loan funding is provided to the borrower. They are initially recognised at their fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at their amortised cost using the effective interest rate method and presented net of provision for impairment. Refer to Note 5.3 for the accounting policy on the provision for impairment.

5.3 Impairment of loans and advances

$'000 – ECL	Stage 1 Collective Provision 12-month ECL	Stage 2 Collective Provision Lifetime ECL	Stage 3 Collective Provision Lifetime ECL	Stage 3 Specific Provision Lifetime ECL	Total
ECL allowance as at 1 July 2023	**798**	**164**	**422**	**430**	**1,814**
Transfer to/(from) Stage 1	304	(70)	(176)	(58)	-
Transfer to/(from) Stage 2	(6)	87	(57)	(24)	-
Transfer to/(from) Stage 3	(5)	(18)	12	11	-
New and increased provisions (net of releases)	(108)	13	207	274	386
Write-offs from specific provisions	-	-	-	(47)	(47)
ECL allowance as at 30 June 2024	**983**	**176**	**408**	**586**	**2,153**
ECL allowance as at 1 July 2022	**975**	**90**	**170**	**491**	**1,726**
Transfer to/(from) Stage 1	259	(47)	(79)	(133)	-
Transfer to/(from) Stage 2	-	36	(2)	(34)	-
Transfer to/(from) Stage 3	(6)	(2)	6	2	-
New and increased provisions (net of releases)	(430)	87	327	157	141
Write-offs from specific provisions	-	-	-	(53)	(53)
ECL allowance as at 30 June 2023	**798**	**164**	**422**	**430**	**1,814**

Credit and other financial asset impairment (loss) / reversal

	2024 $'000	2023 $'000
Net collective provision - loans and advances	(183)	(149)
Net specific provision - loans and advances	(203)	8
Bad debts recovered - loans and advances	11	21
Impairment reversal / (loss) of other financial assets	84	(52)
Total credit and other financial asset impairment reversal / (loss)	**(291)**	**(172)**

Recognition and measurement

Overview of the ECL principles

The ECL methodology used for determining impairment provisions under AASB 9 applies to all loans and advances and other debt financial assets not held at fair value. The ECL methodology is forward-looking and does not require evidence of an actual loss event for impairment provisions to be recognised.

The Group applies a three-stage approach to measuring ECLs.

Stage	Loan classification	Provision assessment	ECL measurement basis
Stage 1 – Performing	Performing loans	Collective	12 months ECL – on origination, financial assets recognise an ECL provision equivalent to credit losses expected to arise from defaults occurring over the next 12 months.
Stage 2 – SICR	Loans that have experienced a significant increase in credit risk (SICR)	Collective	Lifetime ECL – financial assets that have experienced a SICR recognise an ECL provision equivalent to credit losses expected to arise from defaults occurring over the remaining life of financial assets.
Stage 3 – Default	Non-performing loans (not credit impaired)	Collective	Lifetime ECL – financial assets that are in default recognise a lifetime ECL provision. Where the loan is not credit impaired, provision determined on a collective basis within the ECL model.
	Impaired loans	Specific	Lifetime ECL – loans that are in default and each loan's individual assess-ment for impairment results in shortfall, based on the estimated future cash flows of the exposure.

On origination, all exposures are performing loans and are allocated to Stage 1. At each reporting date, the Group assesses the credit risk of exposures in comparison to the risk at origination, to determine the applicable ECL stage for each exposure. If the credit risk of an exposure has increased significantly since origination, it will migrate to Stage 2. Should an exposure enter default, it will migrate to Stage 3. The definitions of SICR and default are outlined below

Significant increase in credit risk

SICR is assessed by comparing the risk of default occurring over the expected life of a financial asset at reporting date to the corresponding risk of default at origination. In assessing SICR, the Group considers internally available information, external data and forecast information.

For loans and advances, the Group considers contractual payments that are 30 days past due, or an exposure being accepted for financial hardship relief as the primary indicators of SICR.

Default and write-offs

Default occurs when it is unlikely that a borrower will meet contractual credit obligations in full, or when the exposure enters 90 days past due. Exposures in default are classified as credit impaired when there is doubt as to whether the full amounts due, including interest and other payments, will be received in a timely manner.

Loans are written off when there is no reasonable expectation of recovery. Loans are written off against the related ECL provision on completion of the internal recovery action and when all reasonable expected recoveries have been collected. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Consolidated Income Statement. When a subsequent event results in the recovery of an impairment loss, this is recognised through the Consolidated Income Statement.

Measuring ECL – Collective provisions

The ECL is a probability-weighted expected credit loss estimated by evaluating a range of possible scenarios. Taking into consideration the time value of money, historical losses, current loan portfolio information and current and forecast economic conditions.

The Group uses a collective provision model to calculate ECLs for each significant portfolio: housing loans, personal loans (secured and unsecured), revolving credit and commercial loans.

The amount of ECL is the product of the following credit risk factors:

Probability of default (PD)	The likelihood that a borrower will default over a given period
Loss given default (LGD)	The amount that is not expected to be recovered following default
Exposure at default (EAD)	The expected balance sheet exposure in the event of default

Measuring ECL – Specific provisions

Secured exposures (residential mortgages and secured personal loans) that are in default and not well secured are subject to an individual provision assessment. Impairment provisions on these exposures are calculated as the difference between the carrying amount of the defaulted loan and the present value of future cash flows from realisation of security, after making an allowance for realisation costs (real estate and legal fees).

Forward-looking information

The credit risk factors of PD and LGD used in the ECL model are point-in-time estimates based on current conditions and adjusted to include the impact of unbiased, probability-weighted forecast economic scenarios. These economic scenarios were built using macro-economic factors most closely correlated with the Group's historical credit losses, namely the unemployment rate, annual change in gross domestic product (GDP) and the Brisbane house price index. The weights assigned to each scenario are based on management's best estimate of the proportion of potential future loss events that each scenario represents.

The Group uses the following four alternative forward-looking scenarios in estimating ECL:

Weightings	30 June 2024	30 June 2023	Considerations at 30 June 2024
Baseline scenario	45%	45%	Reflects current economic conditions and is largely aligned with the Reserve Bank of Australia's (RBA) latest economic forecasts. Unemployment rate is expected to rise in 2024 to 4.2% but long-term forecast is expected to remain below the rates of the past five decades. Annual GDP growth is expected to decrease to 1.5% in 2024 and then to pick up gradually from 2025. House prices forecast for Brisbane is expected to increase by 7.7% in 2024 followed by a softer uplift of 3.0% in 2025.
Downside	40%	40%	Derived from the baseline. Assumes inflation remains highly persistent resulting in greater than usual uncertainty that poses a downside risk to economic activity. Leads to tighter monetary policy resulting in a faster slowing of economic activity than currently expected. Unemployment rate being 2.0% unfavourable and annual GDP 1.0% unfavourable to baseline.
Upside	5%	5%	Derived from the baseline. Assumes a possibility of inflation slowing quicker than expected resulting in stronger GDP, lower unemployment, and higher increases in the house price index. Unemployment rate and annual GDP being 1.0% favourable compared to baseline.
Severe downturn	10%	10%	Derived taking into consideration the results of APRA's stress testing of banks during COVID-19 in December 2020. The economic conditions underlying the stress tests were based on very severe forward-looking economic assumptions, well beyond the impact of COVID-19. The scenario developed by APRA composed of a very large fall in economic activity, with GDP falling by 15.0%, unemployment rising to over 13.0% and national house prices falling by over 30.0% over a 3-year period.

Lifetime of loans

Exposures allocated to Stage 2 and Stage 3 of the ECL are determined on a lifetime expected loss basis. The Group estimates the expected lives of financial instruments with reference to each loan portfolio's historical behavioural term and does not exceed the maximum contractual period.

ECL governance

Members Banking Group Limited's (RACQ Bank) Credit Risk Committee reviews the ECL methodology and model at least annually, taking into consideration actual loan loss experience and changes in underlying loan portfolios. Where deemed necessary, credit risk parameters may be recalibrated.

RACQ Bank's Asset and Liability Committee is responsible for reviewing and approving the macro-economic forecast scenarios and associated probability weightings on a regular basis.

Management adjustments and overlays may be made to impairment provisions to account for circumstances where known or emerging risks have not been captured in the ECL modelling process. RACQ Bank's Credit Risk Committee is responsible for approving such adjustments.

ECL sensitivity

The table below discloses the collectively assessed provision outcomes assuming a 100% weighting is applied to the relevant scenario, all other assumptions held constant.

Scenario Outcomes	30 June 2024 $'000	30 June 2023 $'000
Baseline scenario	637	286
Downside	804	369
Upside	537	239
Severe downturn	1,232	960

5.4 Deposits

	2024 $'000	2023 $'000
Call deposits	1,402,643	1,331,558
Negotiable certificates of deposit	144,520	126,534
Term deposits	887,091	741,434
Total deposits	**2,434,254**	**2,199,526**
Current	2,415,805	2,178,489
Non-current	18,449	21,037
Total deposits	**2,434,254**	**2,199,526**

The deposit portfolio does not include any deposit which represents 10% or more of the total liabilities.

Accounting policies

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method. Interest expense on deposits is recognised on an accrual basis. Interest accrued at reporting date is shown as part of deposits.

5.5 Borrowings

	2024 $'000	2023 $'000
Medium Term Notes		
Balance at beginning of financial year	120,670	115,260
Proceeds	70,000	65,000
Repayments	-	(60,000)
Net movement in interest accrued	350	410
Carrying amount at end of financial year	**191,020**	**120,670**
RBA Term Funding Facility		
Balance at beginning of financial year	97,029	96,847
Repayments	(96,546)	-
Net movement in interest accrued	(483)	182
Carrying amount at end of financial year (excluding interest rate swap hedge)	**-**	**97,029**
Interest rate swap hedge		
Balance at beginning of financial year	(441)	(2,021)
Fair value on hedge exposure	520	1,501
Net movement in interest accrued	(79)	79
Carrying amount at end of financial year	**-**	**(441)**
Total Borrowings	**191,020**	**217,258**
Total Borrowings (excluding interest rate swap hedge)	**191,020**	**217,699**
Current	56,020	97,258
Non-current	135,000	120,000
Total Borrowings	**191,020**	**217,258**

Accounting policies

Borrowings are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method. Interest expense on borrowings is recognised on an accrual basis. Interest accrued at reporting date is shown as part of borrowings.

