



People moving people

Annual report 2019





Ali Raza, Patrolman

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Introduction

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Noel S. Nyamhunga, Service Advisor

About this report

The NRMA is one of the largest member-owned mutual organisations in Australia with more than 2.6 million Members across NSW and the ACT. For nearly 100 years, we've been there to keep people moving – a common purpose that remains to this day. It's this dedication that now drives us beyond the roadside, to grow our transport and tourism offering for Members.

This report has been prepared with reference to the IIRC's Integrated Reporting <IR> framework.

It covers the most important issues to our key stakeholders – Members, partners, suppliers, thought leaders and customers. These issues are those that our leadership team believes could substantially influence the value created by the NRMA for our

Members, business and the community over the short, medium and long-term.

Our value drivers underpin our ability to create value over time and are outlined in more detail throughout the report.

The NRMA supports the United Nations' Sustainable Development Goals (SDGs) – a set of global guiding principles that

shape sustainable development and address worldwide issues such as climate change, poverty and inequality. We have highlighted our activities and relevant SDGs throughout the report.

Our Global Reporting Initiative (GRI) Content Index and sustainability disclosures can be found on our website mynrma.com.au/sustainability



Our people and culture

Our great people, culture and diversity.



Members and customers

Our commitment to putting our Members and customers first, our trusted brand and specialist knowledge.



Reputation

Our independent voice, focus on education, partnerships, networks and the communities we reach, and the natural environment in which we operate.



Operations and assets

Our operations and physical assets including buildings, vehicles, vessels and equipment we use to deliver great products and services.



Financial capital

The funds and assets available to the NRMA.

Highlights

We move people

All of us at the NRMA have something in common: a desire and dedication to inspire people to move and help them when they do. We've been doing this for nearly 100 years; it's what guides us in every decision we make and every action we take.

We're continuing to evolve to meet the changing needs of our Members and customers, both on the road and beyond. We're a diverse group, and together, we are **people moving people.**



Gladesville car servicing centre



More destinations to explore

People stayed the equivalent of

1.8 million nights

in our hotels, parks and resorts over the year as we invest in the sustainability and prosperity of our regional communities.

Note: Net promoter score (NPS) is a key measure used across industries to assess customer satisfaction – that is, how likely Members and customers are to recommend us to others. Possible scores range between -100 to +100.

Highlights

Here's how our people have helped move people this year.

More benefits with NRMA Blue

More than 1.5 million Members unlocked over

\$120 million in benefits

from savings at the fuel pump to discounts on dining.

Our Members and customers come first, and it's not just something we say. The proof can be found in our leading Net Promoter Score* across NRMA businesses.

More people on our Blue Highways

Our Marine offer grew when Fantasea joined our business and helped us move

4.2 million passengers

on their daily commute or as they explored Australia's precious marine environment.

Towards an electric future

We are half way through building our electric vehicle fast charging network. This will cover

95% of journeys

supporting stress-free travel and setting our business and the community up for the future of mobility.

Our people and culture

Our employee

engagement score is 82

well above the Australian national norm, and reflects our strong commitment to our people – whether that's through diversity and female representation in leadership roles or our safety results.

Strong foundations to deliver value for Members

We continued to deliver solid financial performance and high quality services and grew our product offering in transport and tourism through acquisitions of new businesses.

\$681.4 million revenue and other income (2018 \$614.0 million)

\$65.6 million operating profit (2018 \$69.0 million)

\$106.6 million operating cash flow (2018 \$103.5 million)

\$1,108.4 million net assets (2018 \$1,091.4 million)

More advocacy outcomes

Our leading, independent voice has delivered

more than \$1 billion

in advocacy outcomes for communities across NSW and the ACT. And our priority policies for governments have supported the commitment of tens of billions of dollars for safer roads and better transport infrastructure and services.

More knowledge shared

50,696 students

educated on road safety and future mobility. We helped 54 Aboriginal and Torres Strait Islander and 59 refugee participants obtain their driver's licence, while 37 Indigenous people and 31 refugees gained employment or further skills training through our learner driver mentor program.

More help to give peace of mind

We answered

1.6 million calls for help

and kept our focus on best-in-class service delivery – including rescuing **1,926 children** and **1,505 pets** from locked cars, and helping **500-plus** people in wheelchairs with punctures.

A message from our Chair



Dear Members,

In February 2020 the NRMA will reach its centenary – a remarkable achievement for a mutual that began as a small community group after a Town Hall meeting in 1920.

I'm proud to say the NRMA has not just survived 100 years, it has flourished. Our mutual has grown to become one of the largest transport and tourism providers in the country – evidenced by this year's financial results – while remaining true to our core ethos of keeping people moving.

In the past 12 months, our wonderful patrols attended to more than one million calls for help, with around 1,900 being young children locked in cars. Our ethos of putting the community first now extends beyond our legendary patrols to all parts of the NRMA group of businesses. From NRMA Parks and Resorts, Thrifty, My Fast Ferry, Fantasea and NRMA Car Servicing, our staff have delivered on the NRMA promise on a daily basis. Stories of staff going above and beyond to make life better for our 2.6 million Members are far too numerous to mention individually.

Everyone at the NRMA is driven to serve our Members and I would like to call out my fellow Directors, as well as CEO Rohan Lund and his team for their commitment to excellence and equality. I'm pleased to say the NRMA Board currently boasts 56% female representation, and women comprise 50% of our executive team.

As a mutual, we should celebrate our achievements but we must also reflect on the meaningful difference we've made in people's lives and how we can better that experience over the next century. Last year, we launched NRMA Blue to give back to our Member community through services and savings. I'm pleased to say Members have saved more than \$120 million in areas that matter – fuel, entertainment, food and drink, travel, entertainment and much more.

As well as providing ways for families to save money, NRMA is providing Members with important information and services like our education programs, electric vehicle charging network and advocacy reports.

In 2019, the NRMA continued its vital work championing the interests of our Members. Nowhere was this more evident than in our Rate Your Road survey that saw 23,000 people have their say on the state of NSW roads. From this overwhelming response, it's clear our Members want action on roads and public transport. I want to reassure our Members that their voice will be heard and acted on.

We will continue pressuring the government for better roads particularly in regional NSW, that has in recent times been left behind. Critical road and service infrastructure must not be neglected in these communities with country residents representing two-thirds of the state's road toll.

"I'm pleased to say the NRMA Board currently boasts 56% female representation"

This year the NRMA has continued its vital work in road safety – I have had the privilege of seeing first-hand the remarkable work our Education team does in providing free road safety programs to school children of all ages. Our Refugee and Indigenous learner driver programs, run in conjunction with our NRMA Driver Training, are literally opening up opportunities in education and employment for some of our most disadvantaged groups.

NRMA Members should be proud of what the organisation has achieved in 2019. While our chronology is littered with momentous milestones, the one true constant – and the real strength of who we are – is found in our people and our heritage that allows us to share benefits with our Members.

No organisation can be sustainable in the long-term unless it knows how to create both commercial success and societal value. The NRMA was founded with this notion and we are as true to that idea today as our founders were 99 years ago. This coupled with the support we have from our terrific staff, Members and customers is worth celebrating.

Tim Trumper
NRMA Chair

A message from our Group CEO



Dear Members,

Our strategy is to build a sustainable and strong future for your NRMA so that we can continue to add value to you and to your communities over the next 100 years. We call this plan our Light on the Hill strategy.

Over the last year a record 11% revenue growth has seen us gain market share in every category in which we operate.

We helped more drivers. We serviced, rented and charged more cars. We carried more passengers and hosted more guests than ever before.

We saw a record year in Membership. More than a million Members accessed benefits through NRMA Blue, our new Membership proposition, in its first year, saving more than \$120 million. Our advocacy efforts delivered \$1 billion in benefits to communities across NSW and the ACT.

Our performance over the past financial year didn't occur by accident. We employ extraordinary people who share an obsession for helping people. We measure our performance on the experiences we deliver to customers through Net Promoter Scores* and all of our businesses are best within their peer group. Notably, our roadside patrols consistently deliver exceptional service for our Members.

Whether our people are helping passengers board ferries, or checking in guests after a lengthy drive, answering the phone or washing a rental car, providing a pink slip, recharging your battery or building an electric vehicle station, they all genuinely care about our Members and customers. They want to help - to make sure you are safe and that you have a great experience.

The role our leaders play is to make sure we do the same for our people. We must care about

our people the same way they care about you. We must provide them a safe place to work and give them the employee experience they deserve, fostering a culture of diversity and inclusion where everyone belongs.

Our people are our Light on the Hill. The extraordinary things they do every day lights the way for so many others. I am incredibly proud to be a part of this wonderful organisation, to know these impressive people and to witness first hand their legendary stories of helping people every day.

"Our advocacy efforts delivered \$1 billion in benefits to communities across NSW and the ACT"

We play an important role in the community, as we engage with government and corporates. Leadership sometimes isn't easy and we will inevitably do things that push boundaries and doesn't please everyone. But we have absolute conviction in our purpose to build a better future, and unswerving commitment to serve you, our Members, now and into the future.

As we enter our centenary year you can trust we will always be there to keep you moving in those moments that matter, whether it's when something goes wrong or when you want it to go right! We want to ensure you have access to safe and affordable transport solutions and I hope we can also inspire you to rediscover this amazing country of ours through unique tourism experiences.

Safe and enjoyable travels.

Rohan Lund
NRMA Group CEO

Section 2

Value creation

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Jemmekah Howard, Mechanic

Who we are

We're all about people moving people.

We've always put people first. As our business grows and changes, our shared passion for helping and inspiring people is the thread that ties us together.

We know that by putting our Members and customers at the centre of everything we do we deliver great experiences — which has always been what sets us apart.

Our activities and the services we offer

Motoring and Membership



The NRMA delivers benefits to more than 2.6 million Members through roadside assistance, NRMA Blue, advocacy, car servicing and repairs, driver training, our electric vehicle fast charging network, the Open Road magazine and community and education programs.

Transport and tourism



Parks and Resorts provide accommodation and associated services across a network of 48 owned or managed parks across Australia.



Marine delivers marine passenger transit and tourism services under the brands My Fast Ferry, Fantasea, Whale Watching Sydney and Yellow Water Taxis.



We provide vehicle rental services across 240 locations in Australia, New Zealand and Fiji under the Thrifty and Dollar brands.

Investments



We also have a diversified investment portfolio across various asset classes including equities, property, infrastructure and fixed income.

We invest in hotels including Travelodge Hotels, the historic Hotel Kurrajong in Canberra, as well as Elanor which invests in regional hotels. These investments enable us to unlock Member benefits such as discounts and special offers.

Our culture and values

Our culture is unique. With our shared beliefs and common goals, we are focused on delivering value for our Members and customers. Our culture is at its best when we help and inspire our Members and customers.

This year we rolled out our Playbook to ensure our Members and customers are always at the heart of everything we do across all our operations.

Our culture is built on our values of **energy, courage, humility** and **ownership** that light the way.

Each of our businesses reflects the key pillars of our culture in its own unique way, but is always underpinned by our common values.

People moving people

We walk in your shoes.

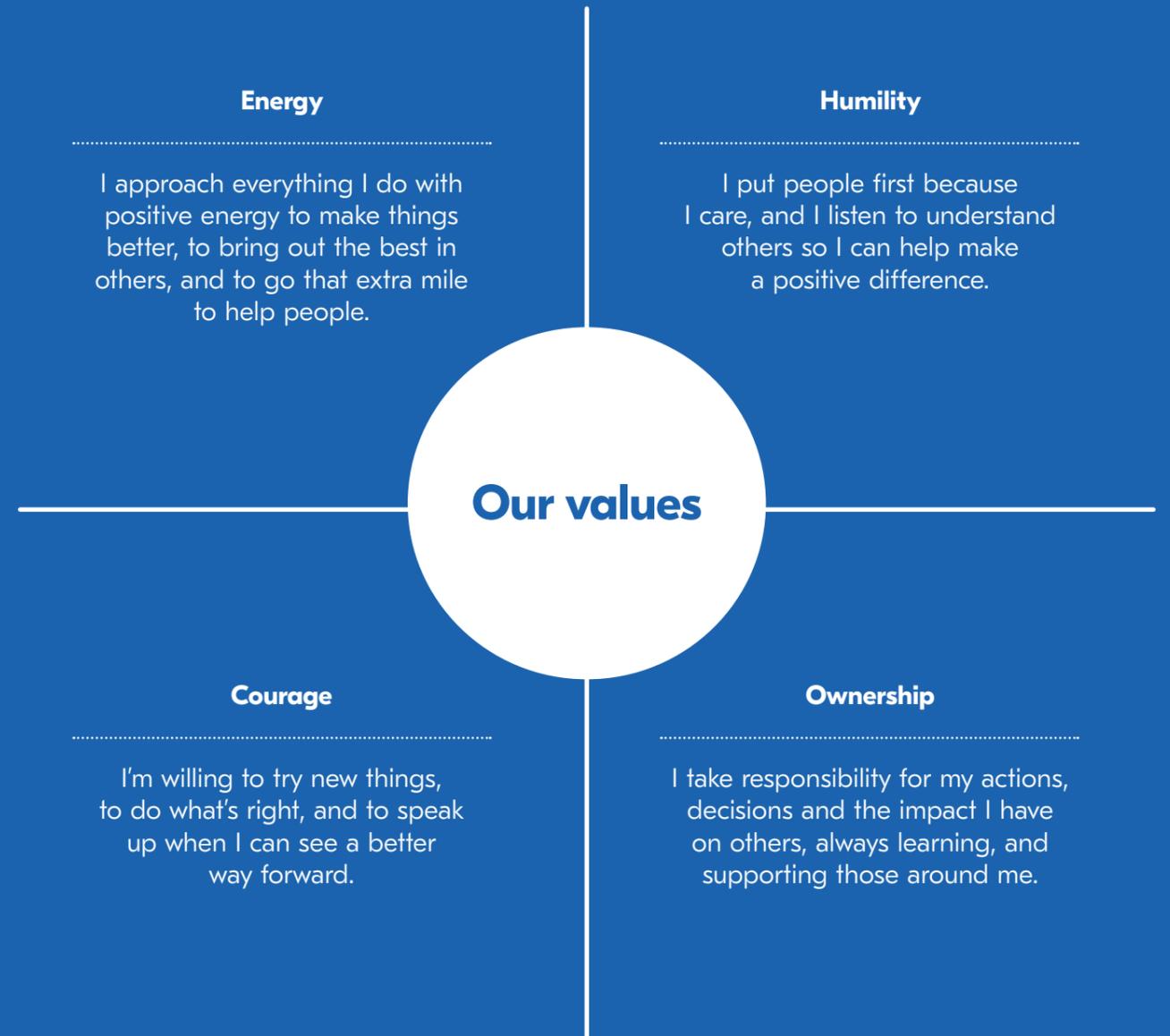
We know your time is precious.

We always think one step ahead.

We will keep you safe along the way.

We will carry you when you need help.

Our values light the way — the **energy** to get you going; the **courage** to stay the course; a selfless **humility** to put you first; taking **ownership** of every step to see you through — and these are inside each and every one of us.



Board focus area: Our culture

During the year the Board focused on the NRMA culture. It reviewed the results of the staff engagement survey and supported the culture action plan including the launch of our Playbook, which guides the way we do things (see page 50).

The moving world around us

The world moves quickly and we are ready to change too.

In 2019, our new NRMA Blue program delivered more value to 1.5 million Members. We looked at how we can provide better transport options by investing in ferries. And we advocated for safer roads, greater investment in infrastructure and fairer fuel pricing.

We are preparing for a new era in motoring by starting to roll out our electric vehicle fast charging network. We also took advantage of strong tourism

growth in regional Australia by expanding our portfolio of parks and resorts. Our investments in hotels also give people access to good value accommodation in sought-after destinations.

As we anticipate and respond to future trends, we understand it is more important than ever that we are true to our core. This means being there, ready to listen to and help our Members, and continue to lead the way on important issues.



Living in uncertain times

We know global uncertainty and a subdued economic outlook are affecting our Members. This is why NRMA Blue, which delivers more value to our Members, is more important than ever. In this economic climate, enhancing our investment in tourism is also the right strategy, as it grows local jobs, boosts regional communities and inspires regional journeys. Our approach provides opportunities for our Members and their families to disconnect, reconnect and share new experiences.



Listening to our Members and customers first

Commoditisation of services is a familiar story. But we put our Members and customers first — which has always been what sets us apart. Our great people and culture, and our obsession with our customers, are reflected in our industry-leading Net Promoter Scores. We continue to focus on delivering unique experiences across all our businesses, from our ferry operations to each of our parks and resorts across Australia.



Addressing challenges and emerging technologies

Our cities, regional centres and transport systems face serious challenges. Not only do we advocate for change, we see ourselves as part of the solution. We are delivering more options by growing the marine business and also leading the way to help Members prepare for new technologies such as electric vehicles.



Responding to climate impacts

We are experiencing the impact of climate change on our own operations, from volatility in job volumes in roadside assistance to more frequent storm damage across our assets. As we reduce our own carbon emissions, we can also help the transition to a low carbon transport future through our electric vehicle fast charging network. We understand that the NRMA can play an important role in regional communities grappling with the harsh and prolonged drought or other extreme weather conditions. Our investment in regional areas attracts visitors and helps to maintain the social and economic wellbeing of communities, traditionally supported by farming, by providing more income-generating opportunities.

Value creation process

The NRMA is a Member-owned organisation and, being purpose-led, we are focused on responding to the changing needs of our Members.

We are a trusted brand. This trust and our ability to deliver on our promises to Members relies on clear value drivers. Our value creation process is not static, and adjusts with changes in the external

environment. We monitor the impacts of a changing world on our Members and businesses, and actively manage our value drivers as we maintain our important role as people moving people.

Our business model



Important material issues

In this report we address our most important ('material') issues as determined by the NRMA with consideration of our key stakeholders including Members, partners, suppliers, thought leaders and customers.

These important issues may pose a risk or present opportunities that may be currently affecting or are anticipated to affect our business success from

an economic, social or environmental perspective. Based on surveys completed by our Members and our business priorities, we have identified

eight material issues. Each issue including the page reference to where the issue is addressed in our report is included below:

-  **Data governance and privacy** (page 37)
-  **Safety** (page 53)
-  **Access to safe, affordable transport systems** (page 56)

-  **Financial sustainability** (page 32)
-  **Supply chain responsibility and transparency** (page 62)
-  **People and culture** (page 48)

-  **Supporting regional communities** (page 38)
-  **Climate action and environmental performance** (page 62)

Additional information about our material issues can also be found in the 2019 GRI Content Index which is available on our website myrma.com.au/sustainability

The global goals for sustainable development

The NRMA supports the United Nations' Sustainable Development Goals (SDGs), the global guiding principles that shape sustainable development and address worldwide issues such as climate change, poverty and inequality.

We continue to consider the SDGs in our operations and execution of our strategy and how the NRMA can make a positive impact, as well as the risks associated with these external factors.

 <p>Goal 3: Ensure healthy lives and promote wellbeing for all at all ages</p>	 <p>Goal 8: Promote inclusive and sustainable economic growth and employment</p>	 <p>Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable</p>
 <p>Goal 5: Achieve gender equality and empower all women and girls</p>	 <p>Goal 10: Reduce inequality and promote social and economic inclusion</p>	 <p>Goal 13: Take urgent action to combat climate change and its impacts</p>

Value driver	Material issue	How our value drivers create value	How we manage our value drivers	Value created this year	How the value we create contributes to the global SDGs
Our people and culture 	<ul style="list-style-type: none"> Safety People and culture. 	<ul style="list-style-type: none"> Our people are at the heart of creating and delivering Member value, from roadside assistance to advocacy. 	<ul style="list-style-type: none"> We attract and retain great people, cultivate leaders, foster diversity and inclusion, support continual learning and a culture which puts our Members and customers first. 	<ul style="list-style-type: none"> Leadership score of 71 (9 points above the Australian norm) and ECHO Engagement Score of 82 (3 points above the norm) Safety: lost time to injuries 28 (down from 36) and lost time injury frequency rate 6.95 (down from 9). 	  
Operations and assets 	<ul style="list-style-type: none"> Safe, affordable and sustainable transport Safety Supporting regional communities. 	<ul style="list-style-type: none"> We mobilise our people and assets to deliver unparalleled service levels and unlock more Member in regions and metro areas. 	<ul style="list-style-type: none"> We invest in new businesses and assets aligned with our strategy to deliver more Member value. 	<ul style="list-style-type: none"> Answered 1.6 million calls for help. Moved 4.2 million people on our ferry services Expanded our portfolio of parks and resorts in regions \$10 million investment in the regional electric vehicle fast charging network. 	 
Members and customers 	<ul style="list-style-type: none"> Data governance and privacy Financial sustainability. 	<ul style="list-style-type: none"> As one of Australia's most trusted brands, we know that this trust is earned and we don't take it for granted. 	<ul style="list-style-type: none"> We continually explore new ways to deliver more for our Members through our Voice of the Customer program and design thinking approach We continued to roll out the NRMA Group Data Governance Program. 	<ul style="list-style-type: none"> \$120 million in Member benefits delivered Leading customer experiences across our businesses Brand Net Promoter Score (NPS) +25. 	
Reputation 	<ul style="list-style-type: none"> Safe, affordable and sustainable transport Supply chain responsibility and transparency Climate action and environmental performance. 	<ul style="list-style-type: none"> Our reputation gives us our social license to operate, and is built on the way we interact with our partners, networks, communities and our responsible environmental stewardship. 	<ul style="list-style-type: none"> We invest in our communities, advocate for our Members, promote road safety through our education programs and protect our natural environment. 	<ul style="list-style-type: none"> Leveraged billions of dollars in funding to create safer roads, better transport and tourism opportunities Educated 50,696 students on road safety and future mobility Launched our first Modern Slavery Statement 100% renewable energy powered our electric vehicle fast charging network. 	   
Financial capital 	<ul style="list-style-type: none"> Financial sustainability. 	<ul style="list-style-type: none"> Our financial sustainability ensures we can deliver our core services for Members. 	<ul style="list-style-type: none"> We are actively growing our business to deliver more benefits for Members and increase service levels. 	<ul style="list-style-type: none"> \$681.4 million revenue and other income (2018 \$614.0 million) \$65.6 million operating profit (2018 \$69.0 million) \$106.6 million operating cash flow (2018 \$103.5 million) \$1,108.4 million net assets (2018 \$1,091.4 million). 	



Section 3

Strategy, opportunities and risks

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Our strategic priorities

Our strategy is simple: we are focused on keeping our roadside service relevant and investing in future tourism growth.

Our competitive advantage is in our unique people and culture, our independent and trusted voice, and the great assets and partners we can access

to deliver more value to Members and the community. Through these we can deliver outstanding experiences.



Board focus area: Strategic focus

The Board continues to align strategic priorities with business opportunities to enable future growth. As the pace of change accelerates, the NRMA is responding to advancing technology, shifting demographics and urbanisation by rolling out our electric vehicle fast charging network, expanding our portfolio of parks and resorts, and looking for new ways to create value for our Members. The Board recognises the drivers influencing our business will change over time, and that our approach cannot be one of 'set and forget'. In April 2019 the Board held a two-day offsite to review and refine the NRMA strategy.

Powering our motoring core

Positioning roadside service for the future and evolving Membership offerings is more important than ever.

This means future-proofing our operations, continuing our focus on service quality and customer experience, and delivering more value and relevance through NRMA Blue.

Investing for transport and tourism growth

While we are not immune to economic challenges, we are taking advantage of growing international and domestic tourism.

Our marine business is expanding. Our growing portfolio of parks and resorts supports local jobs and provides opportunities for Members to discover iconic destinations and reconnect with families and nature.

With our 100 year anniversary in February 2020, we remain true to our origins – keeping our Members and customers at the heart of everything we do.

2019 strategic priorities

Motoring

Motoring services and roadside assistance

- Delivering peace of mind to Members by providing best-in-class service delivery and increasing the ways in which we can assist Members.
- Delivering the electric vehicle fast charging network which will have 40+ new sites in regional areas of NSW and the ACT.

Transport and tourism

Marine, parks and hotels

- Integrating and investing into our transport and tourism businesses, providing more opportunities for Members to discover and connect to new benefits and experiences.

Membership

NRMA Blue and advocacy

- Delivering more value for existing Members through NRMA Blue and providing more reasons to belong for new Members.
- Continuing to be a voice for Members and connect with the broader community.

2019 in review

- We maintained our focus on first call resolution (86.4%) with the rollout of new battery and towing capacity across our fleet.
- We delivered industry leading customer experience in roadside operations (NPS +80), our car servicing business (NPS+57) and driver training (NPS +72).
- We enabled key journeys to the Hunter and snowfields, and delivered the first 20 electric vehicle fast charging stations as part of our network.
- We grew the NRMA marine operation through the acquisition of Fantasea, creating more tourism and passenger transit opportunities.
- We expanded the NRMA Parks and Resorts portfolio into one of Australia's biggest networks in beautiful locations for our Members to visit.
- Thrifty provided over \$2.2 million in rental savings for Members and category leading customer experience (NPS +50) across Australia and New Zealand. Members were entitled to a free upgrade on over 240,000 occasions.
- More than 1.5 million Members unlocked over \$120 million in benefits through NRMA Blue – whether that was saving at the fuel pump or taking advantage of our new dining partnership.
- We established a "Voice of Customer" forum to listen, learn and act on the moments that matter to our Members and customers.
- Our strong independent voice for Members achieved record wins and helped leverage billions of dollars in funding for safer roads, infrastructure and tourism.

2020 strategic priorities

Objective

Powering our core

Invest for growth

Build on our competitive advantage

Where

Motoring and Membership

Transport and tourism

Trust, brand, people, culture and leadership, and advocacy

How

- Grow our membership base via NRMA Blue and roadside subscriptions through a larger network of partners.
- Improve our Member experience by investing in resources to reduce wait times and achieve first service resolution.
- Embrace electrification and future mobility to smooth the path for our Members.

- Continue expanding our reach of parks and resorts while investing in better customer experiences and innovation.
- Expand our marine offering within and beyond Sydney Harbour.
- Invest in technology to drive returns in car rentals.

- Reinforce the trust in our brand by creating consistent employee and customer experiences across our Group and maintain our independent voice for Members.
- Maintain our safety, environment and risk standards.
- Improve our employee experience by investing in culture, leadership and talent.

NRMA Capricorn
Yeppoon Holiday Park

Our approach to risk management

Our robust approach to risk management does more than help us mitigate and minimise potential pitfalls. It also helps us uncover new opportunities to enhance value for our Members and future-proof our business.

Accountability and responsibility for risk management and control is held at various levels across the business. These include the Board and Board committees, the executive team, first line business operations, second line specialist functions such as Group risk and compliance, and third line internal audit functions.

Risk

The NRMA has adopted a robust and fit-for-purpose approach to risk management

to deliver on our strategic priorities. This approach to risk management helps us benefit from opportunities while mitigating anticipated risks.

Risk appetite and risk culture

Our risk appetite is the level of risk the NRMA is prepared to accept in the pursuit of our strategic objectives. The NRMA seeks to generate a risk culture that cultivates opportunity and manages downside risks.

The NRMA Group Risk Appetite Statement is a dynamic, responsive document that evolves in line with our strategic direction and risk maturity. It aims to communicate clear and consistent 'guard rails' for the NRMA, supporting our Playbook of timely and autonomous decision-making at all levels within the organisation.

Board Audit and Risk Management Committee

Reviews and seeks assurances that material risks to achieving the strategy are identified and appropriate, effective risk management processes are in place with the help of key functions.

1st line of defence:
Front line risk management

Business units are responsible for implementing risk and control frameworks to maximise opportunities and manage risks within Risk Appetite. They operate within the established controls environment and are responsible for controls assessment and monitoring.

2nd line of defence:
Group risk and compliance function

Liaises with Group Executive leadership team and risk specialists on both business specific and enterprise wide risks in order to assist the Group's businesses to further develop their risk management processes. Monitoring and reporting of our compliance approach and escalation of notifiable incidents to the Board is the responsibility of Group Compliance.

3rd line of defence:
Internal audit

Regularly reviews and independently assesses the effectiveness and efficiency of the control framework and periodic reporting.

Board focus area: Risk management

The Board continued, at each of its meetings, to review the risks across the business and monitor the progress of actions to manage those risks. Six-monthly full risk reviews and six-monthly critical risk reviews were undertaken by the Audit and Risk Management Committee (ARMC) and the Board.



Continually improving the process

Risk management approach

Every three months, the NRMA management team provides either a full or critical risk review to the NRMA Board's Audit and Risk Management Committee (ARMC). This review provides confidence to the ARMC that our business managers are effectively identifying and managing risks to a level that they consider tolerable. Workshops are held with each divisional head and their direct reports where they consider:

- Current risks at a division and Group level
- New or emerging risks associated with the NRMA strategy
- Mitigating actions and budgetary requirements to manage the risk within appetite.

Risks are assessed on their likelihood (rare to almost certain) and their consequences (insignificant to severe). Consequence is assessed on the basis of impact to reputation, financial impairment, compliance, operating ability, people and culture and effect on stakeholders.

Compliance

The NRMA conducts its operations to comply with relevant legislative and regulatory requirements using a prudent governance approach which identifies, manages, monitors and reports our compliance obligations and compliance performance. Our internal policies support this compliance approach.

Group Compliance is responsible for monitoring and reporting our compliance

approach and escalating notifiable incidents to our Board. A compliance report is provided monthly to our Board through the CEO report and quarterly and annually through an annual compliance report to the ARMC.

Internal audit

The internal audit function is carried out by Group Audit and is independent of the external auditor. The General Manager of Risk, Compliance and Audit has a direct reporting line to the chair of the ARMC.

The ARMC approves the Internal Audit Charter and the annual strategic internal audit plan. The annual strategic internal audit plan is prepared based on the current business strategy and operating environment, using a risk based approach while also including rolling three-year baseline controls and compliance audits. The Group Internal Audit team regularly reviews proposed audits based on specific strategic considerations or risk areas that have been discussed or identified by management and the Internal Audit team.

The objectives of the annual Strategic Internal Audit Plan are to:

- Provide independent and objective insights and confidence to management and the ARMC over key risks, controls, business systems and processes to achieving strategic objectives
- Specifically consider the suitability and effectiveness of controls to ensure they are targeted, efficient and maximise commercial outcomes.



Board focus area: Internal audit

The Board, through ARMC, approved the restructure of the internal audit function to increase the NRMA internal audit team. It agreed to reduce the use of an external provider to those times when particular expertise is required.

Vulnerable workers risk

The Board was briefed in May 2018 on the amendment to the Fair Work Act 2009 relating to the protection of 'vulnerable workers'. During the year the Board has been updated on the steps management has taken to assess the impact of the amendment on the different NRMA businesses (subsidiaries and franchisees) and the progress in the identification of the reasonable steps for each business to minimise the risk of non-compliance and liability.

Strategic risk management

The NRMA Risk Appetite Statement focuses on eight strategic risk categories that enable the NRMA to deliver on its strategic priorities. These strategic risk categories align with the material issues determined to be most important to the NRMA and key stakeholders including Members, partners, suppliers, thought leaders and customers.

Risk category	Risk appetite context	Key developments	Material issue
Strategic alignment	<ul style="list-style-type: none"> • Our strategy is designed to connect our Members to more accessible and affordable transport solutions and tourism experiences every day. 	<ul style="list-style-type: none"> • Specialised business development team to assess opportunities for acquisition and growth • Supported by core due diligence activities for all initiatives. 	<ul style="list-style-type: none"> • Access to safe, affordable transport systems • Supporting regional communities.
Member and customer relevance	<ul style="list-style-type: none"> • We seek to deliver positive Member and customer satisfaction and experiences resulting in net growth in Members and customers through strong advocacy and increased viable Member benefits beyond motoring. 	<ul style="list-style-type: none"> • Full launch of NRMA Blue and Voice of the Customer programs with positive results • Installation of electric vehicle charging stations in regional areas • Investment in tourism assets. 	<ul style="list-style-type: none"> • Supporting regional communities • Data governance and privacy.
Financial	<ul style="list-style-type: none"> • We seek to operate within budget and achieve agreed returns, to invest in our core service delivery for Members and do more for the community. We will continue to maximise and protect investments and ensure a sustainable mutual for the future. 	<ul style="list-style-type: none"> • Improved CAPEX budgeting process, resource modelling and change management support • The investment portfolio is managed within the Board approved Investment Policy Statement. 	<ul style="list-style-type: none"> • Financial sustainability.
Legal and compliance	<ul style="list-style-type: none"> • We will comply with relevant legislative and regulatory requirements. 	<ul style="list-style-type: none"> • Development and roll out of key Group policies • Specific working groups for key changes in legislation such as modern slavery and vulnerable workers • Embedding Group Compliance Framework across new acquisitions. 	<ul style="list-style-type: none"> • Data governance and privacy • Safety.
Brand and reputation	<ul style="list-style-type: none"> • We seek to conduct business ethically and to stretch and protect our brand. Protecting the trust our Members have in us is paramount as we move into new operational sectors. Protecting our Members' data and privacy is a key priority. 	<ul style="list-style-type: none"> • Data Stewardship Committee (DSC) and the NRMA Group Data Governance Program • Modern Slavery Statement released • Playbook and culture work. 	<ul style="list-style-type: none"> • Data governance and privacy • Supply chain responsibility and transparency.
Operational	<ul style="list-style-type: none"> • We seek to design and operate our business effectively, with appropriate levels of control (e.g. environment, technology) and security requirements. 	<ul style="list-style-type: none"> • IT strategy and acquisition IT approach • An annual Environmental Assurance Plan outlines key activities across the Group to ensure that environmental risk is identified and managed. 	<ul style="list-style-type: none"> • Climate action and environmental performance.
People, culture and safety	<ul style="list-style-type: none"> • We expect compliance with our Code of Conduct. The safety of our employees and Members continues to be a core business priority and support the continuous improvement philosophy for workplace safety, diversity and inclusion with zero tolerance of theft, fraud and corruption. 	<ul style="list-style-type: none"> • Roll out of NRMA Playbook and values • Roll out of vulnerable workers initiative across the network to ensure controls are in place for National Employment Standards compliance • Proactive injury management (Active Care) • Fatal risk strategy to monitor effectiveness of controls. 	<ul style="list-style-type: none"> • People and culture • Safety.
Strategic relationship	<ul style="list-style-type: none"> • Partnering organisations which have aligned values can help us deliver more for Members and community. 	<ul style="list-style-type: none"> • Procurement function oversight of tender and key contract management • Revised NRMA contract and delegations policy in place • Legal team advise on contract matters. 	<ul style="list-style-type: none"> • Supply chain responsibility and transparency.



Section 4

Performance and outlook

- 32** Financial highlights
- 34** Members and customers
- 38** Operations and assets
- 48** People and culture
- 54** Reputation

Financial highlights



The NRMA Group

		2019 \$000	2018 \$000	%
Key performance measures				
Revenue and rental income	\$m	681.4	614.0	11.0%
EBITDA ⁽¹⁾	\$m	111.8	119.4	(6.4%)
Operating profit	\$m	65.6	69.0	(4.9%)
Profit before tax (PBT)	\$m	12.7	129.3	(90.2%)
Net profit after tax (NPAT)	\$m	12.8	97.1	(86.8%)
Key metrics				
Net cash from operating activities		106.6	103.5	3.0%
Net assets		1,108.4	1,091.4	1.6%
Key ratios				
Effective tax rate		-	24.9	(100%)
Debt ratio (total debt/total assets)		11.7	11.4	2.6%
Return on equity (ROE)		1.1	8.9	(871%)

⁽¹⁾Earnings before interest, tax, depreciation and amortisation.

Review of operations

As one of Australia's largest mutuals, we exist for our Members. We have an unwavering focus on delivering great experiences and offering more value for our Members. We have been actively growing and diversifying our business so we can continue to invest in our core motoring services. This will ensure a sustainable and vibrant mutual for the next 100 years that delivers more value more often to our Members and the broader community.

This year saw significant investments in roadside service and unlocking more ways to provide discounts to Members through NRMA Blue with total discounts of \$120 million delivered through NRMA and partner organisations. Importantly we have kept price rises to a minimum through effective management of our costs whilst maintaining strong service levels.

We continue to expand our transport and tourism business with the acquisition of new assets, including holiday parks. 2019

saw the acquisition of the Woolman group of holiday parks, adding new destinations to our network, and Fantasea, expanding our footprint in marine. This has enabled us to offer Members even more opportunities to enjoy unique benefits and experiences. Importantly, we have invested in assets in regional communities, providing quality holiday accommodation whilst boosting local tourism.

The investment portfolio provides an endowment fund and is an important component of the long term sustainability of the Group. We are experienced capital managers and look to generate sufficient returns whilst preserving the endowment fund. We continue to explore new investments that meet our prudential requirements whilst also delivering benefits to Members and the community such as our investment in the Elanor Metro and Prime Regional Hotel fund.

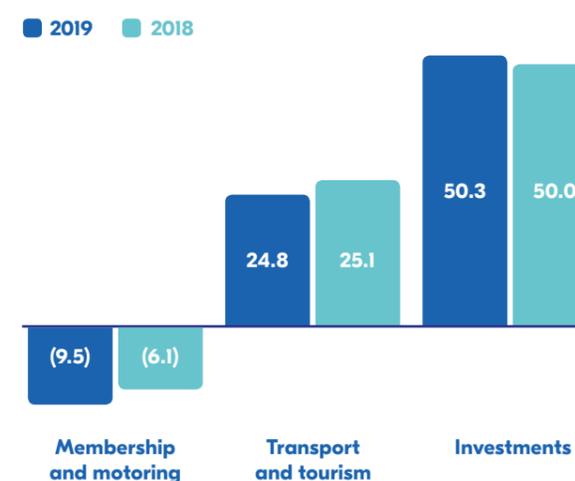
In executing our strategy, we are focused on growing revenue to maintain a strong foundation that generates profits to reinvest in motoring services and Member

benefits. Revenue from operations of \$681.4 million (2018: \$614.0 million) grew by 11%, with all segments showing good growth on the prior year. Organic revenue growth, excluding acquisitions, was 4.3% which is a pleasing underlying result.

Our operating profit in 2019 of \$65.6 million (2018: \$69.0 million) is a strong result, derived from growth in our underlying businesses, together with the contribution from marine and holiday park acquisitions. The operating profit was negatively impacted by one-off transaction costs associated with acquisitions in 2019 including due diligence, stamp duty and business integration costs. However, we are confident that the profit and other benefits contributed by these new businesses will outweigh these one-off costs in future years.

Despite solid performance by the operating businesses, the statutory net profit after tax of \$12.8 million (2018: \$97.1 million) reduced compared to the prior year which had benefited from the

Operating profit / (loss) by segment (\$m)



successful sale of a commercial property we owned in Melbourne (Docklands). This year was also impacted by a reduction in the carrying value of the Travelodge joint venture hotel assets in light of the softening commercial property market.