5.5.1 Borrowing facilities

	Approved facility $'000	Amount drawn $'000	Amount available $'000
2024			
Overdraft facility	10,000	-	10,000
Medium Term Notes	500,000	191,020	308,980
Reserve Bank of Australia (self-securitisation)	473,343	-	473,343
	983,343	**191,020**	**792,323**
2023			
Overdraft facility	10,000	-	10,000
Medium Term Notes	500,000	120,670	379,330
Reserve Bank of Australia (self-securitisation)	471,176	97,029	374,147
Of which: Term Funding Facility [1]	*97,093*	*97,029*	-
	981,176	**217,699**	**763,477**

1 Approved facility and amount drawn represents the RBA repurchase price, being the initial and supplementary allowance plus interest accrued after drawdown.

Medium term notes

The Group has an established $500m Debt Issuance Programme (dated 2 May 2018) under which medium term notes (MTN) and other debt securities may, from time to time, be issued up to the programme limit. During the current financial year, the Bank executed one new MTN transaction, a $70 million 3-year floating-rate note issuance, with a maturity date of 5 March 2027.

Self-securitisation vehicle

The amount of liquidity available from RACQ Bank's self-securitisation vehicle at 30 June 2024 was $473.3 million (2023: $471.2 million). The Group did not access any of this contingent liquidity during the current or previous financial year.

Term funding facility

At 30 June 2024 the Group has fully repaid the $97.1 million of available Term Funding Facility (TFF) Initial and Supplementary Allowance.

5.6 Banking capital management

As Members Banking Group Limited (RACQ Bank) is an ADI regulated by APRA, it must maintain a minimum level of capital adequacy.

The Banking Group (including RACQ Bank, RACQ Financial Planning Pty Ltd, The Arrow Funding Trust No.1 and Club Finance Holdings Limited) maintains sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with externally and internally imposed capital ratios.

From 1 January 2023, APRA implemented its revisions to the ADI capital framework. The adequacy of the Banking Group's capital is managed in accordance with the new APRA prudential standards. To manage, monitor and report regulatory and economic capital, the Banking Group has an Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement and Policy Document, which sets out the objectives, processes, responsibilities and reporting requirements for the ICAAP, and an ICAAP Annual Report, which sets out the results of the annual assessment process. The ICAAP is approved by the RACQ Bank Board on an annual basis.

The Banking Group has entered into a Deed of Support with its ultimate parent entity, The Royal Automobile Club of Queensland Limited, to receive additional capital if and to the extent it is required for the Banking Group to maintain its capital adequacy in accordance with the relevant APRA prudential standards.

The Banking Group's capital position is monitored and reported monthly to the RACQ Bank Board. The capital ratios throughout the current and prior financial year complied with APRA minimum capital adequacy requirements and ICAAP minimums approved by the RACQ Bank Board.

Level 2 Banking Group	2024 $'000	2023 $'000
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	65,500	65,500
Retained earnings	121,776	114,203
Dividends paid	(5,000)	-
Other reserves	22,166	21,390
Common Equity Tier 1 Capital	**204,442**	**201,093**
Less: prescribed deductions	(15,189)	(16,764)
Net Common Equity Tier 1 Capital	**189,253**	**184,329**
Tier 2 Capital		
Provision for future credit losses	1,353	1,240
Net Tier 2 Capital	**1,353**	**1,240**
APRA Capital base	**190,606**	**185,569**
Risk weighted assets	**1,056,710**	**1,026,728**
Tier 1 Capital Ratio	17.9%	18.0%
Tier 2 Capital Ratio	0.1%	0.1%
Total Capital Ratio	**18.0%**	**18.1%**

6. Financial instruments
6.1 Net investment income

	2024 $'000	2023 $'000
Interest income		
Financial assets at amortised cost	900	369
Financial assets at fair value through profit or loss	66,989	63,234
Dividend income		
Financial assets at fair value through other comprehensive income	884	323
Total investment interest and dividend income	**68,773**	**63,926**
Net gains / (losses) on:		
Initial recognition of retained interest in former associate as a financial asset	19,701	-
Disposal of financial assets at amortised cost	264	4
Financial assets at fair value through profit or loss	14,847	(6,443)
Net gains / (losses) on financial assets	**34,812**	**(6,439)**

Investment income is comprised of interest income on funds invested and dividend income. Interest income on assets at amortised cost is recognised using the effective interest method. Dividends and distribution income are recognised when the right to receive income is established. Net gains/(losses) on financial assets are comprised of net gain/(losses) on the disposal of financial assets and changes in the fair value of financial assets held at fair value through profit or loss.

During the year, the Group discontinued accounting for its investment in Honey Insurance Pty Ltd (Honey) using the equity method, resulting in a gain on initial recognition of the retained interest in the former associate as a financial asset. The retained equity interest in Honey has been designated as a financial asset at fair value through other comprehensive income, consistent with the Group's other investments in unlisted equities. Refer further details in Note 8.7.

6.2 Financial assets

	2024 $'000	2023 $'000
Amortised cost		
Deposits with ADIs	346,290	417,831
Financial assets mandatorily held at fair value through profit or loss		
Unit trusts	118,716	72,529
Hybrid securities	11,428	15,484
Debt securities	1,281,406	1,582,972
Financial assets designated at fair value through profit or loss		
Deposits and bills	147,511	-
Designated at fair value through OCI		
Shares in unlisted equities	33,658	12,848
Total financial assets	**1,939,009**	**2,101,664**
Current	651,027	854,501
Non-current	1,287,982	1,247,163
Total financial assets	**1,939,009**	**2,101,664**

Accounting policies for financial assets are provided in Note 6.4.

6.2.1 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).

6.2.2 Financial instruments measured at fair value

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2024				
Financial assets at fair value through profit or loss				
Unit trusts	-	118,716	-	**118,716**
Hybrid securities	11,428	-	-	**11,428**
Debt securities	10	1,281,396	-	**1,281,406**
Deposits and bills	-	147,511	-	**147,511**
Financial assets designated at fair value through OCI				
Shares in unlisted entities	-	19,701	13,957	**33,658**
	11,438	**1,567,324**	**13,957**	**1,592,719**
2023				
Financial assets at fair value through profit or loss				
Unit trusts	-	72,529	-	**72,529**
Hybrid securities	15,484	-	-	**15,484**
Debt securities	438	1,582,534	-	**1,582,972**
Financial assets designated at fair value through OCI				
Shares in unlisted entities	-	-	12,848	**12,848**
	15,922	**1,655,063**	**12,848**	**1,683,833**

There were no transfers between the levels of the fair value hierarchy during the year ended 30 June 2024 (2023: nil).

6.2.3 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 categorises them by the level in the fair value hierarchy as defined above.

	Fair value				Carrying amount
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	$'000
2024					
Financial Assets					
Financial assets at amortised cost	-	347,039	-	**347,039**	346,290
Loans and advances	-	-	2,447,015	**2,447,015**	2,442,581
		347,039	**2,447,015**	**2,794,054**	**2,788,871**
Financial Liabilities					
Deposits	-	(2,441,887)	-	**(2,441,887)**	(2,434,254)
Borrowings	-	(196,427)	-	**(196,427)**	(191,020)
		(2,638,314)	**-**	**(2,638,314)**	**(2,625,274)**
2023					
Financial Assets					
Financial assets at amortised cost	-	417,362	-	**417,362**	417,831
Loans and advances	-	-	2,146,643	**2,146,643**	2,156,330
	-	**417,362**	**2,146,643**	**2,564,005**	**2,574,161**
Financial Liabilities					
Deposits	-	(2,197,715)	-	**(2,197,715)**	(2,199,526)
Borrowings	-	(218,143)	-	**(218,143)**	(217,258)
Redeemable preference shares[1]	-	-	(500)	**(500)**	(500)
	-	**(2,415,858)**	**(500)**	**(2,416,358)**	**(2,417,284)**

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

6.2.4 Valuation approach

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

Cash and cash equivalents	The carrying values approximate their fair value as they are short term in nature or are receivable on demand.
FVOCI / FVTPL	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 in unlisted equities that are not traded on an active market, the fair value has been determined using valuation techniques that required the use of observable inputs, such as recent share transactions, or unobservable inputs. The Group uses its judgement in determining fair value, making assumptions with respect to illiquidity and potential market participants in the event the shares were to be sold.
Assets measured at amortised cost	The fair value of these assets was determined using discounted cash flow models based on the maturity of the debt instruments. The discount rates applied were based on the 30 June 2024 benchmark rates on offer for the remaining term of each instrument.
Loans and Advances	For variable rate loans, excluding impaired 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 2024 benchmark rates on offer for the remaining term of each loan.
Deposits	The net fair value for term deposits was calculated by using discounted cash flow models based upon maturity of the deposits. The discount rates applied were based on the 30 June 2024 benchmark rates on offer for the remaining term of each instrument. The fair value of non-interest bearing, at call and variable rate deposits approximates the carrying value as at 30 June 2024.
Borrowings	Borrowings are comprised of medium-term notes. The fair value was calculated by using discounted cash flow models based on the maturity of the notes. The discount rates applied were based on the 30 June 2024 benchmark rates on offer for the remaining term of each instrument.

6.3 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 outlined below

6.3.1 Overview

The Group applies a consistent and integrated approach to enterprise risk management. The Group Risk Management Framework (RMF) sets out the minimum standards and expectations for the management of financial risks across the Group. The framework comprises the Group Risk Management Strategy, Risk Appetite Statements, and policies and procedures for the management of material risks, a designated risk management function, Internal Capital Adequacy Assessment Processes, and the management information system.

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 (RACQ Bank), have overall responsibility for the establishment and oversight of the risk management framework. Each Board has established Committees which assist their respective Boards with the fulfilment of its responsibilities and to increase the effectiveness of its governance oversight of the Group:

(i) the RACQ Limited Risk and Compliance Committee (RCC) - Assists the board by providing an objective oversight of the implementation and operation of the Group's risk management frameworks to satisfactorily address the existing and emerging financial and non-financial risks of the Group.

(ii) the Group Audit Committee (GAC) - Assists the board by providing an objective review of the effectiveness of the Group's risk management framework, financial reporting and audit processes, inclusive of the system of internal controls and compliance.

(iii) the People and Purpose Committee (PPC) - Assists the boards to ensure the RACQ Group has appropriate remuneration, people, nomination and sustainability frameworks, policies and practices that creates an organisational culture in accord with RACQ's values.

To exercise their oversight of material financial risks, senior management has established a multi-layered approach consisting of:

(i) Executive oversight of all material risks for the Group through the RACQ Limited Executive Risk & Compliance Committee, supported by the Bank Executive Risk & Compliance Committee and Insurance Executive Risk & Compliance Committee.

(ii) Technical oversight of all material financial risks for the Group through:

a. Group Asset and Liability Committee (ALCO), responsible for oversight of capital and balance sheet risks including treasury credit, liquidity, funding, and market risk.

b. Insurance Portfolio Risk Committee, responsible for oversight of insurance service delivery risk, including insurance product design and pricing, distribution, claims management, reserving and reinsurance.

c. Assistance Portfolio Risk Committee, responsible for oversight of assistance service delivery risk, including roadside assistance and RACQ Auto product design and pricing, distribution, supplier/contractor management and claims management.

RACQ Group adopts a three lines of accountability model to support effective risk governance through clarity of responsibilities and independent oversight. The three lines are:

1st Line of Accountability	The business owns, identifies, understands, assesses and manages their risk and compliance, in line with policy and procedures that reflect the Board's risk appetite.
2nd Line of Accountability	Risk and Compliance functions own and maintain effective Group risk and compliance frameworks, systems and policies.
3rd Line of Accountability	Internal Audit provides independent and objective assurance over the adequacy and effectiveness of governance, risk management and internal control frameworks.

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.

6.3.2 Credit risk

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

The Group has an established Credit Risk Management Framework, which incorporates the strategies, policies and operating standards that documents how RACQ Limited identifies, measures, monitors, mitigates and reports its credit risk. The framework consists of:

Board Risk Appetite Statement (RAS)	Provides a statement of the Board's overall credit risk tolerance.
Credit Risk Management Strategy (CRMS)	Sets out the strategies, policies, processes and governance for managing credit risk within the Board's risk appetite for lending, including the key operating standards and responsibilities relating to the assessment, approval, management, reporting and monitoring of credit risk.
Liquidity Management Strategy (LMS)	Sets out the strategies, policies and processes for managing Group's exposure limits and risk concentration to investment and derivative counterparties, in accordance with the Group's risk appetite and APRA prudential standards.

Insurance Operations

Credit risk arises principally from the investment in interest-bearing securities and reinsurance contract assets. 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.

The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets as summarised in the tables below. The Group does not hold any significant collateral as security over its receivables and there are no significant concentrations of credit risk within the Group.

The following table provides information regarding the credit risk exposure of the Group's financial and reinsurance contract assets (excluding RACQ Bank) classified according to Standard & Poor's credit ratings. Short-term ratings are applied to cash and cash equivalents and long-term ratings are applied to other financial assets.

	Neither past due nor impaired					Past due but not impaired	Impaired	Total
	AAA $'000	AA+ to AA- $'000	A+ to A- $'000	Below A- $'000	Not Rated $'000	$'000	$'000	$'000
2024								
Cash and cash equivalents	47,074	-	20,241	-	16	-	-	**67,331**
Trade and other receivables								
Other current trade and other receivables	-	-	-	-	15,707	-	-	**15,707**
Non-current trade and other receivables	-	-	-	-	5,348	-	-	**5,348**
Total Trade and other receivables	**-**	**-**	**-**	**-**	**21,055**	**-**	**-**	**21,055**
Reinsurance contract assets	18,447	556,478	48,775	1,185	-	-	-	**624,885**
Debt securities	304,179	620,468	251,904	104,855	-	-	-	**1,281,406**
Deposits and bills	19,802	114,128	13,581	-	-	-	-	**147,511**
Total	**389,502**	**1,291,074**	**334,501**	**106,040**	**21,071**	**-**	**-**	**2,142,188**
2023								
Cash and cash equivalents	147,635	-	20,918	-	498	-	-	**169,051**
Trade and other receivables								
Other current trade and other receivables	-	-	-	-	28,097	-	-	**28,097**
Indirect taxes receivable	20,377	-	-	-	-	-	-	**20,377**
Total current trade and other receivables	**20,377**	**-**	**-**	**-**	**28,097**	**-**	**-**	**48,474**
Non-current trade and other receivables	-	-	-	-	3,622	-	-	**3,622**
Total Trade and other receivables	**20,377**	**-**	**-**	**-**	**31,719**	**-**	**-**	**52,096**
Reinsurance contract assets	-	570,167	76,071	1,758	605	-	-	**648,601**
Debt securities	605,453	747,849	113,680	115,990	-	-	-	**1,582,972**
Total	**773,465**	**1,318,016**	**210,669**	**117,748**	**32,822**	**-**	**-**	**2,452,720**

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

(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. Given these exposure limits, management does not expect any counterparty to fail to meet its obligations.

(ii) Reinsurance contract assets

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 a senior 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 (or equivalent) 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.

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 is the risk that members, financial institutions and other counterparties will default and be unable to meet their contractual obligations as and when they fall due, which may result in financial losses. Credit risk arises principally from the loans and advances, other financial assets at amortised cost and cash at bank.

(i) Loans and Advances

Credit risk for loans and advances is managed by way of defined credit and responsible lending policies, strict adherence with those policies before loans are approved, proactive management of arrears or defaults in the repayment of loans thereafter and active monitoring of the quality of the loan portfolio on an ongoing basis. Credit Delivery is embedded within the first line.

RACQ Bank has a dedicated Credit Policy and Review team, as part of the second line. The CRMS has been endorsed by the RACQ Bank Board 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.

The Bank Credit Risk Committee (BCRC) reviews and implements the CRMS in line with risk appetite limits, monitors RACQ Bank's credit risk profile and provides recommendations of credit-related matters to the Bank Risk and Compliance 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, interest-only, high loan-to-value ratio lending and high Debt-to-income (DTI) ≥6 times;
- Reassessment and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and advances;
- Hardship and debt recovery procedures; and
- Review of compliance with the above policies by the RACQ Bank second line Credit Policy and Review team.

During the previous financial year, BCRC implemented appropriate risk-based enhancements to the credit policy to maintain and manage the current risk environment.

Maximum Credit Risk Exposure

RACQ Bank's maximum exposures to credit risk at the end of the reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Balance Sheet, except loans and advances, where the maximum credit risk is $2,480.5 million (2023: $2,202.4 million). In adopting these values as the maximum exposures, this does not consider the value of any collateral or other security held in the event other parties fail to perform their obligations under the financial instruments in question.

Further, these values do not consider the value of financial liabilities that carry a legally recognised right of set-off against certain financial assets.

Credit quality analysis

Loan-to-valuation (LVR) ratios – Residential mortgage lending

Gross carrying amount 2024	ECL Stage 1 $'000	ECL Stage 2 $'000	ECL Stage 3 $'000	Total $'000
LVR 0% - 60%	1,113,927	2,687	2,380	**1,118,994**
LVR 60.01% - 80%	920,542	4,658	3,249	**928,449**
LVR 80.01% - 90%	208,423	1,067	1,354	**210,844**
LVR 90.01% - 100%	61,745	-	879	**62,624**
LVR > 100%	-	-	-	**-**
	2,304,637	**8,412**	**7,862**	**2,320,911**
2023	**$'000**	**$'000**	**$'000**	**$'000**
LVR 0% - 60%	823,867	1,020	1,040	**825,927**
LVR 60.01% - 80%	874,893	2,751	1,206	**878,850**
LVR 80.01% - 90%	241,181	1,831	1,679	**244,691**
LVR 90.01% - 100%	84,904	-	1,177	**86,081**
LVR > 100%	5,141	-	-	**5,141**
	2,029,986	**5,602**	**5,102**	**2,040,690**

Valuation amounts used in these calculations are based on the latest security values, which are obtained at the time the loans were originated or other times in accordance with credit policy.

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.

Details on how impairment provisions are considered on loans that are past due or impaired are outlined in Note 5.3.

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

	2024 $'000	2023 $'000
Performing loans	2,384,467	2,108,141
Past due but not impaired	58,267	48,726
Collective provision for impairment	(1,567)	(1,384)
Net performing and past due loans not impaired	**2,441,167**	**2,155,483**
Gross impaired loans	626	444
Specific provision for impairment	(586)	(430)
Net impaired loans	**40**	**14**
Unamortised loan fees	1,374	833
Net loans and advances	**2,442,581**	**2,156,330**

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

Gross carrying amount	1-29 days $'000	30-89 days $'000	90-179 days $'000	>=180 days $'000	Total $'000
2024					
Past due but not impaired	43,433	6,595	3,779	4,460	**58,267**
2023					
Past due but not impaired	40,330	3,023	3,324	2,049	**48,726**

Collateral management

Collateral is used to mitigate credit risk as the secondary source of repayment in case the borrower cannot meet their contractual repayment commitments. The amount of collateral obtained, if deemed necessary at origination of a loan, is based on RACQ Bank's credit policy.

94.8% (2023: 94.5%) of the Group's loans and advances are residential mortgage loans, secured by residential property in Australia. The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security. Residential Lenders Mortgage Insurance (LMI) is obtained by RACQ Bank in order to cover any shortfall in the outstanding loan principal and accrued interest after selling the collateral post-default. In accordance with RACQ Bank's credit policy, LMI is generally required for new residential mortgage loan with an LVR in excess of 80%. The financial effect of these measures is that the residual credit risk on residential mortgage loans is significantly reduced.

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

	2024 $'000	2023 $'000
Loans and advances with collateral	2,429,250	2,143,001
Loans and advances with no collateral	14,110	14,310
Total gross loans and advances	**2,443,360**	**2,157,311**

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 enters default or when the member seeks a variation to the loan contract.

In the event of borrower default, the Group can take possession of security held as collateral against the outstanding principal and accrued interest. Any loan security for residential mortgages is held as mortgagee in possession while the Group seeks to realise its value through the sale of the property. Therefore, the Group does not hold any real estate acquired through the repossession of collateral.