Operating cash remains strong at \$106.6 million (2018: \$103.5 million). The financial position of the group is very solid and net assets continue to grow, increasing by \$17.0 million to \$1,108.4 million.

Membership and motoring

Revenue from Membership and motoring of \$369.4 million (2018: \$346.3 million) grew 6.7% with growth in subscriptions of 3.9% on the prior year. Greater investment in roadside services saw improvements in first service resolution which reached 86.4% (2018: 85.2%). This delivers a better experience for our Members whilst also helping to contain costs.

Revenue from our car servicing business grew 8.9% on the prior year, benefitting from the scale up of our mobile mechanic business and the addition of the Narrabeen centre in the first half of 2019.

The Membership and motoring segment had an operating loss of \$9.4 million in 2019 (2018: loss of \$6.1 million).

Transport and tourism

The transport and tourism segment showed strong revenue growth with an

increase of 16.8% to \$312.8 million in 2019 (2018: \$268.9 million). NRMA Parks and Resorts revenue grew 13.9% with the full year impact of three parks acquired in 2018 (Bathurst, Woodgate Beach and Capricorn Palms) contributing to the increase. Five new parks were acquired in 2019, bringing our total portfolio to 48. We expect continued growth in 2020 as we look for opportunities to further expand our network.

Net revenue in our car rental business, Thrifty, grew 5.9% with strong growth in the corporate segment in particular.

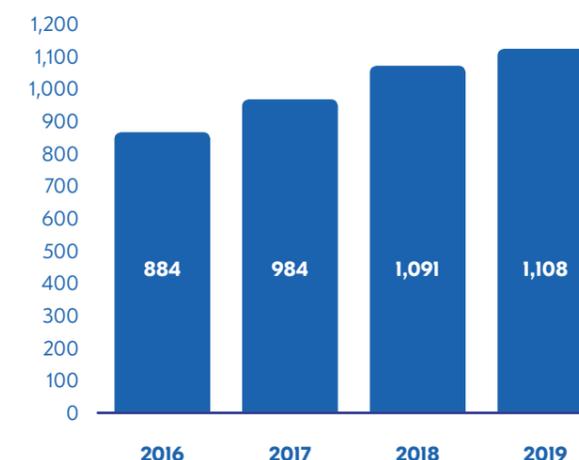
We expanded our footprint in Marine with the acquisition of Fantasea in November 2018. This, together with a full year of ownership of My Fast Ferry has contributed to significant growth in this division.

Operating profit for the transport and tourism segment remains strong at \$24.8 million (2018: \$25.1 million) with the result impacted by one-off transaction costs from our newly acquired businesses. These acquisitions provide a strong foundation for future growth in this segment.

Investments

The investment segment is diversified across various asset classes in accordance with the Group's Investment Policy Statement (IPS). The core investment portfolio including equities, property, infrastructure, fixed income and cash assets, delivered solid returns in 2019. On a total return basis the

Group net assets (\$m)



portfolio achieved a return of 3.3% over the financial year (2018: 16.7%). This was a satisfactory return with weakening in Australian equities, including weaker returns from strategic shareholdings. Over the long term, the portfolio has returned 8.5% per annum and 10.4% per annum over five and seven years respectively.

To reduce risk in the portfolio and allow flexibility to fund potential acquisitions, the Group took a more conservative position, reducing equities and increasing holdings in cash. Although this negatively impacted returns, it bolstered liquidity and reduced volatility of returns, protecting the capital base.

The investment segment also includes our joint venture and associate investments, the largest of which is Travelodge Hotels. Operating profit from these assets was in line with expectations.

In 2019, we continued to execute our strategy of transitioning funds from the investment portfolio into operating businesses (particularly in the transport and tourism segment) to deliver greater benefits to members and to earn better investment returns. As part of this, funds were drawn down from the investment portfolio to acquire Fantasea and additional holiday parks which impacted the investment segment result.

Operating profit for the investment segment of \$50.3 million (2018: \$50.0 million) is broadly in line with the prior year.

Members and customers



Our Members are at the heart of everything we do. Our independent voice, reputation and brand all help us deliver more value for our Members, every year.

A new dining partner, Frequent Values by Entertainment Book, offers up to 20% off at thousands of restaurants, cafés and takeaways across Australia.



Board focus area: Members voice and services

The Board monitored the progress of uptake and usage by Members of NRMA Blue, launched in May 2018. Over the year the program delivered more value to 1.5 million Members.

The Board increased its focus on listening to Members by reviewing the key metrics related to compliments and complaints from Members and customers on service delivery, including trends and volume.

Roadside assistance (touchpoint) Net Promotor Score of **+80**

\$120 million Member benefits

Brand Net Promotor Score of **+25** **2,646,000** Members

1.05 million installs of the my nrma app and **4.33 million** Member sessions

Over 5,000 Member offers from more than 50 premium partners

NRMA Murramarang Beachfront Holiday Resort

Members at our heart

We exist for our Members. We work hard to anticipate our Members' needs and understand that good decisions start with listening to our Members and customers.

NRMA Blue turns one

In 2018, we launched the NRMA Blue program to create more value for our Members and inspire new experiences and journeys. While the NRMA remains synonymous with roadside assistance, the benefits of being a Member extend far beyond the road.

We listened closely to our Members and customers to enhance our value proposition based on Members' calls for more value for money, help with the back pocket, and to inspire more engagement and loyalty with our motoring, transport and tourism businesses and partners.

The success of this strategy is clear, and the numbers speak for themselves:

- **Savings:** We've helped more than 1.5 million Members save \$120-plus million through benefits and rewards.

- **Value:** NRMA Members spent \$109 million with NRMA Group businesses, including Thrifty, NRMA Parks and Resorts, My Fast Ferry and car servicing, and saved \$18 million.
- **Support:** A million downloads of the **my nrma app** confirms it as the place to find the best value fuel and parking, book roadside assistance, uncover thousands of benefits and get more from every journey with local guides and travel tips.
- **Dining:** A new dining partner, Frequent Values by Entertainment Book, offers up to 20% off at thousands of restaurants, cafés and takeaways across Australia.
- **Travel:** Partnerships with Virgin Australia, Jayride worldwide airport transfers, No. 1 Airport Lounges, Ignite Travel (Holiday Exclusives) and a range of new hotel partners offer

great discounts, complemented by cruise and packaged tour partnerships with Intrepid Travel, Cruise Fusion and Scenic Tours.

- **Motoring:** Expanded benefits with National Windscreens, Star Car Wash, Up2Scratch and Space Shuttle Airport Parking keep our Members moving.
- **Insurance:** More than 1.3 million Members saved on NRMA Insurance.
- **Fuel:** Members saved up to 5c per litre at the bowser on more than 30 million litres of fuel at 700 Caltex service stations, nationwide.
- **Redemptions:** Almost five million redemptions across a growing group of more than 50 premium partners added extra Member value.



Exploring Sydney Harbour with My Fast Ferry

Listening and learning

We understand that every person and experience is different. We listen to our customers to understand their perspective – and this helps us to go the extra mile.

Our focus over 2019 has been to improve our Members' experience and to ensure we deliver consistent customer service.

Making life easier for Members

We know our Members' time is precious. This is why we created a join-and-fulfil anywhere strategy to make renewing roadside assistance membership even easier. Leveraging digital channels – email, SMS and the **my nrma app** – helps us to deliver on-time, relevant reminders to our customers. Pre-filled payment forms and secure encrypted data deliver a seamless renewal experience and has improved customer satisfaction. The results speak for themselves: a 105% increase in digital renewal (from 17% to 35% over 2019), and a 20% uplift in Members paying on time.

Listen, learn, act

Our new Voice of Customer Platform delivered in 2018 is being further utilised for us to be even more agile in how we listen to our customers to drive even greater customer experiences.

We are always listening and looking for ways to improve, and so launched our 'Close the Loop' program in June 2019 to let our customers know how their feedback is helping us to drive change. We will be reporting on the outcomes of this program in the next financial year.

Unlocking the power of our employee experience

At the NRMA, we believe the experience of our customers, Members and

employees are interconnected. Over the past two years we've taken great strides to improve our employee experience by building a culture of trust – one that empowers our staff to deliver exceptional customer experiences. Among the outcomes are:

- **Moments that matter:** This monthly cross-functional sharing session allows us to monitor and explore customer insights, identify and escalate key pain points for our customers by fast tracking issues.
- **Yammer away:** Strengthening internal communication and collaboration has helped our staff feel more connected and empowered – and this means they are able to solve customer issues more quickly and deliver exceptional customer experiences. Our existing enterprise social networking service, Yammer, supports these efforts. We've created several community groups and encourage staff to actively share information. The outcomes have been overwhelmingly positive. Frontline employees are solving customer issues much faster – sometimes within minutes – with a little help from their friends.
- **Small idea, big impact:** Our transparent, customer-focused employee communications environment was also recognised externally. We were thrilled to win the global 2019 Gartner Communications Award, which recognises worldwide achievement, in the 'Small Idea Big Impact' category for our use of Yammer to engage our people.

Protecting our Members' data and privacy

The NRMA Group Playbook outlines our firm commitment to "keep you safe along the way". We understand that keeping our Members safe means protecting their data and privacy.

In 2019, we continued to execute the NRMA Group Data Governance Program, which includes a data governance strategy, a data quality strategy and the implementation of data governance.

Our Privacy and Spam Working Committee, made up of representatives from each business unit across the NRMA Group and overseen by the Data Stewardship Committee, met regularly to identify and address data privacy issues. We also established a new Data Quality Working Group to improve the overall quality of our data.



Board focus area: Data governance

Data governance, cyber security and the privacy of Member and customer data remain areas of focus for the Board. Progress towards improved data governance and cyber security efforts are provided to the Board on a monthly basis. Given the nature of the issues the Board and management have adopted a 'continuous improvement' approach to cyber security.

Operations and assets

By broadening our core services over the financial year, we've proudly delivered more value, more destinations and more ways for our Members to keep moving.



Our motoring operations have kept people moving for nearly 100 years through Australia's largest roadside assistance network.



Board focus area: Operations and assets

Over the past year the Board has focused on opportunities and challenges associated with each business unit across motoring, transport and tourism. The Board focused on overseeing the following activities of management:

- Improving roadside assistance, notably first call resolution and response times, to enhance the experience for Members
- Reviewing Member products and pricing
- Integrating the newly-acquired Fantasea into the NRMA marine business
- Finding organic growth opportunities for the marine business
- Expanding NRMA Parks and Resorts and the property and hotels portfolio
- Rolling out the NRMA electric vehicle fast charging network
- Preparing for our centenary in 2020.

4.2 million passengers on ferry and tourism services

20 electric vehicle fast chargers

1.8 million nights spent in hotels and campsites

1,621,000 roadside assistance calls for help answered

22,000 passenger and commercial car rental vehicles

Tony Tamine, Patrolman



Motoring

Our motoring solutions offer more than peace of mind. We are always looking for new ways to add value for our Members – whether that’s excellence in driver training or car servicing with a difference.

Members are at the heart of what we do

Our motoring operations have kept people moving for nearly 100 years through Australia’s largest roadside assistance network. We also offer our Members assistance in other ways – whether that’s driver training lessons or mobile mechanics, help with a car loan or car servicing, batteries and vehicle inspections, securing the safety of our youngest passengers with child restraint installations or leading innovation with our electric vehicle fast charging network.

Delivering peace of mind every time

Delivering peace of mind to our Members is the NRMA legacy. We do this by focusing on best-in-class service delivery that gets Members moving at the first call – eliminating the need for a follow up. To do this, we have expanded our battery-capable patrols to 98% of the fleet, which has driven improvements to our response times and first call resolution. We continue to invest in technology and our fleet to increase our tow and battery capacity.

This investment has paid off. Our response times have continued to remain strong, with our service providers attending more than 80% of our Members within 60 minutes and maintaining our first call resolution performance at record levels of 86%. Our Members are happy, as our Net Promoter Score has increased to +80 – an achievement which is a true testament to our great people.

Maintaining our high service levels is not without its challenges. More variable and extreme weather conditions have increased the volatility in our daily job volumes. This is a growing challenge that demands agile planning to ensure we continue to deliver on our service delivery promise.

Unparalleled coverage in regional areas

With more than 150 service centres across regional NSW and the ACT, we are delivering a high level of service to our Members regardless of their location.

By keeping focussed on service and coverage right across the country, we have been able to maintain our high service delivery standard, even in the more remote areas.

Car servicing with a difference

We remain committed to understanding the car servicing needs of our Members and delivering consistently great service in all areas of our business. And this commitment is behind our improved performance in 2019. We lifted our Net Promoter Score to a leading +57, which has led to a 5.5% increase in cars serviced compared to 2018.

In addition, our mobile mechanic fleet delivered great service to more customers at a place and time that is convenient to them.

We also opened our twenty-third car servicing centre in Narrabeen in Sydney’s Northern Beaches. This facility offers the latest in car servicing technology, including diagnostic scanning tools and servicing hoists, as well as mechanical repairs, baby seat installations, pink slips, pre-purchase and end-of-warranty inspections.

Delivering driver training excellence

Our driver training program continues to provide excellence in driver education and skills development to communities across NSW and ACT. We received excellent feedback from our participants and a Net Promoter Score of +72. Looking ahead, we will broaden our product offering by delivering after-licence refresher education to our Members and communities to support better road safety outcomes. We are proud of our role supporting community groups across the DriveTime and Indigenous Driver training programs (see page 58 for more detail).

Outlook

We will continue our focus on best-in-class service delivery by growing our patrol network and respond to increasing volatility in job volumes as a result of a changing climate.

Wild weather Wednesday: NRMA teamwork at its best

Torrential rain lashed Sydney while Queensland battled intense bushfires on a day of extreme weather on Wednesday 28 November 2018.

The NRMA teams were in the thick of it, helping our Members through more than 5,000 calls for help. Our Motoring team in Sydney managed a myriad of on-road conditions – from flooding to fallen trees, car accidents to road closures. Cars were towed and batteries restarted.

Other teams refused to let extreme weather damage their service delivery record. Our Marrickville car servicing centre, for example, worked on 26 cars on its roster, despite flooding and power failures in its workshop.

Meanwhile, our Thrifty and NRMA Parks and Resorts teams faced burning bushfires in the Rockhampton and Gladstone areas and made sure our customers’ safety was front of mind.

Our commitment to service was reflected in being able to respond to 84.5% of Members within 60 minutes across of our network. This exceptional result is a testament to our people, who are all committed to keeping our Members moving.

Cameron Whiteley, Mobile mechanic

Our mobile mechanic fleet delivered great service to more customers at a place and time that is convenient to them.





Electric vehicle fast charging network

The way we move today is changing. Electric vehicles are the next inevitable step in our automotive future. Just as the NRMA was there to help Australians navigate the rise of the automobile 99 years ago, we will be there to help motorists as we transition to an electric future.

Australians will always have access to large, fast and safe vehicles – but they will increasingly be powered differently. Global car manufacturers are phasing out manufacturing of petrol and diesel cars over the next five to 10 years. In a nation like Australia, where we no longer have a car manufacturing industry, we are reliant on importing cars and will need to adapt.

With an electric future looming, the NRMA is committed to making the transition not only pain free, but beneficial for our Members. It's also the smart thing to do as the cost of transport, fuel, congestion and environmental impacts rise.

We are doing this through our ground-breaking policy and research activities which call on governments, industry, our Members and the community to adopt a proactive approach to electric vehicles and through our leading investment in electric vehicle charging infrastructure. We are also preparing our motoring businesses with technical training and adapting our own fleet as vehicles need replacing.

We firmly believe that electric vehicles will be an option for all Australians – not just those living in urban environments. In fact, electric vehicles will likely be of greater benefit to those in the regions where larger travel distances are the norm.

If we take a proactive approach, we can capture many of the benefits of electric power, including lower transport costs, greater vehicle choice, less

reliance on imported liquid fuels, fewer vehicle emissions and industry development opportunities.

A game changer for motorists

In October 2017, the NRMA committed to building one of Australia's largest electric vehicle fast charging networks. Delivering a minimum of 40 sites across NSW and the ACT, the network will cover around 95% of Member journeys and will ensure there is typically 150 kilometres between each fast charger along major highways. The network is available to all and the cost of charging is currently included for all NRMA Members.

We are at the half way mark with 20 operational sites throughout regional NSW. A further 20 sites will be delivered over the next 12 months.

Electric vehicle motorists can now travel to the beautiful South Coast of NSW, the Southern Highlands, the Central West, the Hunter and Mid North Coast without fear of running out of charge. We look forward to completing our New England and Pacific Highway routes and to connecting the Riverina as part of our network plans.

Addressing range anxiety

Our electric vehicle fast charging network addresses one of motorists' main concerns: 'range anxiety' or fear of running out of charge. From our surveys, 65% of Members indicated they are more

likely to consider purchasing an electric vehicle if public fast charging stations are readily available.

This essential infrastructure supports stress-free travel – whether they are commuting to the city or wishing to sample the Central West wine country, visiting the adventure playground of the Snowy Mountains or checking out the beaches which fringe NSW's spectacular coast. In fact, some of our own staff are out travelling a lot of country roads in electric vehicles worry free.

Our team continues to work closely with Members and local communities across NSW and the ACT to help shape the NRMA electric vehicle fast charging network.

Innovation acceleration

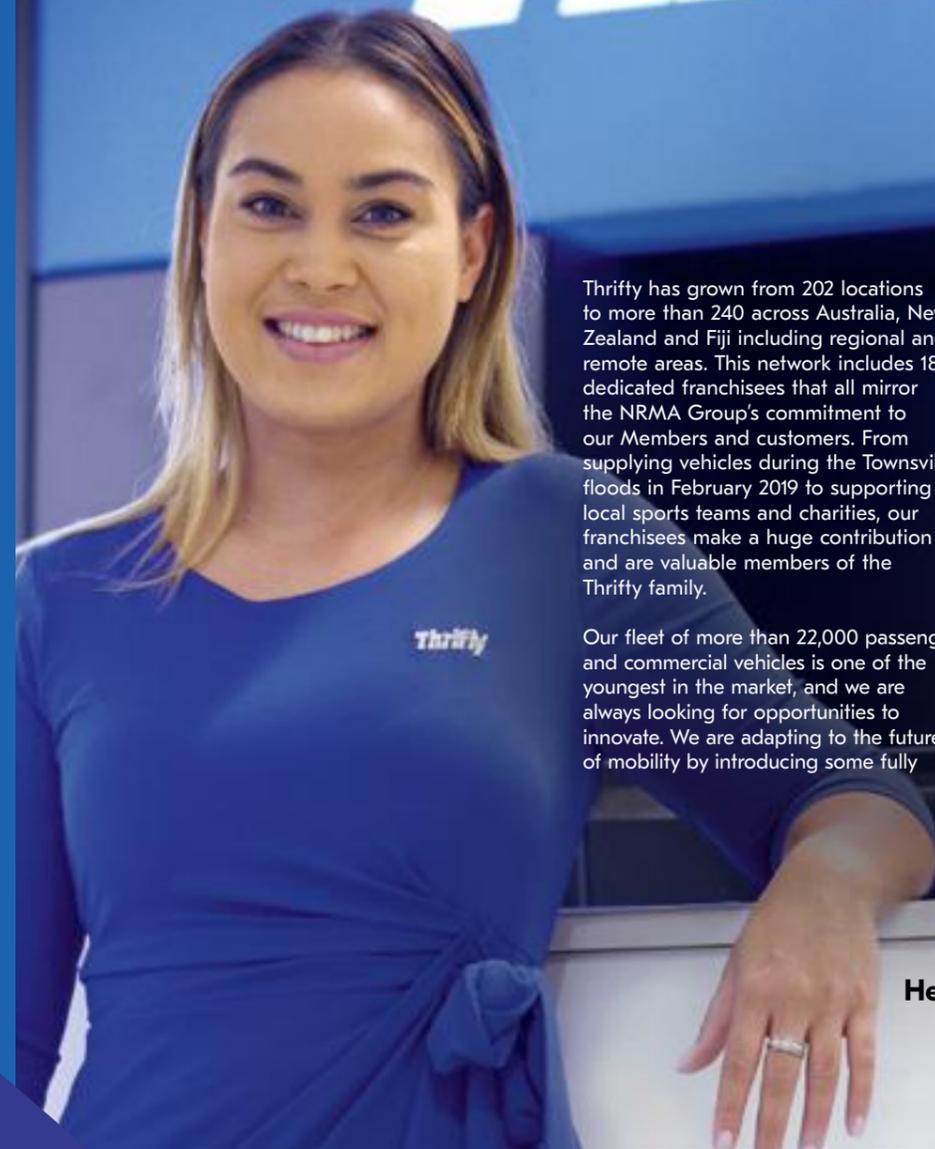
Our leadership has been recognised, with the electric vehicle fast charging network named 2018 Drive Car of the Year 'Best Green Innovation' alongside the new Nissan Leaf vehicle. This award continues to solidify our reputation as a forward-thinking leader in Australia's mobility industry.