Concentration risk

Concentration risk is a measurement of the Group's exposure to an individual counterparty (or group of related counterparties). The Group minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of individual members.

Concentration risk is also managed in accordance with the Prudential Standards issued by APRA. An exposure to an individual counterparty (or group of related counterparties) is considered a large exposure when it exceeds 10% of RACQ Bank's regulatory capital. No additional capital is required to be held against these, but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark to be higher than acceptable.

RACQ Bank holds no significant concentrations of exposures to members.

RACQ Bank has a concentration of loans to members employed in the education industry. This concentration has arisen as RACQ Bank was originally formed to service these members. Loans and advances to members employed in the education industry amounted to $493.1 million or 20% of gross loans and advances (2023: $486.4 million or 23%). The concentration is considered acceptable on the basis that RACQ Bank was originally established to service the education industry, the industry is essential and stable, and the concentration is diversified amongst many employers, including government.

All loan and advances are within Australia with the major exposure being to home loans in Queensland, reflecting 96.6% (2023: 98.0%) of total home loans. These exposures are segmented according to major population centres and regions in Queensland.

Other financial assets at amortised cost

Credit risk in relation to liquid investments is the risk that the investment counterparty will fail to discharge their contractual obligation resulting in the Group incurring a financial loss.

The Group has a low appetite for credit risk in the liquidity investment portfolio, which is held in high quality liquid assets in accordance with RACQ Bank's Liquidity Management Strategy approved by the RACQ Bank Board.

The risk of credit losses is reduced by the liquid nature and high quality of the investments in the portfolio and the use of independent credit ratings to inform decisions regarding limits to individual counterparties and maximum exposures to credit grade bands.

RACQ Bank's Asset and Liability Committee (ALCO) oversees the management of credit risk in the liquidity investment portfolio in accordance with the Liquidity Management Strategy.

RACQ Bank uses the credit ratings of reputable ratings agencies to assess the credit quality of all liquid investment exposures using the credit quality assessment scale in APRA Prudential Standard 112 Capital Adequacy: Standardised Approach to Credit Risk. All liquid investments are required to be with financial institutions with a minimum Standard & 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 (RBA).

The carrying values (net of expected credit loss provision) of liquid investments associated with each credit quality category for RACQ Bank are listed below.

Standard & Poor's long-term rating or equivalent	2024 $'000	2023 $'000
ADIs – rated AA- and above	278,734	280,571
ADIs – rated A- and above, but below AA-	47,005	103,705
ADIs – rated BBB- and above, but below A-	77,709	71,789
Total	**403,448**	**456,065**

6.3.3 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.

The Group has an established liquidity risk management framework, which incorporates the strategies, policies, plans and operating standards that document how the Group identifies, measures, monitors, mitigates and reports its liquidity risk. The framework consists of:

Risk Appetite Statement (RAS)	Provides a statement of the Board's overall funding and liquidity risk tolerance.
Liquidity Management Strategy (LMS)	Sets out the strategies, policies, and processes for managing liquidity and funding risk within the board's risk appetite, including the key operating standards and responsibilities relating to the management, reporting, and monitoring of funding sources and liquidity governance.
Contingency Funding Plan	Sets out the formal contingency funding plan articulating the available contingency funding sources, their timeliness and amounts available to the Group and the escalation and prioritisation process to utilise contingent funding sources in a timely manner across a variety of scenarios.

The Board is ultimately responsible for the sound and prudent management of the Group's liquidity risk. All elements of the liquidity risk management framework are reviewed on an annual basis and approved by the Board.

Insurance operations

The assets backing insurance liabilities consist of government securities and other quality securities which can 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 scenario and stress testing;
- 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.

RACQ Bank's self-securitisation vehicle, the Arrow Funding Trust, has issued Residential Mortgage-Backed Securities (RMBS) to RACQ Bank 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. The facility limit for the RMBS is outlined in Note 5.5.1.

The following table represents the Group's 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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Financial Liabilities												
Deposits	2,434,254	2,199,526	2,451,918	2,214,080	1,583,085	1,460,139	333,380	273,264	514,016	456,642	21,437	24,035
Borrowings[1]	191,020	217,258	209,634	233,696	1,020	671	1,804	58,590	62,729	44,693	144,081	129,742
Trade & other payables												
Redeemable preference shares	-	500	-	500	-	-	-	-	-	500	-	-
Trade & other payables	83,274	126,089	83,274	126,090	73,931	114,716	721	692	2,936	2,900	5,686	7,782
Total trade & other payables	**83,274**	**126,589**	**83,274**	**126,590**	**73,931**	**114,716**	**721**	**692**	**2,936**	**3,400**	**5,686**	**7,782**
Total Financial Liabilities	**2,708,548**	**2,543,373**	**2,744,826**	**2,574,366**	**1,658,036**	**1,575,526**	**335,905**	**332,546**	**579,681**	**504,735**	**171,204**	**161,559**
Off-balance sheet positions												
Undrawn commitments	343,621	340,879	343,621	340,879	343,621	340,879	-	-	-	-	-	-

[1] The Group holds a standby facility agreement with National Australia Bank, providing access to an approved limit of $40 million expiring 31 October 2025, secured against the Group's land and buildings. The amount drawn at 30 June 2024 was $nil (2023: $nil)

The following table summarises the expected maturity profile of the present value of future cash flows within the Group's insurance contract liabilities. The net liability for remaining coverage of contracts measured under the premium allocation approach is excluded from the below.

2024	Less than 1 year $'000	1 – 3 years $'000	3 – 5 years $'000	More than 5 years $'000	Total $'000
Liabilities for incurred claims	624,554	362,689	141,288	76,557	**1,205,088**
2023					
Liabilities for incurred claims	533,020	402,184	156,690	81,036	**1,172,930**

6.3.4 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 and insurance contracts.

The Board of Directors 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 and Board of Directors. The ALCO of RACQ Bank is responsible for capital and balance sheet risk including treasury credit, liquidity and market risk.

(i) Interest rate risk

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 contracts. Movements in investment income on assets backing insurance contracts broadly offset the impact of movements in discount rates on the insurance contracts.

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 insurance contract 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.

The impact of a 1% increase or decrease in interest rates on interest-bearing financial assets and the corresponding impact of a 1% increase or decrease on – net liability for incurred claims and ARC is shown in the table below.

Impact of changes in key variables	Movement in Variable	Profit/(Loss) after tax (gross) and Equity 2024 $'000	2023 $'000
Interest rate movement – interest - bearing financial assets	+1%	14,571	16,578
	-1%	(14,571)	(16,578)
Discount rate movement – net liability for incurred claims and ARC	+1%	5,546	6,387
	-1%	(5,802)	(6,688)

Further information relating to the sensitivity of net liability for incurred claims is provided in Note 4.4

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 to estimate the level of interest rate risk within the portfolio. The Board has approved limits for the maximum tolerable exposure to market risk. There have been no significant changes to RACQ Bank's exposure to market risk in the reporting period.

VaR measures the theoretical loss in the economic value of the balance sheet based on historical movements in interest rates. The VaR Model uses a historical simulation approach with underlying assumptions of the model including a 20-day (2023: 20-day) holding period at a 99% (2023: 99%) confidence level for a 1500-day (2023: 1500-day) observation period.

RACQ Bank	2024 $'000	2023 $'000
VaR Exposure at the end of the financial year	944	1,198
Average VaR exposure during the financial year	1,235	1,488

Derivative financial instruments and hedge accounting

As part of its financial risk management, RACQ Bank uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks.

(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 equity, hybrid and unit trust securities classified as FVOCI and FVTPL financial assets.

Price risk is managed by incorporating a diverse holding of liquid securities. Movements in global markets of +/- 1% (2023: +/- 1%) from the 30 June 2024 indexes, with all other variables held constant, would result in net surplus increasing/decreasing by $0.9 million (2023: $0.6 million) after tax and the investment revaluation reserve increasing/decreasing by $0.2 million (2023: $0.1 million) after tax.

6.3.5 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.

The Royal Automobile Club of Queensland Limited has entered into a Deed of Support with its subsidiaries, RACQ Insurance Limited and Members Banking Group Limited, to provide additional capital, if and to the extent it is required for the subsidiary to maintain its capital adequacy in accordance with the externally imposed capital requirements as set by APRA. Further details on the regulated entities' approach to capital management are outlined in Note 4.7 for insurance operations and Note 5.6 for banking operations.

6.4 Accounting policies for financial assets and financial liabilities

Non-derivative financial assets

Initial recognition and measurement

Financial assets are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15 *Revenue from Contracts* with Customers. Refer to the accounting policies in note 8.1.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. The assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, the Group has financial assets in the following categories:

- Financial assets at amortised cost (deposits with ADIs);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses through profit or loss upon derecognition (equity instruments);
- Financial assets mandatorily held at fair value through profit or loss; and
- Financial assets designated at fair value through profit or loss.

(i) Financial assets at amortised cost (deposits and bills)

The Group's financial assets at amortised cost include trade receivables, selected notes and deposits with ADIs. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Financial assets at fair value through other comprehensive income (OCI)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial instruments* presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains or losses on these instruments are never recycled to profit or loss and are recognised directly in OCI and presented within equity in the investment revaluation reserve. Dividends are recognised as investment income in the Surplus/(Deficit) for the year when the right of payment has been established except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has elected to classify irrevocably its listed and non-listed equity investments, except for assets backing insurance liabilities and equity-accounted investees under this category.

(iii) Financial assets mandatorily at fair value through profit or loss

Financial assets mandatorily held at fair value through profit or loss include financial assets held for trading, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets mandatorily held at fair value through profit or loss are carried in the Consolidated Balance Sheet at fair value with net changes in fair value recognised in the Surplus/(Deficit) for the year.

(iv) Financial assets designated at fair value through profit or loss

Notwithstanding the criteria for deposits and bills to be classified at amortised cost or at fair value through OCI, as described above, deposits and bills may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. The Group has elected to classify deposits and bills backing general insurance liabilities as financial assets designated at fair value through profit or loss.

(v) Trade and other receivables

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15. Refer to the accounting policies in note 8.1 for Revenue from contracts with members.

(vi) Impairment of financial assets at amortised cost (excluding loans and advances)

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

6.5 Accounting policies for reserves

(i) Investment revaluation reserve

The investment revaluation reserve records changes in fair value of financial assets at fair value through other comprehensive income.

(ii) Merger reserve

The merger reserve was established when the Group acquired QT Mutual Bank Limited in financial year 2017 and records the excess of the fair value of assets acquired over the liabilities assumed at the time of the merger.

7. Other assets and liabilities

7.1 Property, plant and equipment

	Freehold land $'000	Buildings and leasehold improvements $'000	Plant and equipment $'000	Capital works in progresss $'000	Total $'000
At 30 June 2024					
Cost	13,128	146,737	36,699	5,778	**202,342**
Accumulated depreciation	-	(51,009)	(17,293)	-	**(68,302)**
Net book value at 30 June 2024	**13,128**	**95,728**	**19,406**	**5,778**	**134,040**
Year ended 30 June 2024					
Opening net book value	13,128	100,705	20,152	3,305	**137,290**
Additions	-	1,463	4,519	5,557	**11,539**
Disposals	-	(39)	(932)	-	**(971)**
Transfers	-	611	2,473	(3,084)	**-**
Depreciation	-	(7,012)	(6,806)	-	**(13,818)**
Net book value at 30 June 2024	**13,128**	**95,728**	**19,406**	**5,778**	**134,040**
At 30 June 2023					
Cost	13,128	153,251	50,833	3,305	**220,517**
Accumulated depreciation	-	(52,546)	(30,681)	-	**(83,227)**
Net book value at 30 June 2023	**13,128**	**100,705**	**20,152**	**3,305**	**137,290**
Year ended 30 June 2023					
Opening net book value	13,128	100,596	21,896	3,432	**139,052**
Additions	-	5,182	5,606	3,303	**14,091**
Disposals	-	(225)	(957)	-	**(1,182)**
Transfers	-	1,973	1,457	(3,430)	**-**
Depreciation	-	(6,821)	(7,850)	-	**(14,671)**
Net book value at 30 June 2023	**13,128**	**100,705**	**20,152**	**3,305**	**137,290**
Remaining useful life	Indefinite	40 years or lease term, if shorter	2 – 20 years	n/a	

In April 2024, the Group commenced an Expression of Interest (EOI) campaign for the potential sale of the building held at 60 Edward Street, located in Brisbane CBD. As at 30 June 2024, the property continues to be presented within Property, Plant and Equipment as it does not meet the requirements to be classified as a non-current asset held for sale.

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

(ii) 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.

7.2 Goodwill and other intangible assets

	Goodwill $'000	Customer relationships $'000	Outstanding claims fair value adjustment $'000	Software $'000	Software in development $'000	Total $'000
Year ended 30 June 2024						
Opening net book value	241,756	29	471	17,656	4,306	**264,218**
Additions	-	-	-	-	14,512	**14,512**
Transfers	-	-	-	15,712	(15,712)	**-**
Amortisation	-	(12)	(126)	(7,697)	-	**(7,835)**
Net book value at 30 June 2024	**241,756**	**17**	**345**	**25,671**	**3,106**	**270,895**
Year ended 30 June 2023						
Opening net book value	241,756	42	640	26,749	1,454	**270,641**
Additions	-	-	-	-	8,378	**8,378**
Transfers	-	-	-	5,526	(5,526)	**-**
Amortisation	-	(13)	(169)	(14,619)	-	**(14,801)**
Net book value at 30 June 2023	**241,756**	**29**	**471**	**17,656**	**4,306**	**264,218**
Maximum remaining useful life	Indefinite	4 years	5 years	5 years	n/a	

7.2.1 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units (CGU) as follows:

	2024 $'000	2023 $'000
General insurance	238,208	238,208
Other CGUs	3,548	3,548
Carrying amount of goodwill	**241,756**	**241,756**

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.

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

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal (FVLCD) and value in use (VIU). These calculations are 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 the consolidated statement of other comprehensive income. 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.

For the year ended 30 June 2024, no impairment of goodwill has been recognised (2023: $nil).

General insurance

For the current financial year, the recoverable amount of the Insurance CGU has been determined on a FVLCD basis (2023: FVLCD basis), calculated using a discounted cash flow model. The cash flow forecasts used in the fair value assessment were derived from financial forecasts for FY25 to FY27, approved by the Board of Directors, projected to FY29 and adjusted where necessary to reflect a market participant's view. The fair value derived from the discounted cash flow was then compared to a range of market multiples relevant to the insurance industry to ensure consistency with comparable organisations. The fair value assessment requires 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 the recoverable amount are as follows:

	Discount rate (post-tax)		Terminal growth value		PCA Target		Forecast combined ratio (average)	
	2024	2023	2024	2023	2024	2023	2024	2023
	%	%	NPAT multiple	Growth rate %	Times	Times	%	%
General insurance	10.25	10.00	2.5	12.0x	1.95	1.95	96.3	89.4

- The discount rate is a post-tax measure estimated based on the historical industry weighted average cost of capital. The pre-tax equivalent discount rate is 13.52% (2023: 13.16%)
- Cash flow forecasts include specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate into perpetuity has been determined such that it does not exceed the long-term average growth rate for the industry.
- The PCA target reflects management's estimate of a market participant's view, with access to capital markets, and is based on the average capital targets from a range of comparable industry participants.
- The forecast combined ratio includes key assumptions for changes in gross earned premium, a market participant's view of reinsurance costs, net incurred claims and operating expenses and is based on past experience, with adjustments for external sources of information or where future activities are expected to differ materially from past performance.
- The costs of disposal are estimated at 3% of the equity value.

The fair value assessment of the Insurance CGU is classified as Level 3 under the AASB 13 *Fair Value Measurement* hierarchy as the main valuation inputs outlined above are unobservable.

As at 30 June 2024, the recoverable amount of the Insurance CGU exceeded its carrying amount using a FVLCD approach. Management performed additional sensitivity testing including changing key assumptions and running additional scenarios which supported that no impairment is required in the current financial year.

Other CGUs

The value of goodwill allocated to the CGUs for Automotive Assistance Services (AAS) and RACQ Mobility Centre of Excellence (MCE) is not significant in comparison to the Group's total carrying amount of goodwill. The recoverable amount for the AAS CGU is determined based on a value in use approach. The recoverable amount for the MCE CGU is determined based on fair value less cost of disposal, supported by an external valuation.

Accounting policies

(i) Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment.
Research and development	Expenditure on research activities is recognised in surplus as incurred. 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 Group's internal 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 net surplus as incurred.
Software	*Software assets* Software assets include acquired or internally generated software. These assets have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment. *Software-as-a-Service (SaaS) arrangements* SaaS arrangements are arrangements in which the Group does not control the underlying software used in the arrangement. Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates. Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are recognised as expenses over the duration of the SaaS contract.
Other intangible assets	Other intangible assets include those acquired in a business combination (customer relationships, core deposits and outstanding claims fair value adjustment) and are recognised at its fair value at acquisition date. These assets have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment.

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

7.3 Employee benefits

7.3.1 Employee benefits expense

Employee benefits expense presented below has been incorporated in the consolidated statement of comprehensive income within the line items 'Insurance service expense' and 'Other employee benefits expense'.

	2024 $'000	2023 $'000
Wages and salaries and other staff costs	271,998	268,474
Defined contribution superannuation expenses	26,853	24,375
Total employee benefits expense	**298,851**	**292,849**
Represented by:		
Insurance service expense	82,301	76,391
Other employee benefits expense	216,550	216,458
Total employee benefits expense	**298,851**	**292,849**

7.3.2 Employee benefits liabilities

	2024 $'000	2023 $'000
Liability for annual leave	18,164	17,833
Liability for long service leave	19,382	18,761
Other employee benefit liabilities	16,461	16,222
Total employee benefit liabilities	**54,007**	**52,816**
Current	44,240	44,791
Non-current	9,767	8,025
Total employee benefit liabilities	**54,007**	**52,816**

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 are provided.

7.4 Transactions with related parties

7.4.1 Key management personnel compensation

	2024 $	2023 $
Short-term employee benefits	4,028,342	4,316,406
Post-employment benefits	222,307	254,381
Other long-term benefits	614,653	548,232
Termination & other benefits	264,695	-
Total key management personnel compensation	**5,129,997**	**5,119,019**

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The roles considered KMP for the year ended 30 June 2024 are the Directors of the Company, the Managing Director & Group Chief Executive Officer and the Chief Financial Officer. The number of roles considered KMP as at 30 June 2024 is 10 (30 June 2023: 9 roles).

7.4.2 Transactions with KMP and their close family members

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 and RACQ Bank, on the same terms and conditions as those obtained by Company employees and are trivial or domestic in nature.

The table below presents loans and overdrafts issued by RACQ Bank to KMP and their close family members as at 30 June 2024

	2024 $	2023 $
The aggregate gross carrying amount of loans	1,645,921	549,461
The aggregate amount of revolving and other credit facilities (including redraws) available	-	-
Provision for impairment	(60)	(22)
Interest earned on loans and revolving credit facilities during the year	29,340	12,507

All loans and overdrafts to KMP and their close family members have been undertaken on normal terms and conditions in accordance with RACQ Bank's standard lending policies. There are no loans with KMP and their close family members that are greater than ninety days past due or impaired as at the end of the financial year. All loans are classified as Stage 1 within the ECL methodology. No loans have been written off during the financial year.

The table below presents deposits held in RACQ Bank by KMP and their close family members as at 30 June 2024:

	2024 $	2023 $
The aggregate carrying amount of deposits	93,352	542,350
Total interest paid on these deposits during the year	9,324	9,732

RACQ Bank's policy for receiving deposits from KMP and their close family members is that transactions are approved, deposits accepted and interest paid on terms and conditions that are no more favourable that those available to members of RACQ.

Other sales to and purchases from related parties including KMP are made on terms equivalent to those that prevail in arm's length transactions. Other outstanding balances at reporting date are unsecured and interest free and settlement occurs in cash.