Outlook

We're looking at how we can electrify our patrol fleet and how we can train our workers to help the next generation of electric vehicle owners.

Smiles all the way with Thrifty

Thrifty continues to deliver exceptional customer experiences, so it's no surprise to see our car rental network enjoy unprecedented growth and a burgeoning reputation.



Thrifty has grown from 202 locations to more than 240 across Australia, New Zealand and Fiji including regional and remote areas. This network includes 18 dedicated franchisees that all mirror the NRMA Group's commitment to our Members and customers. From supplying vehicles during the Townsville floods in February 2019 to supporting local sports teams and charities, our franchisees make a huge contribution and are valuable members of the Thrifty family.

Our fleet of more than 22,000 passenger and commercial vehicles is one of the youngest in the market, and we are always looking for opportunities to innovate. We are adapting to the future of mobility by introducing some fully

electric vehicles into our New Zealand fleet. We are also gearing up to launch electric rental vehicles in Australia.

We appreciate the diverse multicultural nature of our communities and have forged partnerships with the AFL, Waratahs and Brisbane Roar recognising the important role of sport in bringing diverse communities together.

We continue to set an industry benchmark with our Net Promoter Score of +50 across Australia and New Zealand and are proud of recent recognition in the Readers Digest 2019 Quality Service Awards. None of this would be possible without our dedicated team who work tirelessly to ensure that there really are smiles all the way with Thrifty.

Helena Holman, Operations Manager

Board focus area:

Electric vehicles

The Board continues to support Australia's transition to electric vehicles through advocacy and the \$10 million investment into the electric vehicle fast charging network across NSW and ACT.

20 fast charging sites – powered by 100% renewable energy – are now operational and available for use.



Whalewatching on Sydney Harbour with Fantasea



Marine

We've always been there to help our Members on the road. Now we're looking beyond the road and to our waterways to give people even more ways to move.

Our Blue Highways strategy aims to alleviate some of the challenges of moving people around our congested cities. Our marine business delivers ferry and water transport as well as unique tourism opportunities, from whale watching adventures to cruising along Australia's iconic waterways.

A decade of fast ferries on Sydney Harbour

In March 2019, My Fast Ferry (formerly known as Manly Fast Ferry) celebrated 10 years of operation between Manly and Circular Quay. Starting in 2009 with just two boats and 12 passengers on the first trip, My Fast Ferry has grown to transport more than four million passengers on 11 vessels. Today, My Fast Ferry is one of NSW's most loved transport options. Some 37,000 services run between Manly and Circular Quay every year, with an additional 10,000 services running for our whale watching and tourism passengers.

Our focus is on making a great experience even better. In September 2018, customers began using OpalPay on all ferry services. From October, our Members began accessing a 10% discount on OpalPay single tickets and through the **my nrma app**. Within a week, more than 1,100 Members had saved on fares through the NRMA discount.

Welcoming Fantasea

In November 2018, we acquired Fantasea, growing our fleet to 31 vessels and expanding our offer beyond Sydney Harbour with the Central Coast to Palm Beach ferry connection. Fantasea provides a raft of transport and tourism services, including harbour cruises, ferry services and Yellow Water Taxis across Sydney Harbour.

Building a better future for everyone

The year was not without its challenges. Negotiations for new enterprise agreements to cover employees in our My Fast Ferry business involved some protected industrial action and some services were cancelled. We are committed to fair wages, great working conditions and greater job permanency for our people, while ensuring the safety and wellbeing of our customers and the long-term sustainability of our business.

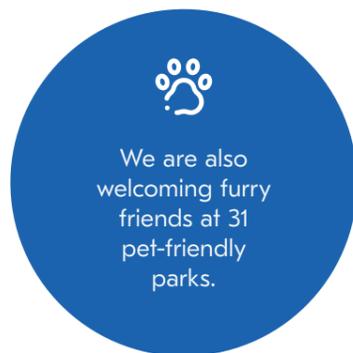
Outlook

In 2020, we look forward to expanding our transport services and tourism experiences across Sydney Harbour and around Australia. Delivering quality marine experiences, connecting communities and providing more leisure opportunities on blue highways will deliver more value to our Members in a growing number of communities.

In November 2018, we acquired Fantasea, growing our fleet to 31 vessels and expanding our offer beyond Sydney Harbour.

Parks and resorts

There's nothing more Australian than getting away and reconnecting with family and friends – and holiday parks and resorts are the cornerstone of the quintessential driving holiday. Our mission is to make this more enjoyable and accessible for everyone.



More destinations to discover

Tourism is not just about discovering a destination. It's also about engaging with local communities, and learning about their culture, food, history, sights and landscapes. The NRMA is passionate about unlocking these experiences for our Members.

We believe holiday parks and resorts are the cornerstone of the quintessential Australian driving holiday. This is why we have expanded our parks and resorts offering, so future generations can experience this rich and rewarding Australian tradition.

Championing regional Australia

We are champions of regional tourism – and for very good reason. *Are we there yet?*, our report published in August 2018, underscored the potential for Australia's regional tourism to grow to \$150 billion by 2030. Tourism can provide a much-needed economic injection into regional communities, particularly those struggling with the prolonged drought. It also helps us employ local people in the communities where we operate.

Our strategy provides quality holiday accommodation experiences while boosting local tourism industries. As a result, we have grown our network by another 11 parks and resorts over the year, bringing the total number of parks that we own or manage to 48. While NRMA

Parks and Resorts is a platform for our Members to reconnect with each other and nature in beautiful destinations, our Members also love the relaxation and socialising experiences we offer. This year, we achieved a solid Net Promotor Score of +60.

Reinvigorating parks in great places

Expanding our network in great locations is only part of our story. We are also upgrading many parks and resorts to provide exceptional holiday experiences, great hospitality and excellent facilities. Take the NRMA Bathurst Panorama Holiday Park, where a \$3 million investment has enhanced amenities, cabins and powered sites, providing an additional boost to the local economy.

The product mix within our network has also expanded. We've installed safari tents at more parks along the NSW South Coast and at NRMA Treasure Island Holiday Resort on the Gold Coast, offering seven destinations with permanent 'glamping' experiences. We also introduced temporary glamping tents during the school holidays at select parks – a pop-up trial which we're continuing.

Creating community connections

We take great pride in being part of our local communities, and look for ways to support our business while giving back. We've helped local Scout troops

to recycle bottles from our parks and use the money for good causes. We've engaged students with green thumbs to help us install garden beds at the NRMA Port Macquarie Breakwall Holiday Park. And we've commissioned local Indigenous communities to create artwork for safari tents at Murramarang Beachfront Holiday Resort as well as perform at our Cairns Holiday Park.

Winning gold and silver

We don't do it for the awards, but appreciate the occasional pat on the back just the same. We were immensely proud of our NRMA Port Arthur Holiday Park, which took home gold at the Tasmanian Tourism Awards for the second year running. Following this win, we were presented with the silver award in the Caravan and Holiday Parks category at the 2018 Australian Tourism Awards. Going head to head with Australia's best tourism operators reconfirms our commitment to outstanding customer service, innovation and business excellence.

Outlook

We are committed to finding new ways to unlock Australia's memorable destinations to our Members. We are expanding our footprint, and are actively looking to connect the dots on our Members' road trip journeys by acquiring new parks, expanding our product range and enhancing guests' experiences when staying with us.

Always going above and beyond

Dawn began managing the NRMA Port Macquarie Breakwall Holiday Park in Port Macquarie in 2016, but she's always had a passion for delighting customers and building real connections.

"It's very important to me to always listen to a person's needs without

judgement. I try to 'walk in their shoes', and I know that not everyone at our holiday park is there for a holiday. I'd like all our guests to feel welcomed. No request is too big or small, and every guest is unique."

Dawn consistently goes above and beyond to help our guests -

whether that's visiting a guest in hospital or sending a thoughtful gift to one whose father passed away, measuring a cabin to ensure a guest's wheelchair could be accommodated or helping a family of international visitors find a car to visit local attractions.

Dawn Marchment,
Manager, NRMA Port Macquarie Breakwall Holiday Park





People and culture

We are people moving people. It is our people that make us who we are — one of Australia's most trusted brands.

Our culture sets us apart from other organisations. This culture always puts our Members first and delivers great customer experiences.

54 apprentices, including eight females and six Indigenous apprentices

50% of our executive is female

Group engagement score of **82**

Leadership score of **71**

Women represent **56%** of our Board



Lisa Lawson,
Brand Operations Manager

Our focus on culture

Our unique culture has evolved from helping people for nearly 100 years. Our business is constantly growing and changing. Today, the NRMA is made up of businesses that are as diverse as the people who work in them, and our values and culture are the common threads that ties us together.

Our people are a competitive advantage. It is through them that we deliver outstanding customer experiences. This year we rolled out our Playbook – our compass that guides our standards and ways of working to which we hold ourselves accountable.

Leadership and capability

Our sustained investment in professional development programs builds leadership excellence to support the delivery of our strategy. Our focus on leadership, culture and capability underpins a highly engaged team. Our ECHO: Your Voice employee engagement survey score of 82 and our leadership score of 71 demonstrates this. Our investment in people is paying off, with the new starter turnover rate falling to 20% from 26% in 2018. Retention rates were steady at 80% (2018 79%).

Reward and recognition

We reward and recognise our people when they demonstrate our values – when they have energy and enthusiasm for what makes the NRMA great, when they have the courage to stay the course as challenges emerge, when they put others first because of their humility and care, and when they take ownership for their

every step. Our My Thanks program gives our people the chance to say thanks and recognise great efforts of their colleagues. We also recognise team members who live up to our values as ECHO Ambassadors and encourage others too.

Lifelong learning

Lifelong learning is a important skill for all employees, especially in our ever-changing world. We know that everyone learns differently, which is why we offer multiple ways to engage with education – from on-ground experiences to online modules to face-to-face training on leadership, cultural awareness and mental health. Combined, more than 20% (568) of our people completed face-to-face training modules during the year to build their personal capabilities and business skills. We also expanded the reach of our training through our online modules with more than 9,700 courses completed.

Celebrating cultural diversity

Diversity is our strength, and we are committed to celebrating that diversity across our business. We know diversity of thought challenges our business-as-usual thinking, sparks new ideas and drives better outcomes.

Over the year, we encouraged our people to participate in activities and events that celebrated their cultures. We supported Harmony Day, Mardi Gras' 40th anniversary, National Reconciliation Week, NAIDOC Week and White Ribbon Day. Around 110 employees deepened their understanding of Aboriginal and Torres Strait Islander culture and our shared history with Indigenous awareness training.

Expanding the female talent pool

We know gender diversity enhances innovation and creates an engaged, thriving work environment. We made several improvements over the year to achieve a consistent approach to gender diversity across our new

businesses. These include gender neutral remuneration policies, and a program to attract female talent to non-traditional roles in our marine and motoring businesses. We are also supporting our staff when returning to work after parental leave with a 93% retention rate achieved, up from 84% in 2018.

We also celebrated gender equality during International Women's Day and held the Women of NRMA development workshop in March 2019 to accelerate professional growth with courage and confidence.

Gender balance in senior leadership

We are proud that our Board currently boasts 56% female representation, and women comprise 50% of our executive team. We also increased the representation of women in management roles to 40% (2018 34%).

ECHO winners

- **Greg Degroot** – Motoring
- **Pete Johns** – Membership
- **Jillian Clemente** – Thrifty
- **Christina Sypkens** – Finance
- **Samantha Hastie** – People and Culture
- **Alanna Azar** – Technology
- **Natalie Miccoli** – Commercial and Legal
- **Robyn Anderson** – Thrifty
- **Natasha Hannan** – Membership
- **Matt Garlick** – Motoring

- **Matt Pike** – Parks and Resorts
- **Thomas Reynolds** – Fantasea
- **Jesse Wayling** – Fantasea
- **Sam Wayling** – Fantasea

Walking in another's shoes

We actively encourage all staff to walk in the shoes of a colleague. This is a chance to experience first-hand how other jobs are performed and the challenges faced by other people in our business on a day-to-day basis.

Nell Payne, Executive Manager of Motoring, walked in the shoes of the Ocean Wave My Fast Ferry crew this year. Nell reviewed weather reports, gained insights into navigation systems, recorded information about each run,

read operations reports and checked in more than 800 passengers through the ticket gates during the morning rush. She left with a new appreciation of our ferries business and took back insights she could apply to roadside operations.

"I learnt how similar and passionate about the NRMA our people are – that we all put the passenger or Member first. Our people have a real can-do approach, and always support each other as a team," Nell says.

Diversity is our strength, and we are committed to celebrating that diversity across our business.

Board focus area: Our culture
Please refer to page 17



Achieving gender pay equity

We have been working hard to identify pay gaps as we integrate our new businesses, and this means developing new approaches to data. This year we expanded our classification to look at total annual remuneration rather than base in our pay equity gap calculation. The rebased 2018 gender pay gap is 14.2% (total remuneration). The 2019 NRMA Group pay gap of 14.4% is 6.9 percentage points lower than the latest average Australian gender pay gap (total remuneration 21.3%).

We are focused on achieving gender pay equity for like for like roles. We have a number of roles which are traditionally male dominated in Patrols, technology and Marine. We have strategies in place to attract more women to these areas including our apprentice program.

Our apprentices on land and sea

The NRMA apprenticeship program teaches more than a trade. Our apprentices receive practical training to equip them with genuine career development opportunities. By the end of the reporting year, we had 54 apprentices, including eight females and six Indigenous apprentices. We are proud of our 82% retention rate, which is well

above the national average of 52.7%. Eight of our 54 apprentices completed their TAFE Certificate III in automotive electrical technology while 10 apprentices obtained their Certificate III qualifications in light vehicle technology. All are now building their confidence across our car servicing division before moving into technician roles.

The success of our servicing apprenticeship program has been recognised by state and federal governments. They have called on us for advice as they evolve the Vocational Education and Training (VET) sector to meet the electric vehicle challenge.

Building a great future for everyone

A key focus has been on training our group businesses on their vulnerable workers obligations to ensure no one gets left behind.

We have always fostered strong and healthy relationships with our unionised workforce and unions. As our business expands into transport and tourism, the industrial environment becomes more complex. We have proactively prepared for this shift by strengthening our industrial relations capability with specialist industrial relations practitioners.

In 2019 two enterprise agreements were renegotiated with no disruption to our business. The Patrol enterprise agreement was accepted by 89.8% of union members and subsequently ratified by the Fair Work Commission. The Customer Service agreement received a yes vote of 82% and was also ratified. These positive outcomes underscore our strong, collaborative relationships with our workforce and the unions that represent them.

Meanwhile, the year saw us negotiate a new enterprise agreement to cover employees in the My Fast Ferry business. This has involved some protected industrial action, and some services were cancelled. We remain committed to fair wages, great working environments and greater job permanency for our people, while ensuring the safety and wellbeing of our customers and the long-term sustainability of our business.

Looking ahead

We will roll out *Belong@mynrma*, our new diversity, inclusion and belonging strategy which has been designed to celebrate and harness the different experiences, skills and perspectives of our people.

Our workforce profile 2019

2019 data group	Type				Age group			Gender in leadership		
	Casual	Full-time	Part-time	Total	<30	30-50	>50	Board	Executives	Managers
Female	430	763	144	1,337	501	596	240	5 (56%)	5 (50%)	124 (40%)
Male	381	1,157	29	1,567	447	763	357	4 (44%)	5 (50%)	183 (60%)
All	811	1,920	173	2,904	948	1,359	597	9	10	307

Safety

Our organisation is built on the strength of our people, so it's no surprise that their safety and wellbeing is embedded in everything we do.

Safety first

Our focus on safety runs deep in our business.

Over the past 12 months, our focus has been instilling a 'safety first' ethos

across our new businesses, especially our expanding marine operations and our parks and resorts portfolio. We have continued to implement best practice processes with a key focus on fatal risk and controls. This has resulted in a significant improvement in our safety metrics.

Safety metrics

	Measure	2019	2018
LTI	Lost time injury (LTI) Any injury occurring in the workplace that requires a person to stay away from work.	28	36
LTIFR	Lost time injury frequency rate (LTIFR) Refers to the number of LTIs that occurred per one million hours worked during the year.	6.95	9.0

Wellness for Work

Wellness for Work is an integral part of our holistic health and safety program and provides care and provisions for people who are injured or unwell. Return to work assessments, mental health training and resources, yoga and fitness classes, and our Active Care physiotherapy program are all ways we support our people at work and when they return home at the end of each day.

We know one of the best ways to look after our people is to focus on prevention. This year saw a 12.5% increase in staff uptake of Active Care, our early intervention initiative that provides employees with free access to physiotherapy treatment to address musculoskeletal injuries at their early stage.

We rolled out new body mechanic manual handling training for our operational areas including our patrols, car servicing, parks and resorts and Thrifty businesses and have reached around 450 employees

to date. This training program helps front line staff apply six principles to their manual handling tasks, like washing a car, changing a tyre or cleaning a cabin in one of our holiday parks.

The popular Eat Well program continues to promote healthier eating and lifestyle choices. This year, the program was particularly well received in our car servicing sites where teams enjoyed learning tips to make fast, nutritious and inexpensive meals.

In 2018 we introduced a new employee assistance provider with a great range of services including 24/7 crisis support by trained psychologists, a manager support program, wellbeing coaching, nutrition advice, and financial and legal services. The use of these services increased from 4% to 7.5% across the Group.

We also continued to help our staff to prepare for the winter weather with 474 employees taking advantage of free 'flu vaccines. What's more, 256 staff booked in for free skin checks.



Board focus area: Safety of our people

The Board continued its relentless pursuit of keeping staff, Members and the public safe in the conduct of the NRMA business. The first agenda item at each board meeting continued to be the close monitoring of safety incidents and mitigating actions, and the monitoring of the progress of investigations through to conclusion. This includes any incidents raised through the ethics hotline. Additionally, executives have safety (LTIFR) as a key performance indicator to manage their business.

Building skills for resilience

This year we started a new conversation as nearly 300 of our people took part in Mental Health and Resilience in the Workplace training. We offered a variety of training options: a two-day accredited Mental Health First Aid course, four-hour leaders' modules and 90-minute sessions on resilience.

We were overwhelmed by the response, with our engagement survey recording a 14-point increase in mental health at work and demonstrating that our efforts resonate with our people.

Outlook

We will continue to look for ways to enhance the mental health and physical wellbeing of our people in all parts of our business by meeting the specific and individual needs of our operations and corporate functions. A suite of fatal risk standards is also in the pipeline. This will enable us to better monitor, measure and improve control effectiveness for each risk category.

Reputation

We're proud of the reputation we've built over nearly a century as a trusted brand. We are committed to giving back to the communities we serve, whether that's by protecting our natural environment, promoting road safety, investing in our children's future or lending our voice to important community issues.



NRMA Murramarang
Beachfront Holiday Resort

37 Indigenous people and 31 refugees gained employment or further skills training through our learner driver mentor program

54 Aboriginal and Torres Strait Islander and **59** refugee participants obtained their driver's licence

More than **10** thought leadership papers to advocate policies on safety, future mobility, road maintenance, urban congestion, regional tourism, and transport infrastructure and services

100% renewable energy for electric vehicle fast charging network

50,696 children reached in education programs

Serviced machinery to help **farmers** in two drought affected regional areas

With the NSW and federal elections occurring in the first half of 2019, the NRMA submitted extensive policy platforms for the consideration of governments and oppositions.

Advocacy

We take great pride in being the voice of our Members in NSW, the ACT and beyond – advocating on important issues, including safer roads, better transport and fairer fuel pricing.

Our policy and advocacy work is renowned with stakeholders and referenced by organisations around the world. Substantial investments in road safety, future mobility, transport services and infrastructure have progressed as a result.

With the NSW and federal elections occurring in the first half of 2019, the NRMA submitted extensive policy platforms for the consideration of governments and oppositions.

Chief among the wins was \$1 billion to help clear the council roads backlog in NSW, as well as increased transport services and infrastructure. These investments help to keep our Members safe, improve access and reduce congestion, as well as prepare our community for advancements in mobility.

Our advocacy efforts this year also included *Recharging the economy*, a policy proposal to support the introduction of electric vehicles; *Funding local roads*, a report with

recommendations aimed at improving the condition and safety of the local road network; *Blue highways*, a vision to highlight better use of our waterways for commuting and tourism; and *Are we there yet?*, a roadmap with recommendations to stimulate the visitor economy.

Our road safety reports launched this year included *Still smashed?*, which aims to reduce the incidence of drink driving, and *Look up*, the latest in our Road Safety Series which outlines our approach to pedestrian distraction and safety.

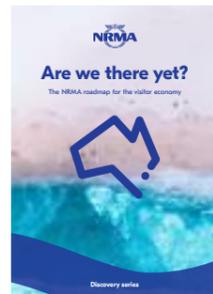
Our key outcomes



Safety and roads

- \$3 billion-plus for road safety programs, including upgrades for the Princes and Newell highways.
- \$1 billion of additional funding for the Roads of Strategic Importance program.

- More than \$375 million for road congestion busting activities throughout Sydney and the Central Coast.
- Establishment of an Office for Road Safety to provide a national point for collaboration.
- \$1 billion to help clear the council roads maintenance backlog throughout NSW (regional focus).
- Trial of mobile phone detection cameras and increased fines to deter distracted driving.
- Transfer of up to 15,000 kilometres of council-owned regional roads to the NSW Government to prioritise upgrades.
- \$450 million to expand the pinch point removal program.
- 300 more lollipop supervisors for school crossings in NSW.
- Reformed Graduated Licensing Scheme in the ACT to improve young driver safety.
- Increased funding for the Heavy Vehicle Safety and Productivity Program.



Transport and tourism

- More than \$450 million for tourism infrastructure to invigorate the tourism sector.
- \$40 million to grow and encourage Indigenous tourism.

- Almost 280 extra weekly regular ferry services on the Parramatta River.
- Expanded Opal Park and Ride program with 10 more facilities.
- Long-term Ettalong Channel dredging program to maintain navigational access.
- Setting of the first Regional Tourism Target in NSW to underpin rural and regional investment initiatives.
- Additional automated and on-demand vehicle trials, including trials in regional NSW.
- Establishment of a NSW Electric and Hybrid Vehicle Plan.
- On-demand ferry trial in the Bays aimed at improving connections to transport interchanges.
- Progression of a National Strategy for electric vehicles to provide coordination across jurisdictions.
- NRMA recommendations adopted by the Senate Select Committee on Electric Vehicles.



Our community

We understand life isn't always easy and we all need extra support from time to time. We offer a helping hand when times are tough – to our Members, and also to communities in which we operate.



We know that together we can make a positive difference because this is what being a mutual is all about. During 2019, we leveraged our community initiatives and partnerships to keep people moving.

Learner drivers keep moving

Obtaining a driver's licence can be a big milestone, improving a person's education and employment opportunities, and opening doorways to health services and community participation. Knowing how to safely drive can also enhance personal empowerment and independence.

Our Indigenous Learner Driver Program and DriveTime licencing support program for newly arrived refugees continue to do just that – opening doors to participation and employment by helping some of our

more vulnerable community members gain a licence. And our Members are helping them get there as volunteer driver mentors.

A life changer for Australia's First Peoples

We continued our two-year partnership with the Australian Red Cross that helps young Aboriginal and Torres Strait Islander people living in the NSW regional towns of Wagga Wagga and Nowra to obtain a P1 driver's licence. Since the program began in September 2017, 54 Aboriginal and Torres Strait Islander participants achieved their goal, with 37 gaining employment or furthering their education as a result.

On our reconciliation journey

We signalled our unwavering commitment to reconciliation in Australia by launching

our second Reconciliation Action Plan (RAP) in mid-2019. Our first Stretch RAP, recognised by Reconciliation Australia, outlined practical actions as we foster respectful relationships and create sustainable opportunities together.

We identified 78 targets as we advance reconciliation within our business and sphere of influence. Over the next three years, we will focus our reconciliation efforts on four key areas:

- Build Aboriginal and Torres Strait Islander employment training pathways
- Enhance Aboriginal and Torres Strait Islander cultural competency
- Create unique Australian tourism experiences
- Develop Indigenous supplier diversity.

Doing our bit

Sharing skills and supporting staff causes

Located 651 kilometres north west of Sydney, the town of Carinda is a long way from the big smoke, but the 158 or so locals wouldn't live anywhere else.

But with one of Australia's worst droughts in history, life has become harder and harder by the day for Carinda's farmers. Working through the Outback Links program, we deployed our skilled mechanics to put their expertise to use without any expense to those doing it tough.

Nine farming families were grateful for their help, and that made our 1,200 kilometre return trip worth every moment.

We are immensely proud of the dedication and commitment our people displayed in these times of distress. We encouraged our staff to donate to drought assistance organisations, like Rural Aid, Outback Links and the Foundation for Rural and Regional Renewal. We matched these donations dollar for dollar, raising more than \$16,000 for farmers in need. We also called on our 2.6 million Members to support this mission-critical cause.

Bringing a classic NRMA vehicle back to life

'Milton' the 1958 Land Rover is undergoing a painstaking restoration with the help of our car servicing apprentices at Sydney TAFE.

Named in honour of original owner and long-time NRMA employee Milton Loder, this beautiful piece of NRMA heritage was donated in 2014 by Milton's son Shane.

While it retains its original blue paint, the vehicle requires a full mechanical restoration. And our partnership

with Sydney TAFE is turning this dream into reality while building the skills of our next generation of trusted mechanics.

The vehicle was among the first Series 1 Land Rovers used by our patrols and has provided a unique opportunity for students, enrolled in Certificate III Light Vehicle Mechanical Technology at TAFE NSW Ultimo, to gain skills they would not normally gain working on a modern car.

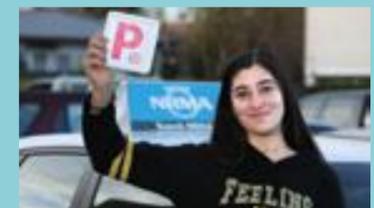
Helping to settle refugees into our community

Moving to a new country is a difficult and daunting process at the best of times, so we're playing our part by helping refugees during their first stages of settlement.

Not having a driver's licence is a common barrier for refugee men and women.

We stepped into their shoes by partnering with Gymea Community Aid and Information Service to support DriveTime, a driver licencing support program for refugees in Sydney's Wollongong and Fairfield areas. Thrifty Australia proudly provided a vehicle cost-free for the driving lessons.

During the year, 59 participants obtained their driver's licence, and 31 people gained employment opportunities once they received the tick of approval.



Education

Our education programs increase the knowledge, skills and positive behaviours of people of all ages. Whether it's the next generation of drivers learning valuable life lessons or older drivers looking to brush up on their skills, our programs help keep people and their surroundings safe.

Teaching lifelong lessons

Every day, children and young people interact with the road as passengers, pedestrians, drivers or cyclists.

Since we kick-started our Science and Road Safety Program in February 2014, we have visited 670 primary schools

across NSW and the ACT and engaged with 11,000 teachers. We've also collected data from 80,000 students to demonstrate the effectiveness of our education programs. Delivered free to schools in Sydney, ACT and regional NSW, our road safety education increases the knowledge and skills of primary and high school students, teachers and parents.

Road safety education in schools in 2019	Schools	Students
Primary school	105	43,488
High school	54	7,208
Total	159	50,696

Road safety made easy

We want to make it easy for schools to include road safety education in their daily teaching. We do this by supporting educators and parents with quality interactive education resources like student workbooks, engaging road safety shows, and science demonstrations that debunk road safety myths. We encourage parents to attend our road safety shows at their children's schools to increase their on-road safety knowledge.

help students solve big transport problems facing regional Australia. We spoke to 600 students in Orange and Parkes about future transport technologies and watched with delight as they applied these to solve the transport problems faced by local farmers.

Taking up the Future of Transport Challenge

We strive to pioneer jobs of the future as we help equip our next generation for the obstacles and opportunities ahead.

STEM learning

We are proud to support the STEM Industry Schools Partnerships (SISP), a program funded by the NSW Department of Education and the federal government's Regional Development Australia. The program brings real world learning to

The NRMA Future of Transport Challenge leads high school students on an extended real world learning journey as they investigate transport issues and apply design thinking to come up with an innovate idea that delivers environmental, social and financial benefits.

Big picture visionaries

Students from Sydney Secondary College Leichhardt won the NRMA Future of Transport Challenge 2018 and earned praise for their big picture thinking.

The winning students pitched Mobile Train Attachment, or MTA. This series of pods can attach and detach from a 'train' of pods so people can enjoy private travel while accessing an environmentally-sustainable mass transport solution.

The students pitched their ideas to a panel of transport industry experts, including NRMA Group CEO Rohan Lund, who queried their research methods and the commercialisation potential of their product. But the winner was selected by the generation who'll be responsible for rolling out innovative transport technologies – the students attending the Youth Eco Summit.



Helping all kids stay safe on our roads

We passed a major milestone this year: 250,000 students learning through our Science and Road Safety Program. To honour this achievement, we visited the Royal Institute for Deaf and Blind Children (RIDBC) North Rocks school in September 2018 to educate students on road safety.

Roads are places of potential risk for all children, especially those with hearing and vision loss. To prepare, we worked closely with the RIDBC teachers to redesign our Science and Road Safety Program to meet the needs of their students.

With special guest appearances from the NRMA mascots Norman and Norma, students were empowered with further road safety knowledge and skills. The program extended the lessons RIDBC students have already learned in the classroom, with additional strategies and resources to strengthen their ability to stay safe on our roads.

Sustainability and environment

We are committed to leading by example to solve the big issues – like climate change and congestion – while helping our Members connect with our precious natural environment and explore our beautiful country.

Sustainable and responsible business operations

We understand our deep responsibility to protect our waterways and the natural environment in which we operate. This year, as we integrated our new businesses, we identified new environmental risks and improvement areas to support our commitment to better environmental performance.

We are passionate about finding new ways to help our Members and their families connect with nature through our whale watching tours, while on a regional road trip or when staying at one of our parks and resorts.

We worked with the business on emerging sustainability risks and released our first Modern Slavery Statement ahead of new reporting requirements on supply chain transparency. We also engaged staff on sustainability initiatives and alignment with the United Nations' Sustainable Development Goals.

Carbon emissions and energy efficiency

As our operations grew, so did our energy use and carbon emissions. A rise in emissions of more than 10% year-on-year is primarily due to the addition of new holiday parks and the expansion of our ferry services.

We have rolled out a new data system that will hone our focus on resource-saving initiatives and improve tracking. We are continuing to work across our group to identify cost and efficiency savings.

Our parks and resorts business is focused on energy savings, and several holiday parks have installed solar systems. New cabins with solar panels integrated into the design are being trialled and good insulation also reduces the need for supplementary heating.

Our marine business is saving fuel use by maintaining optimal speeds and introducing a new maintenance program. Year-on-year, My Fast Ferry reduced 5% of its emission footprint from fuel use.

Meanwhile, new electric vehicles and hybrids have joined our roadside and car

rental fleets. And our electric vehicle fast charging network – one of the largest in the nation – is powered by 100% renewable energy.

Changing together

We understand sustainability and environmental challenges are large and complex, which is why we are working closely with a host of partners and like-minded organisations. We are collaborating with the Business Council for Sustainable Development Australia and chair its Cities and Mobility Working Group. We also support the Charge Together Fleets program, which is building tools to help businesses accelerate the transition to electric vehicles.

Outlook

We will continue to look for ways to reduce the environmental impact of our operations by rolling out new renewable energy solutions and reducing single-use plastics in our operations. A key focus is working with our frontline staff to build sustainability and environmental awareness and skills.

Little penguins at Manly

My Fast Ferry's Whale Watching Sydney has shared the magical experience of observing humpback whales off our beautiful coastline since 1993.

So we didn't hesitate when we had the chance to help support some of our tiniest marine creatures by partnering

with the NSW National Parks and Wildlife Service and its Volunteer Penguin Wardens at Manly.

Manly's little penguins were the first common species in the world to be listed as an endangered population, and the dedicated Penguin Wardens

have their work cut out for them.

The team was proud to take Penguin Wardens on observation trips and to learn how we can work together to protect these precious penguins, raise awareness and support marine conservation.

NRMA Group carbon emissions (tCO2-e)

	Total	Scope 1	Scope 2
2018	26,798	14,439	12,359
2019	30,759	16,292	14,467

Batteries recycled

	Tonnes	Units
2018	3,004	200,627
2019	2,664	171,500



Board focus area: Modern Slavery and Human Trafficking Statement

The Board approved the first NRMA Modern Slavery and Human Trafficking Statement, which is available at: www.mynrma.com.au/sustainability



Mel Tyas, Ranger NSW National Parks & Wildlife Service
Murray Sharp, Volunteer Penguin Warden
Doug Hazell, Master, My Fast Ferry.



Section 5

Governance and remuneration

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Lara Adraneda,
Customer Sales Representative

Board of Directors



1 Mr Tim Trumper
MBA
Chair & Non-Executive Director
(Harbour Region)

4 Ms Kate Lundy
GAICD
Non-Executive Director
(Mann Region)

7 Mr Gary Smith
B.Com, FCA, FAICD
Non-Executive Director
(Appointed)

2 Ms Fiona Simson
BA (Bus), GAICD
Deputy Chair and Non-Executive Director
(Townsend Region)

5 Ms Marisa Mastroianni
B.Com, M.Com, GAICD, FCPA, AFAIM, FIML
Non-Executive Director
(Hoddle Region)

8 Mr Derek Stanwell
BA (Hons), LLB (Hons), BCL, GAICD
Non-Executive Director
(Appointed)

3 Mr David Bentham OAM
C. Eng, M. Eng. Sc
Non-Executive Director
(Cox Region)

6 Ms Jane McKellar
MA (Hons), GAICD
Non-Executive Director
(Appointed)

9 Ms Coral Taylor
GAICD
Non-Executive Director
(Howe Region)

Role of the Board

The strategy, culture, performance, corporate governance and risk appetite of the NRMA is the responsibility of, and managed under the direction of, the Board of Directors (Board). The Board also has responsibility for appointing the Appointed Directors and for reviewing its own performance.

The Board undertakes several key functions. These include:

- Confirming the NRMA strategic direction to create value for Members
- Setting the risk appetite to guide decision-making by our people
- Confirming the values of how the NRMA expects its people to conduct themselves
- Monitoring the organisation's culture in line with the values and risk appetite
- Ensuring an effective governance structure with appropriate controls is in place.

Our corporate governance structure facilitates the continued creation of value for Members by delivering strategic outcomes through sensible risk taking. We do this primarily by ensuring that the accountability and control systems are commensurate with the risks involved.

Introduction

This section provides an overview of the NRMA corporate governance structure and includes a review of changes and key activities carried out by the Board and Committees during the year.

Further information

Additional corporate governance information about the NRMA, the Board, Committees, charters, directors' fees, the election and appointment of directors, as well as copies of annual reports, can be found at www.mynrma.com.au/community/corporate-information/board-of-directors.

Significant changes

Some significant governance changes were made during the year.

Delegation of Board authority

As at 1 July 2019 the following Committees continued to be in existence to assist the Board to perform its functions:

- Audit and Risk Management Committee (ARMC)
- Finance and Investments Committee (FIC)
- Governance, Compensation and Nomination Committee (GCNC)
- Policy and Advocacy Committee (PAC).

During 2019, with the support of external expertise, the charters of the four Committees were revised to ensure they covered relevant areas of responsibility and to increase the clarity of delegations of authority from the Board to each Committee. The proposed charters were considered by each Committee and recommended to the Board for approval. All four charters were approved by the Board on 29 November 2018. The charters are available online: www.mynrma.com.au/community/corporate-information/board-of-directors.

Board succession

In 2019 the Board recruited for two vacant Appointed Director positions and prepared for the 2019 election of directors. More information can be found online: www.mynrma.com.au/community/corporate-information/board-of-directors.

Chair of the Board

Tim Trumper was elected Chair of the Board by the Directors at the August 2017 Board meeting. His appointment took effect on 3 December 2017. Mr Trumper continued as Chair during 2019.

The NRMA constitution requires that Directors must elect the Chair and Deputy Chair at the first Board meeting after the conclusion of each election of directors. This will next occur in 2019 after completion of the 2019 election of directors.

Board composition

Under the constitution, the Board comprises six Member-Elected Directors and up to three Directors appointed by the Board (Appointed Directors). This mix of Directors allows the Board to ensure it has the necessary blend of skills, experience and knowledge to deliver on the strategy, while enabling Members to elect the majority of Directors.

Appointed Director re-appointment and leaving

Rachel Botsman, was reappointed as Appointed Director on 21 September 2018 for a period expiring on 31 December 2018. The shortened re-appointment term was to accommodate a change in personal circumstances. The Board thanks Ms Botsman for her service to the NRMA as Appointed Director for the period 21 September 2016 to 31 December 2018.

New Appointed Directors

Consideration was given to identifying the skills, experience and knowledge that would complement those of sitting directors and support the Board's deliberation and delivery of the NRMA strategy. The skills matrix of the Board was discussed and confirmed during the September and October 2017 Board meetings.

The Board sought candidates for Appointed Director positions with skills and experience in transport and tourism, mergers and acquisitions, and in customer, branding and marketing. Independent executive search firm Russell Reynolds Associates was engaged by the Board to provide a shortlist of candidates with these skills and experience. The Governance, Compensation and Nomination Committee (GCNC) met several times to discuss candidates and make recommendations to the Board.