7.4.3 Transactions with associates and joint ventures

Various transactions occur between the Group and minority owned entities, details of which are as follows:

	(Revenue) / Expense		Receivable / (Payable)	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Provision of services				
Joint ventures	(1,356)	(1,387)	3,085	2,097
Associates	(50)	(41)	5	-
Other related parties	(288)	(59)	4,031	4,856
Purchase of services				
Joint ventures	621	1,246	-	(19)
Associates	25,902	14,999	-	(9,141)
Other related parties	5,800	4,972	-	-
Capital contribution to associates	**-**	**-**	**-**	**-**
Dividend income from associates	**1,572**	**3,191**	**-**	**-**
Interest income from other related parties	**(396)**	**(227)**	**55**	**35**

The Group holds a 33.3% interest in Australian Club Consortium Pty Ltd which wholly owns ACC CAD Pty Ltd (ACC CAD). ACC CAD has entered into several agreements with third party suppliers under which ACC CAD has procured software, products and services for an on behalf of the other participating automobile clubs to implement and support the Common Australian Roadside Solution (CARS). Under a Shareholders agreement between ACC CAD and each participating automobile club, each participant is required to enter into a user agreement with ACC CAD in respect of the use of CARS. Shareholder loan agreements are in place to provide funding to ACC CAD. The loan repayment term is 10 years with interest calculated monthly on the outstanding principal balance based on the Bank Bill Swap rate (BBSW) plus 2%. Interest is fixed between each repayment date (six monthly) and is reset at each repayment date (six monthly).

The Group has a contract for services agreement with Members Travel Group Pty Ltd in which RACQ provides corporate support to the joint venture. The contract covers IT services, marketing and digital support. The transactions are charged under normal commercial terms.

The Group has agreements with GEM Energy Australia Pty Ltd (GEM) in which RACQ provides corporate support to the joint venture. The corporate support covers administration, brand and marketing and IT support which are charged under commercial terms. Shareholder loan agreements are in place to provide working capital funding to GEM. The loans are short-term with interest calculated quarterly on the outstanding principal balance based on the Reserve Bank of Australia Cash Rate Target plus 0.5%.

7.5 Income tax
7.5.1 Income tax expense

Income tax expense comprises current and deferred tax and is recognised in the Consolidated statement of comprehensive income, 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 2001* to pay dividends and accordingly is unable to utilise or distribute the franking account credits.

The components of income tax (benefit) / expense are:

	2024 $'000	2023 $'000
Recognised in net surplus		
Current tax expense		
Current tax movement	1,696	(5,566)
Adjustments in respect of previous year	(28)	(1,354)
Total current tax expense/(benefit)	**1,668**	**(6,920)**
Deferred tax		
Origination and reversal of temporary differences	28,826	1,024
Total deferred income tax expense	**28,826**	**1,024**
Total income tax expense/(benefit)	**30,494**	**(5,896)**
Deferred tax recognised directly in equity		
Relating to equity investments designated at FVOCI	333	(956)
Total income tax expense/(benefit) recognised directly in equity	**333**	**(956)**

7.5.2 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:

	2024 $'000	2023 $'000
Prima facie tax expense / (benefit) calculated at 30% (2023: 30%)	31,130	(7,123)
Adjust for tax effect of:		
- Non-deductible expenses	503	3,812
- Assessable income	1,839	728
- Non-assessable income	-	(541)
- Tax offset for franked dividends	(1,257)	(2,078)
- Recognition of previously unrecognised (derecognition of previously recognised) deductible temporary differences	(2,130)	67
- Prior year under/(over) provision	409	(761)
Income tax expense / (benefit) on net surplus/deficit	**30,494**	**(5,896)**

7.5.3 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 when there is a legally enforceable right to offset and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilties		Net	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Property, plant and equipment and intangibles	12,054	15,061	(885)	(950)	**11,169**	**14,111**
Trade and other payables	3,056	4,244	-	-	**3,056**	**4,244**
Financial assets	4,024	9,471	(9,374)	(4,496)	**(5,350)**	**4,975**
Claims handling costs on outstanding claims	23,754	23,882	-	-	**23,754**	**23,882**
Insurance contract liabilities	347	1,725	(7,636)	(9,575)	**(7,289)**	**(7,850)**
Employee benefits	11,592	10,978	-	-	**11,592**	**10,978**
Provisions	13,271	31,557	-	-	**13,271**	**31,557**
Other items	4,178	5,745	(1,564)	(2,623)	**2,614**	**3,122**
Tax offsets carried forward	5,719	-	-	-	**5,719**	-
Tax losses recognised	9,121	11,797	-	-	**9,121**	**11,797**
Deferred tax assets / (liabilities)	**87,116**	**114,460**	**(19,459)**	**(17,644)**	**67,657**	**96,816**
Set off of tax	(19,349)	(7,941)	19,349	7,941	-	-
Net deferred tax assets / (liabilities)	**67,767**	**106,519**	**(110)**	**(9,703)**	**67,657**	**96,816**

The deferred tax assets and liabilities recognised for the 2023 income year reflect the income tax implications on the adoption of AASB 17 by RACQ Insurance. Current year balances have been determined in accordance with Schedule 6 of the Treasury Laws Amendment (Support for Small Business and Charities and Other Measures) Bill 2023 which has been enacted as at 30 June 2024.

The deferred tax liabilities disclosed for 2023 include the tax effect accounted for the income tax payable arising upon adopting AASB 17 and being deferred to future income years.

Tax losses carried forward

The deferred tax assets for the Group include an amount of $5.7 million (2023: $11.8 million) which relates to carry forward tax losses within the controlled entities of the Group. These entities had incurred tax losses in recent years, however, have returned to profitability. Deferred tax assets will be recoverable using the estimated future taxable income based on the Board approved budget and forecasts for the Group. The losses can be carried forward indefinitely and have no expiry date. On this basis, it is considered probable that future taxable profits are available against which such losses can be used.

8. Other notes
8.1 Revenue from contracts with members
8.1.1 Disaggregation of revenue from contracts with members

The Group derives revenue from the transfer of goods and services over time and at a point in time from:

	2024 $'000	2023 $'000
Revenue from sale of goods	52,105	45,131
Revenue from assistance activities	212,344	195,368
Trade towing revenue	8,135	9,284
Rental revenue	4,077	4,478
Advertising revenue	1,123	1,521
Other fee and commission revenue	7,866	6,717
Total	**285,650**	**262,499**
Timing of revenue recognition		
At a point in time	72,910	65,474
Over time	212,740	197,025
Total	**285,650**	**262,499**

8.1.2 Assets and liabilities related to contracts with members

The Group has recognised the following assets and liabilities related to contracts with members:

	2024 $'000	2023 $'000
Trade and other receivables	7,871	7,636
Expected credit loss	(115)	(115)
Net trade and other receivables	**7,756**	**7,521**
Contract liabilities	(95,459)	(91,286)

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in the given year.

	2024 $'000	2023 $'000
Revenue recognised in the current period that was included in the contract liability balance at the beginning of the period		
Assistance activities	91,286	85,813

Accounting policies

The majority of revenue from assistance activities is derived from the sale of roadside assistance policies. Member subscriptions for policies are fixed and received in advance, giving rise to contract liabilities for the unexpired period of the subscription term. The earned portion of subscriptions received is recognised as revenue evenly over the life of the underlying policy (usually one year) and deducted from contract liability balances.

Revenue from the sale of goods is derived from the sale of products that complement assistance services, and is recognised at the point in time when control of the products has transferred to the customer, being the time when the products are delivered.

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.

The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense incremental costs to obtain the subscription because the amortisation period of the asset that the Group otherwise would have used is one year or less.

8.2 Provisions and contingent liabilities

8.2.1 Provisions

	Member remediation provision $'000	Other provisions $'000	Total $'000
Balance at the beginning of the financial year	**242,086**	**28,172**	**270,258**
Additions	-	7,111	7,111
Provisions used during the year	(173,011)	(11,542)	(184,553)
Release of provision	(38,096)	(371)	(38,467)
Balance at the end of the financial year	**30,979**	**23,370**	**54,349**
Current	30,979	22,646	53,625
Non-current	-	724	724
Balance at the end of the financial year	**30,979**	**23,370**	**54,349**

Accounting policies

RACQ Group recognises provisions when:

- There is a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the Group's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable, or where the obligation is probable, but the financial impact of the event is unable to be reliably measured.

Where it is determined that the disclosure of information in relation to a contingent liability can be expected to prejudice the position of the RACQ Group in a dispute, accounting standards allow the RACQ Group not to disclose such information.

From time to time the RACQ Group may be subject to various claims and litigation from third parties in the normal course of its business. The directors have given consideration to such matters which are or may be subject to claims or litigation at year end and are of the opinion that any such liabilities arising over and above what has already been provided for in the financial statements from such action is not considered material.

Member remediation provision

In 2022, the Group recognised a provision to remediate members following the ASIC pricing promises review. The provision comprised amounts for customer refunds, interest attributable and other administrative costs and obligations as a result of the remediation program. In estimating the amounts recognised, assumptions were made based on the findings of the review, which represented management's best estimate of the costs of settling the identified matters.

During the year, the Federal Court imposed a civil penalty of $10 million plus costs on RACQ Insurance Limited for contraventions of the *ASIC Act*. The Group had anticipated this penalty and provisioned accordingly in the 2023 financial statements, with payment made in the current year.

RACQ has processed $158.5 million in refunds to eligible members since the program commenced and is considered substantially complete as at 30 June 2024. The remaining provision relates to eligible member refunds that have not yet been claimed and paid, interest attributable and other administrative costs remaining to close the remediation program.

Other provisions

In response to the ASIC pricing promises review, the board committed to the establishment of a Risk Transformation Program (RTP) to undertake a comprehensive review of RACQ's risk management practices, processes and systems. This program was in addition to the significant investment committed for an uplift in systems and processes to deliver improved outcomes for members, stronger risk management, simplified products, and easier processes for employees.

In 2023, the Group recognised a provision of $16.0 million, representing management's best estimate of the incremental costs to undertake the RTP, which are not associated with the ongoing activities of the Group.

As at 30 June 2024, the Group has reviewed the assumptions underlying the estimates based on latest information, and program delivery progress, with the provision remaining appropriate to complete the program.

8.2.2 Contingent liability

As at 30 June 2024, RACQ had no contingent liabilities.

From time to time in the ordinary course of business, RACQ receives enquiries from various regulators and government bodies. RACQ cooperates fully with all enquiries and these enquiries do not require disclosure in their initial state, however, should RACQ become aware that an enquiry is developing further or if any regulatory or government action is taken against the Group, appropriate disclosure is made in accordance with the relevant accounting standards.