Gary Smith was appointed on 6 February 2019, having skills and experience in transport and tourism. An Australian tourism industry leader and Chair of Flight Centre, Mr Smith is also a chartered accountant with extensive experience in audit and risk from his time with Arthur Andersen & Co. He undertook a Board induction program on 15 February 2019 and was appointed a member of ARMC and FIC on 1 March 2019.

Jane McKellar was appointed on 13 May 2019 having skills and experience in customer, branding and marketing. She has held senior management roles in retail, digital, marketing and merchandising in Australia and internationally and is an experienced company director on boards in Australia and the US, including Terry White Chemmart Group, Automotive Holdings Group and Helloworld Ltd. Ms McKellar undertook a Board induction program on 17 and 27 May 2019.

Board skills, experience, knowledge and continual education

The Board aims to ensure that it has a range of skills, experience and knowledge. This range provides the foundations for the Board to effectively provide strategic direction to the NRMA, grow the business and manage risks and emerging threats, and therefore create value for Members.

The Board has various ways in which it manages the skills, experience and knowledge of directors, both individually and collectively as a Board.

Diversity of skills and experience of Directors

The Board draws on a broad mix of skills, experience and knowledge to fulfil its role and lead the business to continue to create value for Members.

The Board regularly reviews its matrix of skills and experience with reference to the NRMA strategic direction in order to make the best decisions on behalf of the Members. The comprehensive review conducted in September and October 2017 identified a good mix of skills and diversity amongst current Board members and also identified some areas to strengthen, such as tourism and mergers and acquisitions. These insights remained relevant in 2019 and the Board continued its search for Appointed Directors with those skills.

Gary Smith was appointed with skills and experience in transport and tourism. Jane McKellar was appointed for skills and experience in customer, branding and marketing, replacing Rachel Botsman who left the Board on 31 December 2018. These two appointments of Appointed Directors, along with last year's appointment of Derek Stanwell, who has skills and experience in mergers and acquisitions, rounded out the skills and experience sought by the Board.

The 2019 election of directors is underway and Member-Elected Directors take office on 7 December 2019. Consequently, a review of Board skills and experience is expected to be conducted in 2020.

Director course

Under the NRMA Constitution, all directors must attend the Australian Institute of Company Directors 'Company Directors Course' or an equivalent course approved by the Board to ensure directors understand their obligations and duties. Each director must attend such a course within two years of the date of their election or appointment. All directors are in compliance with this constitutional requirement.

Board continual education

Directors are encouraged and assisted to attend educational courses which enhance their performance as a director on the Board. Funding is allocated in the annual budget to support this. Additionally, the Board is briefed on emerging trends and new developments in the industries in which the NRMA businesses operate.

During the period, the Board:

- Was briefed by professional company director Graham Bradley AM on the key learnings for the NRMA arising from the Australian Prudential Regulation Authority review of the Commonwealth Bank of Australia and what boards should learn
- Was briefed by Greg Thomas, Senior Director of Cybersecurity & Trust at Cisco, on cybersecurity in relation to mobility and transport
- Held sessions with John O'Sullivan, CEO of Tourism Australia, to gain new insights into domestic tourism and Steven Worrall, Managing Director of Microsoft Australia, on transformation and the changing customer.

Additional expertise

The Board also obtains expertise and advice in other ways as it determines necessary, including through obtaining external advice from experts.

Board effectiveness assessment

A review of the effectiveness of the Board is periodically conducted, a responsibility led by GCNC. Part way through the year it was determined that, as the recruitment for Appointed Directors was underway and the election of directors would be held in 2019, it would be better to conduct a board effectiveness assessment after 7 December 2019, at which time Member-Elected Directors would have taken office and once the Board had been operating together for a period.

Election of directors process

During the year, the Board requested that management consider ways in which skills and experience might be introduced into our election of directors process and propose options to the Board.

Board diversity

The NRMA Constitution permits a maximum number of nine directors

Composition diversity

6 Member-Elected Directors
3 Appointed Directors

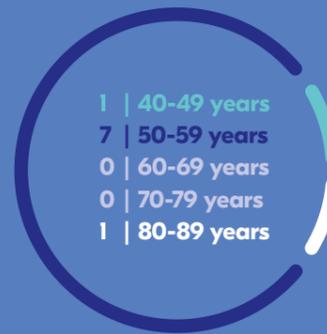
Skills and experience diversity

The Board referred to the Board's skills matrix to determine the skills to be sought in the appointment of the Appointed Directors. The Board appointed three Appointed Directors during the period from May 2018 to May 2019.

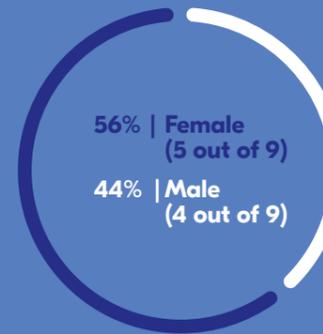
Each director possessed skills and experience in one of the following:

- Mergers and acquisitions
- Transport and tourism
- Customer, branding and marketing.

Age diversity



Gender diversity



Tenure diversity



Diversity of director appointment – election or Board appointment

An election for the six Member-Elected Directors is held every four years. Each Member-Elected Director represents one of the six regions across NSW and ACT (with members who live out of these two areas allocated to the region of Townsend).

The election gives Members the opportunity to vote for a director. Each Member may vote for one candidate standing in the region in which the Member resides. Each

Member-Elected Director holds office from the first Saturday in December of an election year to the first Saturday in December of the following election year. The next election is in 2019 and is underway. Of the six regions, there are only two regions that are contested. The voting period is between 23 September and 28 October 2019, with the elected directors announced on 1 November 2019.

The Board may appoint up to three Appointed Directors. The term of appointment is determined by the Board, subject to the constitutional limit of no more than four years per term, with an overall maximum permitted term of 12 years (as with Member-Elected Directors). The three Appointed Directors, Derek Stanwell, Gary Smith and Jane McKellar, were each appointed for a two-year term.

Our Board's focus areas

The responsibilities of the Board include reviewing and approving the NRMA strategy, monitoring the culture to deliver that strategy, monitoring the risk appetite for decision-making, overseeing performance and reviewing the corporate governance and risk framework. This year the Board has focused in particular on safety, culture and our Members.

For the activities of the Board in relation to:

- Our strategic focus is on future growth and responding to the moving world around us, refer to page 24-25
- Risk management and mitigating and minimising potential pitfalls, refer to page 26-29
- Delegation of Board authority to Committees, refer to page 67, 72-73
- Board composition and succession, refer to page 67-68
- Board skills, experience, knowledge and continual education, refer to page 68
- Board diversity, refer to page 69
- Oversight and monitoring of performance aligned to drivers, refer to pages 18, 20-21, 24-25, and 32-47
- The culture to deliver outstanding customer experience, refer to page 48-52
- The safety of our people, refer to page 53
- Our leadership role in electric vehicles, refer to page 42
- Maintaining our trusted reputation, refer to page 54-63.
- Encouraging participation by Members, the Board continued to encourage it at the 2018 AGM by providing accessibility to join the meeting via the online portal from any other place. This year Members could ask questions via the online portal, similar to those Members at the meeting venue. Additionally, for those Members unable to attend, they had an opportunity to ask questions in advance of the AGM. The common topics were addressed by the Chair and Group CEO.

Our strategic focus is on future growth and responding to the moving world around us.

Our Committees' focus areas

The four Committees have delegated authority to assist the Board to perform its functions. The focus areas of each Committee is set out below.

The responsibilities of the four Committees and their authority is determined by the Board and set out in charters. Each Committee charter, along with the protocol for Committee meetings, is approved and regularly reviewed by the Board. The current versions are available at www.mynrma.com.au/community/corporate-information/board-of-directors

Audit and Risk Management Committee

The ARMC oversees

- Financial reporting
- External audit
- Internal audit
- Risk management
- Regulatory compliance
- Safety
- Data governance and cyber security
- Organisational resilience
- Other relevant matters.

Areas of focus in 2019

Financial reporting

- Recommended the Board approve the financial report, directors' report and auditor's report and 2018 Annual Report
- Reviewed the independence of the external auditor
- Received and considered updates related to new accounting standards, impairment and valuations.

External audit

- Reviewed our external auditor
- Approved the external audit scope, terms and fee.

Internal audit

- Approved the annual strategic internal audit plan
- Approved the restructure of the internal audit function to increase our internal audit team, reduce the use of an external provider to only when particular expertise was required
- Reviewed each of the internal audit reports and monitored the implementation of the actions to address the internal audit findings
- Monitored any items raised on the ethics hotline and the progress of investigations through to completion
- Approved the internal audit charter, aligned to the revised ARMC charter.

Risk management

- Reviewed, six monthly, the critical risks and the full risk review
- Reviewed the annual NRMA insurance renewal.

Regulatory compliance

- Reviewed the annual performance to the NRMA Compliance Framework

- Monitored the implementation of policies in key compliance areas
- Approved the whistleblower policy, ie the 'Speak Up Policy'
- Recommended the Board approve the Modern Slavery and Human Trafficking statement.

Safety

- Reviewed the safety incidents, investigation and mitigating actions
- Reviewed workplace health and safety and the activities undertaken to protect employees, Members and customers, with a focus on potential fatal risk areas
- Approved the Group Safety, Wellbeing and Environment Policy.

Data governance and cybersecurity

- Updated on the NRMA cyber security roadmap and monitored its implementation
- Reviewed the assurances for data protection when interacting with third parties.

Organisational resilience

- Approved the Risk Management and Organisational Resilience Policy
- Monitored crisis management and/or business continuity incidents.

Other relevant matters

- Monitored the implementation of the tax control framework
- Received an update on the 2018 tax position
- Recommended the Board approve the revised ARMC charter.

Finance and Investments Committee

The FIC oversees

- Investment portfolio and Investment Policy Statement
- Property investments
- Strategic corporate transactions
- Capital, treasury and financing
- Other relevant matters.

Areas of focus in 2019

Investment portfolio and Investment Policy Statement

- Reviewed the performance and outlook of the Investment Portfolio, considering views from the NRMA appointed external asset consultant
- Approved changes to the Investment Portfolio
- Reviewed management's fund manager selection process
- Reviewed a 'stress-test' conducted by management to evaluate the Investment Portfolio's resilience to a downturn in investment markets
- Recommended the Board approve changes to the Investment Policy Statement, which aligned to the revised FIC charter.

Property investments

- Reviewed options related to the hotel and property portfolio owned by the NRMA.

Strategic corporate transactions

- Reviewed corporate development opportunities in line with the NRMA strategy, including the acquisition of Fantasea
- Reviewed management's approach to strategic investments investments, including investment hurdle rates
- Reviewed growth opportunities for the marine business.

Capital, treasury and financing

- Approved the Treasury Policy.

Other relevant matters

- Recommended the Board approve the revised FIC charter.

Governance, Compensation and Nomination Committee

The GCNC oversees

Remuneration, including:

- The remuneration strategy, performance-linked incentive schemes, superannuation arrangements and the fees for directors of the NRMA
- Six-monthly reviews of the performance of the Group CEO and the direct reports
- Approval of performance-linked incentive scheme targets and payments of the Group CEO and their direct reports and approval of the opening of the performance-linked incentive pool for applicable employees

Nomination, including:

- Related to the recruitment of the Group CEO
- Mix of skills, experience, expertise and diversity required on the Board
- Shortlist of candidates to fill the

positions of Appointed Director, casual vacancy and Group CEO

- Matters related to the election of Member-Elected Directors
- Membership of Committees including the appointment of the Committee chair
- Appointment and removal of Company Secretary
- Succession planning for the Group CEO and direct reports
- Culture, including the appropriate culture for the NRMA and monitoring the plan to achieve it
- Governance including the overall corporate governance structure and future corporate sustainability changes to the Constitution and any matter relating to the Code of Conduct for directors; and
- Other relevant matters.

Areas of focus in 2019

Remuneration

- Requested a review of the remuneration strategy including performance-linked incentive schemes and received progress updates from management on the revision
- Reviewed the performance of Group CEO and direct reports at half year and full year, approved annual incentive payments and approved the targets for the following year
- Approved the opening of the incentive pool for applicable employees
- Received updates on the superannuation arrangements.

Nomination

- Discussed Board succession throughout the year
- Considered and confirmed that a review of the effectiveness of the Board would not be conducted due to the Appointed Director appointments and election of directors in 2019. It was expected to be conducted after the election of directors and once the Board had been operating together for a period
- Reviewed and confirmed that sought-after skills for a new Appointed Director, notably in mergers and acquisitions and/or transport and tourism, based on the October 2017 board skills matrix remained current
- Recommended the Board approve the appointment of Gary Smith as Appointed Director with the skills sought by the Board of transport and tourism. Mr Smith was appointed on 6 February 2019. His appointment complemented the appointment of Derek Stanwell as Appointed Director with skills in mergers and acquisitions on 14 May 2018

- Recommended the Board approve the skills sought for an Appointed Director in customer, branding and marketing to replace the skills of Rachel Botsman who left the Board on 31 December 2018
- Recommended the Board approve the appointment of Jane McKellar as Appointed Director with skills in customer, branding and marketing. Jane McKellar was appointed on 13 May 2019.

Succession planning

- Recommended the Board approve the Group CEO succession plan and noted the succession plan for his direct reports.

Culture

- Reviewed the results of the staff engagement survey, supported the approach to determine the culture action plan and supported the roll-out of the Playbook which provides a guide on the behaviours expected in the NRMA culture.

Governance

- Recommended the Board approve matters related to the 2019 election of directors
- Recommended the Board consider request that management consider ways in which skills and experience might be introduced into our election of directors process and propose options to the Board
- Reviewed and recommended to the Board the members and chair on Board Committees.

Other relevant matters

- Recommended the Board approve the revised GCNC charter and Protocol for Committee Meetings.

Policy and Advocacy Committee

The PAC oversees

- Implementation of the strategic advocacy plan approved by the Board
- Review of the effectiveness of our advocacy activities
- Approval of public policy advocacy positions
- Approval of significant or substantial advocacy matters consistent with the corporate strategy
- Other relevant matters.

Areas of focus in 2019

Implementation of the strategic advocacy plan

- Monitored the implementation of the Board-approved strategic advocacy plan.

Public policy advocacy positions

- Received and considered insights from the advocacy surveys of Members
- Considered and, as relevant, approved policy and advocacy reports, including on drink driving, local road funding and pedestrian safety*
- Approved policy positions including for user pays, point-to-point speed cameras and drink driving*.

Significant or substantial advocacy matters

- Considered and, as relevant, approved advocacy matters including NSW and federal election strategies, state and territory budget submissions, the NSW Government's 'Slow Down, Move Over' road rule, Yellow Ribbon Week, the Community Road Safety Fund, and clearways.

Other relevant matters

- Recommended the Board approve the revised PAC charter.

*Corporate reporting: The NRMA policy and advocacy reports and policy positions are considered part of NRMA's suite of corporate reports. Where possible, external sources are referenced and positions are based on results of surveys of Members.

Our Board's profiles

Mr Tim Trumper

MBA

Non-Executive Director and Chair (Harbour Region)

Tim is a Director of Platinum Asset Management Limited and Advisor to Quantum, Australia's leading data and analytics company, and holds interests in several private high growth innovative companies. He is an authority on how to use information and technology to drive innovation, for corporate strategy and for a better society. His core interest relates to the role of directors to create good governance, for the service of customers and the community.

Tim is an experienced chair, non-executive director, former CEO, and advisor for high-performance global and Australian companies. His career has spanned diverse categories including artificial intelligence and machine learning, big data, digital transformation, mobility and transport, financial services and media.

Along with fellow directors and Chairman the late Hon. R J Hawke, Tim helped to establish The Bestest Foundation. This charity has raised over \$4 million for disadvantaged Australian children.

Tim brings to the Board a wealth of experience in working with large scale complex consumer facing businesses, where new technology is impacting the current and future needs of customers. He is passionate about helping organisations become more customer centric for a future that is sustainable for all stakeholders.

Term of office

Date first appointed (casual vacancy): 12 May 2014
Last re-elected: 5 December 2015
Retirement date: 11 May 2026

Board

Elected Chair: 3 December 2017

Committees

Chair and member of the: Governance, Compensation and Nomination Committee
Member of the: Finance and Investments Committee
Policy and Advocacy Committee

Ms Fiona Simson

BA (Bus), GAICD

Non-Executive Director and Deputy Chair (Townsend Region)

Fiona is a collaborative and passionate advocate for rural and regional communities and issues. She has been an agricultural industry leader at both a state and federal level since 2008. Elected in 2016 as the first female President of National Farmers' Federation, she is now leading industry through an exciting period of change.

She, husband Ed and family farm on the Liverpool Plains near Premer in northwest NSW. She holds a Bachelor of Arts Degree, and is a graduate of the AICD. She has represented her local community on a variety of community groups, and served as an elected councillor on Liverpool Plains Shire Council.

She is the current Chair of the Board of the National Farmers' Federation, Chair of the Future Food Systems CRC, and sits on the Board of the Australian Made Campaign Ltd. She is also Patron of the Gunnedah Gatepost Mental Health Support Service and the National Rural Press Club.

An experienced Chair, Fiona is particularly interested in the development of good governance and policy, and is passionate about outcomes to support the potential, sustainability and growth of rural and regional communities.

Term of office

Date first appointed (casual vacancy): 19 January 2015
Last re-elected: 7 December 2019 due to the region being uncontested in the 2019 election of directors
Retirement date: 18 January 2027

Board

Elected Deputy Chair: 9 December 2015

Committees

Chair and member of the: Policy and Advocacy Committee
Member of the: Governance, Compensation and Nomination Committee

Mr David Bentham OAM

C. Eng, M. Eng. Sc

Non-Executive Director (Cox Region)

David is a retired chartered mining and civil engineer, the former Deputy Mayor of The Hills Shire Council and a former Board member of the Western Sydney Area Health Board (Westmead Hospital). David is very interested in community health and safety. He fully supports the FIA's International Decade of Road Safety, hoping that this will result in a refocusing on how NSW and Australia develop and manage the road network and systems.

The subject of toll roads and how they impact on members is of particular concern to David.

The geographical area represented by David is the NRMA region of Cox, which takes in suburbs in Western Sydney. He has lived in the region for more than 40 years and strongly represents the interests of NRMA Members locally. He believes population growth and the imbalance of jobs in Western Sydney is having a major impact on all modes of transport, particularly on the main corridors.

David holds Bachelors and Masters degrees in Engineering. In the 2015 New Year's honours list, he was awarded an OAM for Services to the community and to business.

David has a special gift of listening to members residing in Western Sydney. He cultivates this and presents the battlers' perspective when appropriate, hoping to improve the quality of life for all in our community.

Term of office

Date first elected: 6 December 2008
Last re-elected: 5 December 2015
Retirement date: 6 December 2019 due to not standing as a candidate in the 2019 election of directors

Committees

Member of the: Audit and Risk Management Committee
Policy and Advocacy Committee.

Ms Kate Lundy

GAICD

Non-Executive Director (Mann Region)

Kate retired as the Senator for the ACT on 24 March 2015, having been first elected to the Federal Parliament in 1996. She was re-elected at every subsequent general election. She served as the Federal Minister for Sport and Multicultural Affairs and Minister Assisting for Industry, Innovation and the Digital Economy in the Gillard/Rudd Government.

She is a graduate of the Australian Institute of Company Directors.

Kate is actively involved in a number of community and sporting clubs which reflect her broad range of interests. She is also a Director of the Cyber Security Research Centre, Electro Optic Systems, the Australian Grand Prix Corporation and the National Youth Science Forum. She is also a member of the ACT Defence Industry Advisory Board.