From time to time, RACQ is also subject to various claims and litigation from third parties during the ordinary course of its business. The directors of RACQ have given consideration to such matters which are or may be subject to claims or litigation at year end and, unless specific provisions have been made, are of the opinion that no material contingent liability for such claims of litigation exists.

8.3 Notes to the consolidated statement of cash flows
8.3.1 Reconciliation of cash flows from operating activities

	2024 $'000	2023 $'000
Surplus/(Deficit) for the year	**73,271**	**(17,851)**
Add/(less) items classified as investing activities		
(Gain)/loss on disposal of business assets	641	666
Investment (income)/losses	(35,696)	12,565
Investment interest income	(6,506)	(2,600)
Rental income	(3,994)	(3,446)
Add/(less) non-cash items		
Impairment loss on loans and advances	291	172
Other non-cash items	3,812	(1,514)
Depreciation and amortisation expense	26,352	33,880
Share of profit in associates and joint ventures	(900)	(1,110)
Net release of remediation and other provisions	(27,035)	-
Net cash from operating activities before change in operating assets and liabilities	**30,236**	**20,762**
Changes in operating assets and liabilities		
Trade and other receivables	9,356	(26,038)
Reinsurance contract assets	29,246	(141,919)
Loans and advances	(286,541)	(64,487)
Other assets	1,431	2,811
Contract liability	4,172	5,473
Trade and other payables	(29,560)	9,834
Insurance contract liabilities	(86,275)	(134,003)
Deposits	234,728	4,999
Provision for employee benefits	616	8,739
Deferred tax balances	29,159	24,374
Income tax receivable	6,845	29,738
Provisions	(188,874)	31,686
Net cash flows from operating activities	**(245,461)**	**(228,031)**

8.3.2 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.

Cash and cash equivalents include restricted balances of $31.6 million (2023: $37.5 million) relating to the activities of RACQ Bank's self-securitisation vehicle (Arrow Funding Trust No 1.) which operates as a contingent liquidity facility and are not available to the Group.

8.4 Commitments

Capital commitments

Commitments not provided for in the financial statements and payable:	<1 Year $'000	1-5 Years $'000	5+ Years $'000	Total $'000
2024				
Capital commitments	7,804	494	-	**8,298**
2023				
Capital commitments	16,098	1,500	-	**17,598**

The above table reflects the Group's contractual commitments for the acquisition of property, plant and equipment and intangible assets as at 30 June 2024, but not provided for in the consolidated balance sheet.

As part of the purchase agreement of the identifiable assets of the Mt Cotton Driver Training Centre from the State of Queensland, the Group committed to spend a total of $14.7 million of capital investment over five years. As at 30 June 2024, the remaining committed capital investment is $4.4 million (2023: $5.6 million).

Credit commitments and guarantees

Credit commitments and guarantees that have been approved but not funded or drawn at the end of the financial year were as follows::

	2024 $'000	2023 $'000
Loans approved but not funded	37,138	45,045
Undrawn overdraft and line of credit facilities	63,936	68,723
Amounts available for redraw	238,840	223,404
Guarantees	3,707	3,707
	343,621	**340,879**

These commitments and guarantees would be recognised as loans and advances on the occurrence of the contingent event. Undrawn overdrafts, line of credit facilities and amounts available for redraw are revocable at RACQ Bank's discretion.

The Group has provided a bank guarantee of $3.52 million (2023: $3.52 million) to the State Government of Queensland as support for capital improvements to be completed at the RACQ Mobility Centre of Excellence.

8.5 Auditor's remuneration

The following services were provided by the Group's auditor, EY:

	2024 $	2023 $
Audit services:		
Audit of the financial report	1,339,119	1,090,149
Other regulatory audit services	497,144	713,301
Total audit services	**1,836,263**	**1,803,450**
Audit related services:		
Other assurance services	869,400	2,295,481
Total audit related services	**869,400**	**2,295,481**
Total auditor's remuneration	**2,705,663**	**4,098,931**

8.6 Group structure
8.6.1 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 at a total contribution of $3,456,922 (2023: $3,490,114).

The Royal Automobile Club of Queensland Limited	2024 $'000	2023 $'000
Surplus / (deficit) for the year	3,009	(16,900)
Other comprehensive income	-	-
Total comprehensive surplus / (loss) for the year	**3,009**	**(16,900)**

The Royal Automobile Club of Queensland Limited	2024 $'000	2023 $'000
Financial position of the Company:		
Current assets	301,326	287,486
Total assets	**996,020**	**984,685**
Current liabilities	(319,309)	(310,982)
Total liabilities	**(319,309)**	**(310,982)**
Total accumulated funds of the Company comprising of:		
Reserves	166,467	166,467
Retained surplus	510,244	507,236
Total accumulated funds	**676,711**	**673,703**

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 8.6.2 and 8.6.3.

The parent entity has entered into Deeds of Support with its subsidiaries, RACQ Insurance Limited and Members Banking Group Limited, to provide additional capital, if and to the extent it is required for the subsidiary to maintain its capital adequacy in accordance with the externally imposed capital requirements as set by APRA. Further details on the regulated entities' approach to capital management are outlined in Note 4.7 for insurance operations and Note 5.6 for banking operations.

Parent entity commitments and contingent liabilities

The Royal Automobile Club of Queensland Limited	2024 $'000	2023 $'000
Operating lease commitments as lessor		
Within one year	3,287	3,472
Between one but not more than 5 years	7,425	9,705
More than 5 years	1,741	4,085
Total	**12,453**	**17,262**

There are no parent entity contingent liabilities (2023: nil).

8.6.2 Controlled entities

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

	Interest held 2024 %	Interest held 2023 %
RACQ Operations Pty Ltd [1]	100	100
RACQ Investments Pty Ltd	100	100
RACQ-Queensland Driving Excellence Centre Pty Ltd	100	100
Automotive Assistance Services Pty Ltd	100	100
Q Garage Pty Ltd	100	100
Basecamp No.2 Pty Ltd	100	100
Basecamp Innovation Pty Ltd	100	100
RACQ Investments No.2 Pty Ltd [1]	100	100
Club Insurance Holdings Pty Ltd [2]	100	100
RACQ Insurance Limited	100	100
Club Finance Holdings Limited	100	100
Members Banking Group Limited	100	100
RACQ Financial Planning Pty Ltd	100	100
Arrow Funding Trust No.1	100	100
RACQ Foundation Pty Ltd	100	100
RACQ Foundation Fund	100	100
RACQ Foundation Trust	100	100

1 Subsidiaries are parties to the Deed of Cross Guarantee, as provided in note 8.6.3.
2 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 InvestmentsNo.2 Pty Ltd.

8.6.3 Deed of cross guarantee

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, the Company's subsidiaries, RACQ Operations Pty Ltd and RACQ Investments No.2 Pty Ltd are 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 these subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001*, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

A Consolidated Statement of 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 statement of comprehensive income for the year ended 30 June 2024

	Consolidated parties to the Deed 2024 $'000	Consolidated parties to the Deed 2023 $'000
Revenue		
Revenue from contracts with members	503,777	479,088
Investment income	67,292	12,536
Total Revenue	**571,069**	**491,624**
Expenses		
Employee benefits expense	(294,954)	(289,436)
Other operating expenses	(230,543)	(250,771)
Total expenses	**(525,497)**	**(540,207)**
Share of profit in associates and joint ventures	900	1,110
Gain/(loss) on disposal of business assets	4,331	(753)
Surplus/(deficit) before income tax	**50,803**	**(48,226)**
Income tax (expense)/benefit	(4,425)	17,265
Surplus/(deficit) for the year	**46,378**	**(30,961)**
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net gains/(losses) on equity investments at fair value through other comprehensive income	-	(77)
Net change in fair value of OCI financial assets sold	-	5
Income tax benefit	-	21
Total other comprehensive loss for the year, net of income tax	**-**	**(51)**
Total comprehensive income/(loss) for the year	**46,378**	**(31,012)**

Consolidated balance sheet as at 30 June 2024

	Consolidated parties to the Deed	
	2024 $'000	2023 $'000
Assets		
Cash and cash equivalents	17,246	4,961
Trade and other receivables	115,710	109,421
Financial assets	1,346,455	1,324,366
Property, plant and equipment	117,003	121,785
Deferred tax assets	38,952	43,367
Intangible assets	28,680	21,846
Other assets	42,352	49,279
Current tax receivable	7	5,848
Total assets	**1,706,405**	**1,680,873**
Liabilities		
Trade and other payables	42,365	57,712
Provisions	7,318	17,086
Contract liability	95,459	91,286
Employee benefits	52,912	52,816
Total liabilities	**198,054**	**218,900**
Net assets	**1,508,351**	**1,461,973**
Accumulated funds		
Reserves	331,587	331,587
Retained surplus	1,176,764	1,130,386
Total accumulated funds	**1,508,351**	**1,461,973**

8.7 Equity-accounted investments

Three associates (2023: four) and two joint ventures (2023: two) were accounted for in the consolidated financial statements using the equity method.

	Joint Ventures		Associates		Total	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Individually immaterial interests in joint ventures and associates						
Aggregate carrying amount	2,116	7,466	11,838	10,972	**13,954**	**18,438**
Aggregate amount of the Group's share of:						
Surplus / (deficit) from continuing operations	34	2,630	866	(1,520)	**900**	**1,110**
Other comprehensive income	-	-	-	-	**-**	**-**
Total comprehensive income / (loss)	**34**	**2,630**	**866**	**(1,520)**	**900**	**1,110**

During 2024, the Group's shareholding in associate, Honey Insurance Pty Limited (Honey) was substantially diluted via an equity raising. Consequently, the Group was considered to no longer hold significant influence in Honey, and discontinued accounting for the investment using the equity method. As at 30 June 2024, the Group's residual investment in Honey has been designated as a financial asset at fair value through other comprehensive income.

8.8 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 to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group.