Kate has been recognised with an Honorary Doctorate of Letters by the ANU for her contribution to policy and advocacy in the information and communication technology sector.

Kate brings to the Board her interest and experience in the impact of technological change in our society, community and economy. She maintains her longstanding commitment to regional development over many years.

Term of office

Date first appointed (casual vacancy): 25 March 2015
Last re-elected: 7 December 2019 due to the region being uncontested in the 2019 election of directors
Retirement date: 24 March 2027

Committees

Member of the: Audit and Risk Management Committee
Policy and Advocacy Committee

Ms Marisa Mastroianni

B.Com, M.Com, GAICD, FCPA, AFAIM, FIML

Non-Executive Director (Hoddle Region)

Marisa is currently the Managing Director and Group CEO of UOW Global Enterprises, a global education company, which is a subsidiary of the University of Wollongong. She also brings extensive service industry experience including holding executive roles at the Port Corporation and Uniting Care.

She holds a Bachelor and Master of Commerce, is a Harvard Alumnus, Fellow of CPA Australia, Assoc. Fellow of AIM and a Graduate of the Australian Institute of Company Directors. Marisa is a Director of the Illawarra Shoalhaven Health District Board and is the Chair of its Audit and Risk Committee.

Marisa is an experienced director and CEO and brings to the Board expertise in strategic planning, financial and risk management, mergers and acquisitions and change management. She has extensive experience in corporate governance with an emphasis on transparency and sustainable performance. She is a strong advocate for reliable, safe and efficient transport links as an enabler of regional prosperity and growth.

Term of office

Date first appointed (casual vacancy): 19 January 2015
Last re-elected: 7 December 2019 due to the region being uncontested in the 2019 election of directors
Retirement date: 18 January 2027

Committees

Chair and member of the: Audit and Risk Management Committee

Member of the: Governance, Compensation and Nomination Committee
Finance and Investments Committee

Ms Jane McKellar

MA (Hons), GAICD

Non-Executive Director (Appointed)

Jane is an experienced non-executive director in both public and private companies in Australia and the USA, bringing deep international consumer, digital, brand, marketing and governance experiences. Her key contributions are in customer/consumer-focused business transformation, harnessing digital, technology, brand and marketing to enhance business performance.

Jane's executive experience spans the consumer-focused FMCG, luxury and retail industries and she is one of the original 'digital natives' in the Australian digital / e-commerce industries – both as a chief executive officer and chief marketing officer. She has held senior roles in Unilever, Microsoft, Ninemsn, Elizabeth Arden (Australia) and Stila Corporation. Jane has extensive global experience, particularly in Asia, Europe and North America.

Jane has built a strong reputation over the years for leading teams and transforming businesses in difficulty back on the road to profitability and growth. She is also particularly interested in and curious about the future of mobility.

On a personal note, Jane is a passionate motorbiker and loves vintage cars and aeroplanes.

Jane brings to the Board a wide breadth of experience in many industries and countries. She is passionate about customers, transformation and helping businesses utilise their assets to enhance both the customer experience and business performance.

Term of office

Date first appointed by the Board: 13 May 2019 for a fixed two year term
Retirement date: 12 May 2021

Mr Gary Smith

B.Com, FCA, FAICD

Non-Executive Director
(Appointed)

Gary is Chairman of Flight Centre, one of the world's largest retail and corporate travel businesses, operating in over 30 countries and one of the industry's enduring success stories. He is also a Director of Michael Hill International Limited and Chair of that company's Audit and Risk committee.

Gary is founder and Managing Director of Tourism Leisure Corporation, which has for over 20 years operated several businesses within the tourism and leisure industries. He also has extensive experience in audit and risk due to his early career at Arthur Andersen & Co and his long career as a public company director where he has served on a number of audit and risk committees. He is a chartered accountant.

An experienced chairman and non – executive director, Gary is a life member of the Queensland Tourism Industry Council and a former Chairman of that organisation. He is also a former deputy chair and director of Ecotourism Australia, which is Australia's leading industry group representing the nature based segment of the tourism industry. He was also a director of Tourism and Events Queensland.

Gary has extensive experience in regional tourism; he and his colleagues conceived the much heralded Kingfisher Bay Resort on Fraser Island. Gary guided the establishment of the resort as a leader in the relatively new area of ecotourism and operated the business from opening in 1992 until its sale in early 2018.

Gary brings to the board a very broad experience of developing, acquiring and operating a wide variety of tourism businesses, from resorts and hotels to tourist attractions. He has a deep understanding of the tourism industry, including how tourism can play a major role in the improvement of economies in regional Australia.

Term of office

Date first appointed by Board:
6 February 2019 for a fixed two year term
Fixed retirement date: 5 February 2021

Committees

Member of the:
Audit and Risk Management Committee
Finance and Investments Committee

Mr Derek Stanwell

BA (Hons), LLB (Hons), BCL, GAICD

Non-Executive Director
(Appointed)

Derek is a corporate advisor with over 20 years' experience advising large companies in Australia and overseas. He has worked with many of Australia's leading brands on transformational transactions across a wide range of industries including travel and tourism, real estate, telecommunications, financial services and media. His experience includes advising on well over \$100 billion worth of corporate transactions. For many years, Derek held senior roles at Morgan Stanley in Sydney, New York and Hong Kong. More recently, he founded Northcliff, a specialist corporate advisory firm.

Derek is focused on helping leading Australian companies adapt and succeed in times of rapid change. He is a strong supporter of the ideals of community and access which led to the founding of the NRMA and underpin its success.

He lives in Sydney with his wife and two children and has a long-standing involvement in community sport – as coach, player and spectator. He was educated at Sydney and Oxford universities.

Derek brings to the Board the benefit of his strategic and financial insight, developed over many years advising companies in Australia and overseas. He has particular expertise in corporate strategy and in the execution of corporate M&A transactions.

Term of office

Date first appointed by the Board:
14 May 2018 for a fixed two year term
Fixed retirement date: 13 May 2020

Committees

Chair and member of the:
Finance and Investments Committee
Member of the:
Audit and Risk Management Committee

Ms Coral Taylor

GAICD

Non-Executive Director
(Howe Region)

With more than 30 years' experience in the motor sport industry, Coral is currently responsible for the management of the Neal Bates Motorsport Rally Team and has been the Australian Rally Champion four times as co-driver with Neal Bates.

Coral is a passionate motoring enthusiast and has a strong interest in road safety issues, driver training and young drivers. She is a graduate of the Australian Institute of Company Directors. She is also a Director of Tamroc Enterprises Pty Ltd, a company engaged in the building industry and also sits on the of Board of the National Heavy Vehicle Regulator (NHVR).

She was inducted into the Australian Motor Sport Hall of Fame in March 2017.

Coral forged an unconventional career path in motorsport and brings to the Board her passion for motoring, her knowledge of the automotive industry and a genuine desire to increase motorists' education and enjoyment of driving safely. Coral brings a customer service focus to the Board.

Term of office

Date first appointed (casual vacancy):
12 February 2008
Last re-elected: 5 December 2015
Retirement date: 6 December 2019 due to not standing as a candidate in the 2019 election of directors

Committees

Member of the:
Governance, Compensation and Nomination Committee
Policy and Advocacy Committee

Board meetings

The Board schedules regular face-to-face meetings during the year. Additional meetings are called, usually by telephone, to deal with specific matters needing attention between the scheduled meetings. During 2019 the Board met seven times. Board meetings have been held in the offices at 9A York Street in Sydney, Level 13, 151 Clarence Street in Sydney and 9 Murray Rose Avenue at Sydney Olympic Park.

The Board also occasionally makes decisions through written resolutions. During the year the Board passed five resolutions in this way.

The Chair and the Group CEO, with advice from the Company Secretary, establish Board agendas to ensure Board meetings have adequate coverage of items related to strategy review and delivery, financial and operational

performance and other major areas of business focus.

Papers for Board and Committee meetings are prepared by senior management and circulated electronically to directors in advance of the meetings. Senior management attends the meeting for their agenda items, giving the directors an opportunity to discuss matters and ask questions.

Meetings attended by directors for the past financial year are detailed below:

Directors	Board of Directors			Audit & Risk Management Committee			Finance & Investments Committee			Governance, Compensation & Nomination Committee			Policy & Advocacy Committee		
	Held	Attend		Held	Attend		Held	Attend		Held	Attend		Held	Attend	
David Bentham	7	6	1A	5	5			5	5V		3	3V	2	2	
Rachel Botsman*	4	3	1A				3	2	1A						
Kate Lundy	7	6	1A	5	5								2	1	1A
Marisa Mastroianni*	7	6	1A	5	5		5	4	1A	4	4				
Jane McKellar*	2	2													
Fiona Simson*	7	7		3	3	3E	3	2	2E, 1A	5	5	3E	2	2	
Gary Smith*	3	2	1A	1	1		1	1							
Derek Stanwell*	7	7		3	3		5	5							
Coral Taylor	7	7								5	5		2	2	
Tim Trumper*	7	7		3	5	3E, 2V	5	5		5	5		2	2	1E

(A) Absent
(E) Ex-officio Member

(N) Not provided notice of meeting as outside of Australia
(V) Visitor

*Note: Rachel Botsman ceased to be a Director on 31 December 2018

Marisa Mastroianni appointed to GCNC on 21 August 2018

Jane McKellar appointed to the Board on 13 May 2019

Fiona Simson an ex-officio member of FIC and GCNC until 10 February 2019, a member of ARMC until 20 August 2018, an ex-officio member of ARMC from 21 August 2018 to 10 February 2019, and appointed to GCNC on 11 February 2019

Gary Smith appointed to the Board on 6 February 2019, and to FIC and ARMC on 1 March 2019

Derek Stanwell appointed to ARMC on 21 August 2018

Tim Trumper an ex-officio member of ARMC and PAC until 10 February 2019, appointed to PAC on 11 February 2019

Former Director

Ms Rachel Botsman
BFA (Hons), GAICD

Term of office as Appointed Director:
21 September 2016 to 31 December 2018.

Company Secretary

Ms Gemma Piper
BSc (Hons), PG (Dip) Law, PG (Dip) Legal Practice, GIA (Cert)

Ms Gemma Piper is the General Counsel and Company Secretary of the NRMA. She was appointed Company Secretary on 15 December 2017.

Remuneration

Our reward strategy considers the interests of our internal and external key stakeholders and aims to deliver strong individual and team performance, and behaviours that are aligned to the company values and expectations.

The strategy is designed to develop long term outperformance through the delivery against the long term business strategy, team business plans and individual performance objectives, and behaviours, set annually.

Executive remuneration

The key objective of the NRMA remuneration philosophy is to enable the NRMA to attract, motivate and retain talented people to deliver long term value. For executive and senior management remuneration, remuneration practices are designed to encourage and reward behaviours that are consistent with the NRMA culture and values that puts the customer at the centre of everything the NRMA does, align with and support the delivery of the NRMA's strategic objectives including financial and non-financial objectives, and underpinned by an effective and robust remuneration governance framework.

Directors' remuneration

Under the Constitution, the directors' fee pool for the conduct of ordinary services is subject to review at 1 January in each year

following any year in which no increase to the directors' fee pool has been approved by Members at a general meeting. The Constitution sets out that in the year a review of the directors' fee pool is undertaken the increase is the 'percentage CPI change'. The 'percentage CPI change' is defined as the percentage change between the September quarter before the 1 January review and the September quarter in the year prior, for the All Groups Consumer Price Index for the weighted average of eight capital cities as published by the Australian Bureau of Statistics.

As an increase in the directors' fee pool was not proposed to Members at the 2018 AGM, on 1 January 2019 the directors' fee pool was increased by the percentage CPI change of 1.9%, to \$809,941. A Director who is a member of a Committee receives committee fees; however the Chair and Deputy Chair of the Board do not. The Board determined in 2017 that, in line with the directors' fee pool, committee fees increase each on 1 January by the percentage CPI change.

The directors' and committee fees paid to each Director is available on the NRMA

website www.mynrma.com.au/community/corporate-information/board-committees-charter-directors-fees

Key Management Personnel (KMP) remuneration

The table below relates to the NRMA Group as an aggregate of Directors and Executives remuneration (for the years ended 30 June 2019 and 2018) being the key management personnel (KMP). KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity.

Long Term Incentive (LTI) was introduced on 1 July 2016 to attract and retain the right level of KMP critical to driving company results consistently, sustainably and aligned to Members' interest. Payment in respect of LTI is subject to meeting performance hurdles, in accordance with the LTI scheme rules. At the conclusion of the year ended 30 June 2019, performance was assessed against LTI targets and the LTI was deemed payable with payment due in September 2021. Payment in respect of 2017 is due to be paid on September 2019.

Consolidated

	Consolidated	
	2019 (\$)	2018 (\$)
Short-term employment benefits	5,363,600	6,903,136
Post-employment benefits	222,229	302,366
Other long-term employment benefits	1,028,829	1,120,979
Termination benefits	-	318,108
Total	6,614,658	8,644,589

The key objective of the NRMA remuneration philosophy is to enable the NRMA to attract, motivate and retain talented people to deliver long term value.

Directors' report

The report of the Directors of National Roads and Motorists' Association Limited (the NRMA, Company or the Group) in respect of the consolidated entity consisting of the NRMA and its controlled entities (the consolidated entity) for the year ended 30 June 2019 has been prepared in accordance with the requirements of the Corporations Act 2001.

The information below forms part of the Directors' Report.

- Principal activities of the consolidated entity on page 15 and how these activities assisted the entity to achieve its objectives on pages 32 to 33
- Short and long term objectives of the entity and the strategy for achieving those objectives on pages 24 to 25
- Review of operations and activities for the reporting period on pages 32 to 33
- Biographical information for the Directors and Company Secretary on pages 74 to 77
- Board and Committee meetings and attendance on page 77
- Key management personnel remuneration on page 79
- Auditor's independence declaration on page 81.

Indemnification and insurance of officers

The NRMA has entered into standard form deeds of indemnity with the directors named in this report, the company secretaries, officers and former directors and officers of the NRMA and its related bodies corporate. In broad terms, they are indemnified against all liabilities, which

may be incurred in the performance of their duties as directors or officers of the company, except liability to the company or a related body corporate, liability for a compensation order under the Corporations Act and liability arising from conduct involving a lack of good faith.

The NRMA also holds a Directors' and Officers' Liability Insurance Policy on behalf of current and former directors and officers of the company and its controlled entities. The period of the policy extends from 31 August 2018 to 31 August 2019. The policy prohibits disclosure of the nature of the liabilities and the amount of the premium in respect of that insurance.

Significant changes in the state of affairs

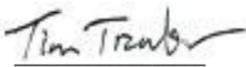
Other than as referred to in the review of operations and financial condition pages 82 to 129, there were no significant changes in the affairs of the consolidated entity during the year.

Matters subsequent to the end of the financial year

There have been no matters or circumstances except for disclosure of a subsequent event on page 128 that have arisen since 30 June 2019 up to the date of this report that would significantly affect the:

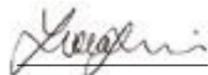
- Operations of the consolidated entity
- Results of those operations
- State of affairs of the consolidated entity.

Signed in accordance with a resolution of the Board of Directors.



Tim Trumper
Chair and Director

2 October 2019



Fiona Simson
Deputy Chair and Director



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

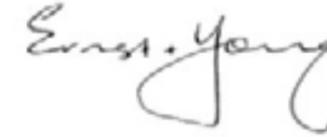
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of National Roads and Motorists' Association Limited

As the lead auditor for the audit of the financial report of National Roads and Motorists' Association Limited for the financial year ended 30 June 2019, 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; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of National Roads and Motorists' Association Limited and the entities it controlled during the financial year.



Ernst & Young



Trent van Veen
Partner
2 October 2019

Noor Sheerazi,
Driving instructor

Section 6

Financial statements

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Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	Notes	2019 \$000	2018 \$000
Revenue from contracts with customers and rental income	B2	681,448	614,044
Cost of goods sold	B3	(60,743)	(47,490)
Cost of providing services	B3	(416,197)	(365,856)
Gross profit		204,508	200,698
Administrative expenses	B3	(193,720)	(187,248)
Investment income	B2	33,576	33,882
Share of operating profit from equity accounted investments	F1	21,257	21,629
Operating profit		65,621	68,961
Finance costs	B3	(12,830)	(9,589)
Operating profit before change in fair value of investments		52,791	59,372
Share of net fair value movement in equity accounted investments	F1	(28,484)	21,137
Change in net fair value of investments		(11,632)	48,744
Profit before income tax		12,675	129,253
Income tax benefit/(expense)	B4	119	(32,170)
Net profit for the year		12,794	97,083
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Revaluation of land and buildings		5,193	-
Exchange differences on translation of foreign operation		228	(573)
Net (loss)/gain on cash flow hedges		-	28
Share of other comprehensive income of equity accounted investments		(169)	31
Income tax relating to those items		(1,507)	(9)
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		(4,369)	17,114
Actuarial gain/(loss) on defined benefit plan		7,286	(1,335)
Income tax relating to those items		(793)	(4,735)
Other comprehensive income for the year, net of tax		5,869	10,521
Total consolidated comprehensive income for the year		18,663	107,604

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position as at 30 June 2019

	Notes	2019 \$000	2018 \$000
Current assets			
Cash and cash equivalents	C1	67,847	93,966
Trade and other receivables	C2	38,894	47,626
Inventories		2,784	1,724
Other financial assets	D3	7,378	9,027
		116,903	152,343
Non-current assets classified as held for sale		7,028	3,941
Total current assets		123,931	156,284
Non-current assets			
Financial assets at fair value through profit or loss	D3	554,251	525,147
Financial assets at fair value through other comprehensive income	D4	85,700	91,577
Property, plant and equipment	C3	437,996	407,482
Investment property	D5	18,000	-
Equity accounted investments	F1	239,476	267,627
Pension assets		11,758	4,346
Intangible assets and goodwill	C4	282,388	296,254
Total non-current assets		1,629,569	1,592,433
Total assets		1,753,500	1,748,717
Current liabilities			
Trade and other payables		101,221	93,199
Employee benefits provisions	E1	30,690	28,685
Income tax payable		15,349	30,410
Unearned income	C5	116,006	119,346
Customer deposits		11,155	10,055
Interest bearing liabilities	D6	28,495	4,819
Total current liabilities		302,916	286,514
Non-current liabilities			
Employee benefits provisions	E1	5,614	4,702
Provision for make good obligation		2,698	2,558
Deferred tax liabilities	B4	105,751	117,848
Unearned income	C5	9,785	12,380
Customer deposits		3,850	5,129
Interest bearing liabilities	D6	177,206	194,362
Contingent consideration	D7	37,285	33,778
Total non-current liabilities		342,189	370,757
Total liabilities		645,105	657,271
Net assets		1,108,395	1,091,446
Equity			
Reserves		34,552	34,079
Retained earnings		1,073,843	1,057,367
Total equity		1,108,395	1,091,446

Consolidated statement of changes in equity for the year ended 30 June 2019

2019	Equity investments reserve at FVOCI \$000	Equity accounted reserve \$000	Foreign currency reserve \$000	Cash flow hedge reserve \$000	Revaluation of land and buildings \$000	Retained earnings \$000	Total \$000
At 1 July 2018*	36,920	(2,305)	(832)	-	-	1,055,949	1,089,732
Net profit for the year	-	-	-	-	-	12,794	12,794
Other comprehensive income (net of tax)	(2,976)	(118)	228	-	3,635	5,100	5,869
Total comprehensive income for the year	(2,976)	(118)	228	-	3,635	17,894	18,663
Changes in equity investments at fair value through other comprehensive income	(4,369)	-	-	-	-	-	(4,369)
Equity accounting	-	(169)	-	-	-	-	(169)
Translation of foreign subsidiary	-	-	228	-	-	-	228
Revaluation of land and buildings	-	-	-	-	5,193	-	5,193
Actuarial gain/(loss) on defined benefit plan	-	-	-	-	-	7,286	7,286
Deferred tax arising	1,393	51	-	-	(1,558)	(2,186)	(2,300)
At 30 June 2019	33,944	(2,423)	(604)	-	3,635	1,073,843	1,108,395

2018	Equity investments reserve at FVOCI \$000	Equity accounted reserve \$000	Foreign currency reserve \$000	Cash flow hedge reserve \$000	Revaluation of land and buildings \$000	Retained earnings \$000	Total \$000
At 1 July 2017	25,225	(2,326)	(259)	(17)	-	961,219	983,842
Net profit for the year	-	-	-	-	-	97,083	97,083
Other comprehensive income (net of tax)	11,980	21	(573)	28	-	(935)	10,521
Total comprehensive income for the year	11,980	21	(573)	28	-	96,148	107,604
Changes in equity investments at fair value through other comprehensive income	18,035	-	-	-	-	-	18,035
Recycled to income statement on disposal	(921)	-	-	-	-	-	(921)
Equity accounting	-	31	-	-	-	-	31
Translation of foreign subsidiary	-	-	(573)	-	-	-	(573)
Net gain/(loss) on cash flow hedges	-	-	-	28	-	-	28
Actuarial gain/(loss) on defined benefit plan	-	-	-	-	-	(1,335)	(1,335)
Deferred tax arising	(5,134)	(10)	-	-	-	400	(4,744)
At 30 June 2018	37,205	(2,305)	(832)	11	-	1,057,367	1,091,446

*Opening retained earnings restated on adoption of AASB 15 and AASB 9

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Nature and purpose of reserves

The fair value through other comprehensive income reserve is used to record increments and decrements in the value of financial assets at fair value through other comprehensive income and non-current assets.