Consolidated entity disclosure statement as at 30 June 2024

	Entity type	Body corporate country of incorporation	Body corporate % of share capital held	Country of tax residence
The Royal Automobile Club of Queensland Limited	Body corporate	Australia		Australia
RACQ Operations Pty Ltd	Body corporate	Australia	100%	Australia
RACQ Investments Pty Ltd	Body corporate	Australia	100%	Australia
RACQ-Queensland Driving Excellence Centre Pty Ltd	Body corporate	Australia	100%	Australia
Automotive Assistance Services Pty Ltd	Body corporate	Australia	100%	Australia
Q Garage Pty Ltd	Body corporate	Australia	100%	Australia
Basecamp No.2 Pty Ltd	Body corporate	Australia	100%	Australia
Basecamp Innovation Pty Ltd	Body corporate	Australia	100%	Australia
RACQ Investments No.2 Pty Ltd	Body corporate	Australia	100%	Australia
Club Insurance Holdings Pty Ltd	Body corporate	Australia	100%	Australia
RACQ Insurance Limited	Body corporate	Australia	100%	Australia
Club Finance Holdings Limited	Body corporate	Australia	100%	Australia
Members Banking Group Limited[1]	Body corporate	Australia	100%	Australia
RACQ Financial Planning Pty Ltd	Body corporate	Australia	100%	Australia
Arrow Funding Trust No.1	Trust	N/A	N/A	Australia
RACQ Foundation Pty Ltd[2]	Body corporate	Australia	100%	Australia
RACQ Foundation Fund	Trust	N/A	N/A	Australia
RACQ Foundation Trust	Trust	N/A	N/A	Australia

(1) Trustee of Arrow Funding Trust No.1
(2) Trustee of RACQ Foundation Fund and RACQ Foundation Trust

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 22 to 66, are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of RACQ Group's financial position as at 30 June 2024 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) The consolidated entity disclosure statement required by section 295(3A) of the *Corporations Act 2001* is true and correct.

d) There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 8.6.3 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 (Wholly owned Companies) Instrument 2016/785*.

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

Signed in accordance with a resolution of the Directors:

LMurphy

LEONA MURPHY
President and Chair
29 August 2024

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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 Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2024, the consolidated statement of comprehensive income, consolidated statement of changes in accumulated funds and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group 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 2024 and of its consolidated financial performance for the year ended on that date; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and;

- The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

- The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors 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 objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

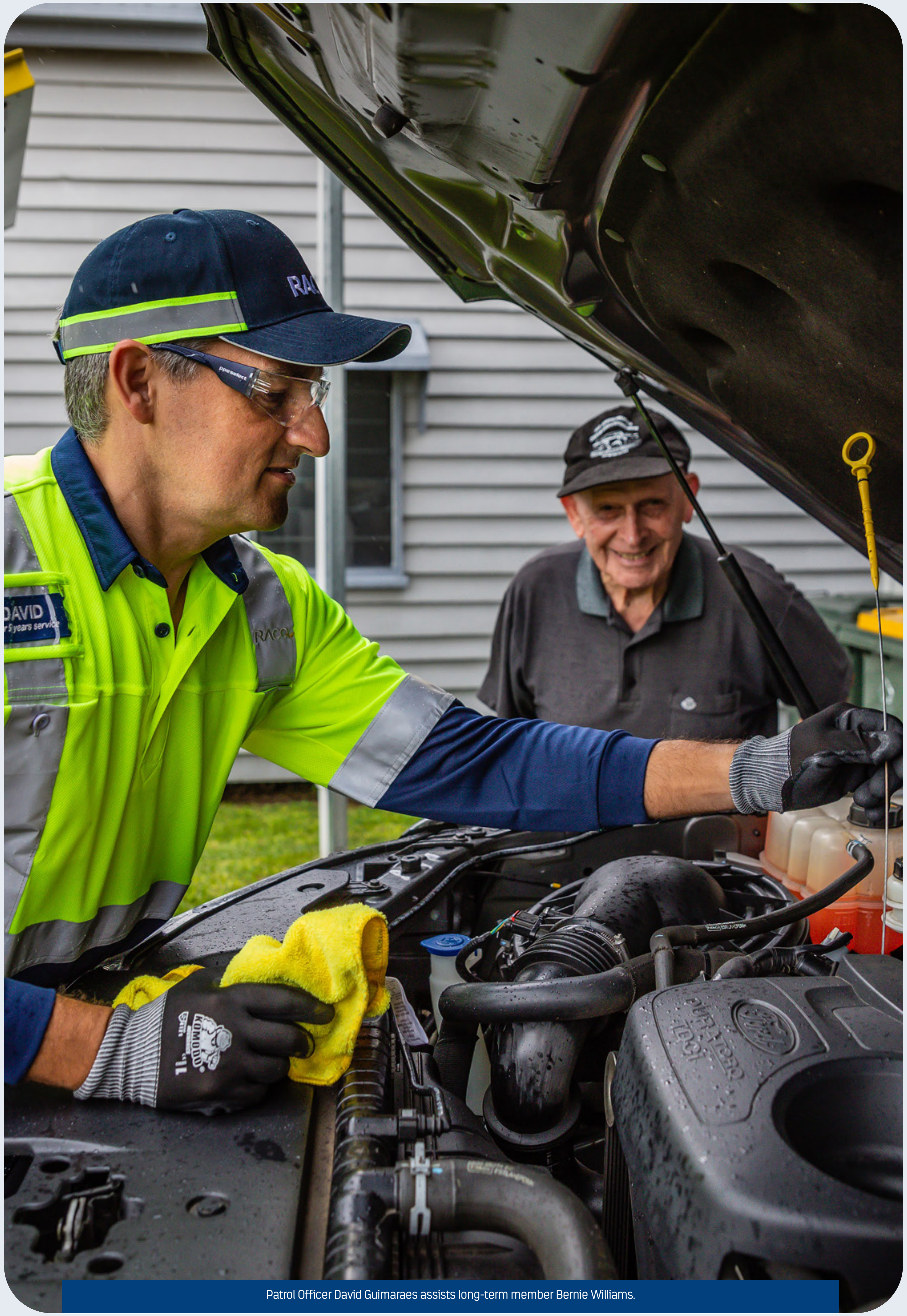
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

RBurrows

Rebecca Burrows
Partner
Brisbane
29 August 2024



Patrol Officer David Guimaraes assists long-term member Bernie Williams.

Corporate directory

Club Patron
Her Excellency the Honourable Dr Jeannette Young AC PSM, Governor of Queensland

President and Chair – Leona C Murphy
BCom, GAICD

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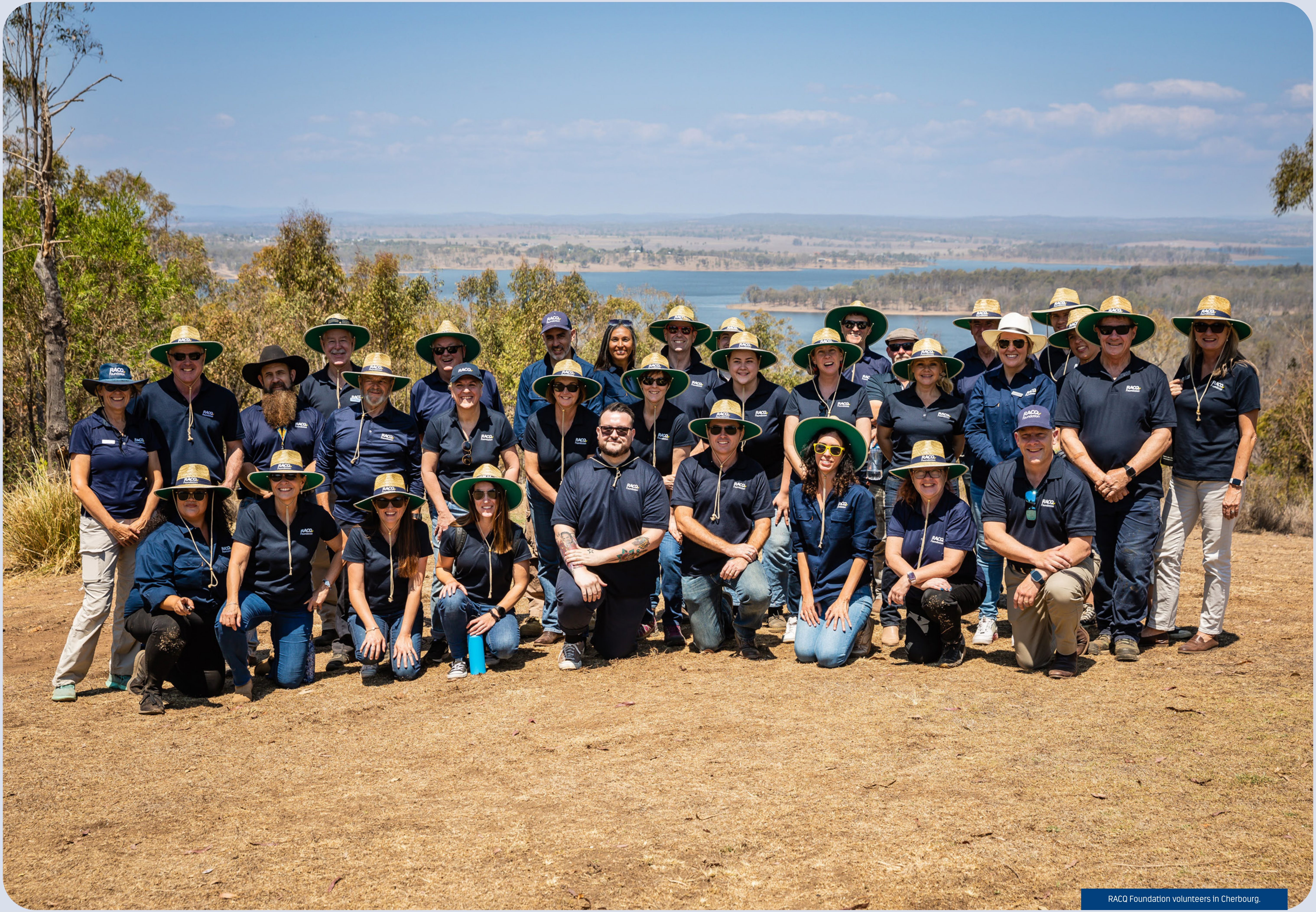

RACQ Foundation volunteers in Cherbourg.

The Royal Automobile Club
of Queensland Limited
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