The foreign currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The equity accounted reserve is used to record increments and decrements in the reserves booked in equity accounted investments.

Consolidated statement of cash flows for the year ended 30 June 2019

	Notes	2019 \$000	2018 \$000
Cash flows from operating activities			
Receipts from members and customers		769,864	662,578
Payments to suppliers and employees		(667,644)	(579,421)
Dividends received		30,064	28,204
Interest paid		(5,292)	(7,205)
Tax paid		(20,350)	(667)
Net cash flows from operating activities	C1	106,642	103,489
Cash flows used in investing activities			
Proceeds from disposal of investments		336,437	151,314
Proceeds from disposal of investment property		-	100,000
Proceeds from disposal of fixed assets and software		132,046	106,567
Equity accounted distributions		22,278	18,954
Outlays to acquire businesses	F2	(41,990)	(94,266)
Outlays for equity accounted investments		-	(1,715)
Loans by external parties		(45)	103
Outlays for investments acquired		(374,206)	(206,520)
Outlays for fixed assets and software acquired		(213,374)	(226,019)
Net cash flows from investing activities		(138,854)	(151,582)
Cash flows used in financing activities			
Proceeds/(repayments) from finance leases		22,644	(27,384)
(Repayments)/proceeds from bank loans		(16,551)	88,919
Net cash flows used in financing activities		6,093	61,535
Net (decrease)/increase in cash and cash equivalents		(26,119)	13,442
Cash and cash equivalents at the beginning of the financial year		93,966	80,524
Cash and cash equivalents at the end of the financial year	C1	67,847	93,966

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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Notes to the financial statements

A1. Corporate information

National Roads and Motorists' Association Limited is the ultimate Australian Parent entity. The financial report of National Roads and Motorists' Association Limited (the Parent or Company) and its controlled entities (the Consolidated Entity or the Group) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 2 October 2019.

National Roads and Motorists' Association Limited is a company limited by guarantee. In the event of a winding up, the Members undertake to contribute a sum not exceeding \$2.10 per Member.

The Company's Constitution prevents the payment of dividends.

In accordance with the Terms and Conditions of Membership by which all Members are bound, only one person or corporate representative per Membership is entitled to voting rights. A Member who holds two or more Memberships is issued with a "duplicate Membership" and is not entitled to additional voting rights.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

A2. Statement of compliance

The financial report complies with Australian Accounting Standards, as issued by the Australian Accounting Standards Board, and International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

A3. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except certain non-current assets and financial instruments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated in accordance with Legislative Instrument 2016/191, issued by the Australian Securities and Investment Commission. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

A4. Accounting estimates and judgements

Preparation of the Financial Report requires management to make judgements, estimates and assumptions about future events. Information on material estimates and judgements used in applying the accounting policies can be found in the following notes:

Accounting estimates and judgments	Notes	Page
Impairment of assets	C4	105
Revaluation of investment properties	D5	113
Accounting for acquisition of businesses	F2	119

A5. Summary of significant accounting policies

The Group has consistently applied all accounting policies to all periods presented in these consolidated financial statements. Other significant accounting policies are contained in the notes to the financial statements.

(i) Basis of consolidation

The Financial Report incorporates the financial statements of the Company and entities controlled by the Group and its subsidiaries. The Group controls an entity when it 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 Report includes the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the Financial Report, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity, are eliminated in full.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries held by the Company are accounted for at cost in the separate financial statements of the Parent entity less any impaired charges. Where indicators of impairment exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

(ii) Foreign currency

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars at reporting date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined

Foreign exchange gains and losses resulting from translation of assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

On consolidation the assets, liabilities, income and expenses of foreign operations are translated into Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date
Reserves	Reporting date

Foreign exchange differences resulting from translation of foreign operations are initially recognised in the foreign currency translation reserve and subsequently transferred to the profit or loss on disposal of the foreign operation.

(iii) New standards, interpretation and amendments

The NRMA Group has applied for the first time, AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments. The nature and effect of the changes, together with changes to accounting policies, as a result of adoption of these new accounting standards, are described below.

AASB 15 Revenue from contracts with customers

The Group has adopted AASB 15 Revenue from contracts with customers from 1 July 2018 using the modified retrospective method and comparatives are not restated. AASB 15 supersedes AASB 118 Revenue and related interpretation, and it is applied to all revenue arising from contracts with customers, unless those contracts are within the scope of other standards. AASB 15 provides a single, principles-based five-step model that applies to all revenue contracts based on the transfer of control of goods and services to customers. AASB 15 requires separation of distinct performance obligations. Revenue is recognised when the performance obligations are satisfied and recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchanges for goods and services.

The new accounting policies resulting from introduction of AASB 15 are outlined in note B2.

a. Impact of AASB 15 on the NRMA Group

The Membership entrance fee is amortised across the initial subscription period instead of being recognised upfront.

The Join on Road fee continues to be recognised immediately on provision of roadside call-out services.

For bundled services, performance obligations for each service are separately identified. The revenue recognised for each of the performance obligations in a bundle is pro-rated based on the stand-alone selling price of the services. The timing of revenue recognition for each of the services in the bundle is dependent on completion of the performance obligation with respect to that service. As a result, the split of revenue recognised as membership entrance fee, join on road fee and the subscription fee differs under the new standard.

On transition to AASB 15, membership entrance fees recognised as revenue in 2018 which relate to performance obligations to be provided in future periods were adjusted against opening retained earnings.

AASB 9 Financial instruments

The Group has adopted AASB 9 Financial instruments from 1 July 2018 using the modified retrospective method and comparatives are not restated. AASB 9 replaces AASB 139 Financial instruments: recognition and measurement, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting.

a. Impact of AASB 9 on the NRMA Group

Classification and measurement of financial assets: AASB 9 contains three principal classification categories for financial assets: financial assets at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). This is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognised in profit or loss as they arise (FVTPL), unless restrictive criteria are met for classifying and measuring the asset at either amortised cost or FVOCI. The classification is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The classification and measurement requirements of AASB 9 did not have a significant impact on the Group. The Group continues measuring at fair value all financial assets previously held at fair value under AASB 139. The changes in the classification of the Group's financial assets are:

- i. Equity investments in listed and non-listed companies previously classified as available for sale (AFS) financial assets are now classified and measured as financial assets at fair value through other comprehensive income (FVOCI), with the exception of equities held in the Macquarie Australian equity fund which is now accounted as financial assets at fair value through profit or loss.
- ii. The Group elected to irrevocably classify its portfolio of listed and non-listed equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in the profit or loss for these investments in prior periods.
- iii. The treatment of the Group's portfolio of other financial assets remains unchanged and will be classified as financial assets at fair value through profit or loss (FVTPL).
- iv. Trade Receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

b. Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing the incurred loss approach under AASB 139 with a forward-looking expected credit loss (ECL) approach. The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. There was no material adjustment required on transition based on assessment of all financial assets.

Financial impact to Group on adoption of AASB 15 and AASB 9

The Group adopted the modified retrospective approach to transition to the new standards, i.e. recognition of the accounting changes from 1 July 2018 and comparatives are not restated.

The adoption of AASB 15 and AASB 9 has no impact to cash flows from operating activities, cash flows used in investing activities, cash flows used in financing activities or net movements in cash.



Impact on the consolidated statement of financial position

	As previously reported \$000	AASB 15 impact \$000	AASB 9 impact \$000	Restated \$000
Liabilities				
Unearned income	(119,346)	(1,714)	-	(121,060)
Total current liabilities	(286,514)	(1,714)	-	(288,228)
Total liabilities	(657,271)	(1,714)	-	(658,985)
Net assets	1,091,446	(1,714)	-	1,089,732
Equity				
Cash flow hedge reserves	11	-	(11)	-
Financial assets at fair value through other comprehensive income	37,205	-	(285)	36,920
Retained earnings	1,057,367	(1,714)	296	1,055,949
Other reserves	(3,137)	-	-	(3,137)
Total equity	1,091,446	(1,714)	-	1,089,732

Business performance

This section provides the information that is most relevant to understanding the financial performance of the Group during the year end, where relevant, the accounting policies applied and the critical judgements and estimates made.

- B1.** Segment information
- B2.** Revenue from contracts with customers and other income
- B3.** Expenses
- B4.** Taxation

B1. Segment information

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker in order to effectively allocate Group resources and assess performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Group CEO in assessing performance and in determining the allocation of resources.

The consolidated entity operates in Australia and New Zealand.

The operating segments are identified by the Group based on the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the Group CEO on a recurring basis.

The reportable segments are based on a combination of operating segments determined by the similarity of the services provided, and the sources of the Group's major risks that could therefore have the greatest effect on the rates of return. The Group has determined that reportable segments are best represented as service lines.

The reportable segments identified within the Group are outlined below:

Service line	Segment description
Membership and motoring	Provision of road assistance, car servicing and other services to our Members and customers
Transport and tourism	Generates revenue from contracts with customers for ferry services and holiday park accommodation and income from car rental
Investments	Derives income from the Group's portfolio of investments

BI. Segment information continued

	Membership and motoring		Transport and tourism		Investments		The NRMA Group	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Revenue								
Revenue from contracts with customers								
Subscription and joining fees	245,732	245,170	-	-	-	-	245,732	245,170
Rendering of services	53,810	49,397	117,393	78,504	-	-	171,203	127,901
Sales of goods	50,760	28,588	-	-	-	-	50,760	28,588
Advertising and publishing revenue	2,236	2,197	-	-	-	-	2,236	2,197
Other revenue	16,262	20,473	-	4,727	-	580	16,262	25,780
Total revenue from contracts with customers	368,800	345,825	117,393	83,231	-	580	486,193	429,636
Rental income	-	-	195,255	184,408	-	-	195,255	184,408
Investment income								
Interest	599	264	172	119	2,430	1,035	3,201	1,418
Dividends	-	-	-	-	30,273	26,966	30,273	26,966
Property income	6	176	-	5	96	5,317	102	5,498
Total investment income	605	440	172	124	32,799	33,318	33,576	33,882
Total revenue and other income	369,405	346,265	312,820	267,763	32,799	33,898	715,024	647,926
Results								
Segment operating profit/(loss)	(9,460)	(6,094)	24,789	25,054	29,035	28,372	44,364	47,332
Share of profit/(loss) of equity accounted investments	-	-	-	-	21,257	21,629	21,257	21,629
Total operating profit including equity accounted investments	(9,460)	(6,094)	24,789	25,054	50,292	50,001	65,621	68,961
Share of net fair value movement in equity accounted investments	-	-	-	-	(28,484)	21,137	(28,484)	21,137
Movement in net fair value of investments	-	-	-	-	(11,632)	48,744	(11,632)	48,744
Total unrealised (loss)/ profit of equity accounted and other investments	-	-	-	-	(40,116)	69,881	(40,116)	69,881
Total reported segment results	(9,460)	(6,094)	24,789	25,054	10,176	119,882	25,505	138,842
Finance costs							(12,830)	(9,589)
Profit before tax							12,675	129,253
Income tax benefit/(expense)							119	(32,170)
Net profit							12,794	97,083
Assets								
Segment assets	156,838	194,560	666,592	583,797	690,594	702,733	1,514,024	1,481,090
Equity accounted investments			-	-	239,476	267,627	239,476	267,627
Consolidated total assets							1,753,500	1,748,717
Liabilities								
Segment liabilities	131,669	173,142	235,752	175,553	277,684	308,576	645,105	657,271
Consolidated total liabilities							645,105	657,271

B2. Revenue from contracts with customers and other income

	2019 \$000	2018 \$000
Revenue from contracts with customers		
Subscription and joining fees	245,732	245,170
Rendering of services	171,203	127,901
Sales of goods	50,760	28,588
Advertising and publishing revenue	2,236	2,197
Other revenue	16,262	25,780
Total revenue from contracts with customers	486,193	429,636
Rental income	195,255	184,408
Total revenue from contracts with customers and rental income	681,448	614,044
Investment income		
Interest	3,201	1,418
Dividends	30,273	26,966
Property income	102	5,498
Total investment income	33,576	33,882

(iv) Other revenue

Other revenue relates to the provision of other services to Members, which is recognised when the performance obligation is fulfilled. In addition, this also includes the provision of payroll services for holiday parks managed contract arrangements.

(v) Rental income

Lease income from operating leases is recognised on a straight-line basis over the lease term.

(vi) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(vii) Dividend income

Revenue is recognised when the Group's right to receive the payment is established.

(viii) Property income

Income from letting investment properties is accounted for on a straight-line basis over the lease term. Contingent income from letting is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

(b) Contract balances

Opening and closing balances of trade receivables and contract liabilities arising from contracts with customers are disclosed separately. Refer to notes C2 and C5.

(a) Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised if it meets the criteria below:

(i) Subscription and joining fees

Revenue from ongoing subscriptions are recognised on a straight-line basis over the term of the subscription. Revenue from Members' entrance fees are recognised over the initial subscription period. Revenue relating to the future periods is classified as unearned income on the balance sheet.

(ii) Rendering of services

Revenue from services rendered is recognised in the statement of profit or loss as performance obligations are fulfilled. Performance obligations are considered to be fulfilled on the rendering of services for the businesses listed below:

- Vehicle servicing
- Holiday park accommodation
- Advertising and publishing
- Ferry passenger transit

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(iii) Sales of goods

Revenue is recognised as performance obligations are fulfilled under contracts with customers, and control of the goods are transferred to the customer. Control over the goods is considered to be transferred to the buyer at the time of delivery of the goods.

B3. Expenses

	Notes	2019 \$000	2018 \$000
Profit before income tax includes the following expenses			
Cost of goods sold		60,743	47,490
Cost of providing services		416,197	365,856
Administrative expenses		193,720	187,248
Total cost of sales, cost of providing services and administrative expenses		670,660	600,594
These expenses relate to the following categories:			
Employee benefits expense		259,912	240,805
Fleet, road service and towing contractors expense		120,061	103,620
General and administrative expense		78,896	72,000
Marketing expense		20,747	22,113
Commissions and cost of sales expense		76,036	60,453
Printing and postage expense		15,316	16,922
Other expenses		13,417	12,558
		584,385	528,471
Depreciation	C3	60,356	52,516
Amortisation	C4	25,919	19,607
Total depreciation and amortisation		86,275	72,123
Total cost of sales, cost of providing services and administrative expenses		670,660	600,594
Finance costs			
Bank loans and overdraft		8,411	7,085
Defined benefit fund		831	966
Provision discounting unwind		3,588	1,538
Total finance expense		12,830	9,589

Finance costs

Finance costs arise due to the defined benefit obligation and the impact of the unwinding of discounted provisions, such as the restoration obligation and contingent consideration, as the settlement date of the expected future obligation draws nearer. Borrowing costs and finance charges payable under finance lease and hire purchase contracts are also included in finance costs.

B4. Taxation

Tax expense

	2019 \$000	2018 \$000
Profit before income tax	12,675	129,253
Income tax expense calculated at 30% (2018: 30%)	3,802	38,776
Tax effect of permanent differences:		
Tax offsets	(4,022)	(2,689)
Non-deductible net mutual (benefit)/expense	(1,485)	(4,282)
Adjustment recognised in the current year in relation to:		
- the current tax of prior years	(1,406)	(320)
- the deferred tax of prior years	1,296	(509)
Non-deductible acquisition related costs	1,244	1,082
Other	452	112
Total tax expense	(119)	32,170
Current tax expense	15,264	29,305
Deferred tax	(15,383)	2,865

Deferred taxes

	2019 \$000	Opening balance	Charged to income	Charged to equity	Acquisition of subsidiary	Net balance at 30 June	Deferred tax assets	Deferred tax liability
Trade and other receivables		(1,436)	(51)	-	-	(1,487)	-	(1,487)
Financial assets at fair value through profit or loss		(12,877)	5,894	-	-	(6,983)	-	(6,983)
Financial assets at fair value through other comprehensive income		(15,949)	115	1,393	-	(14,441)	-	(14,441)
Equity accounted investments		(56,901)	6,489	51	-	(50,361)	-	(50,361)
Property, plant and equipment		(3,484)	(7,143)	-	-	(10,627)	-	(10,627)
Intangibles		(32,548)	2,043	-	(818)	(31,323)	-	(31,323)
Investment property		-	-	(1,558)	-	(1,558)	-	(1,558)
Defined benefit asset		(1,303)	(38)	(2,186)	-	(3,527)	-	(3,527)
Lease liability		1,951	6,921	-	-	8,872	8,872	-
Trade and other payables		1,259	(544)	-	-	715	715	-
Provisions		1,759	345	-	38	2,142	2,142	-
Tax losses		-	518	-	(117)	401	401	-
Other assets and liabilities		1,681	834	-	(89)	2,426	2,426	-
Tax assets/(liabilities) before set-off		(117,848)	15,383	(2,300)	(986)	(105,751)	14,556	(120,307)
Set-off of DTA against DTL						-	(14,556)	14,556
Net tax assets/(liabilities)						(105,751)	-	(105,751)



B4. Taxation continued

2018 \$000	Opening balance	Charged to income	Charged to equity	Acquisition of subsidiary	Net balance at 30 June	Deferred tax assets	Deferred tax liability
Trade and other receivables	(1,275)	(166)	-	5	(1,436)	-	(1,436)
Financial assets at fair value through profit or loss	(11,446)	(1,431)	-	-	(12,877)	-	(12,877)
Financial assets at fair value through other comprehensive income	(10,998)	184	(5,135)	-	(15,949)	-	(15,949)
Equity accounted investments	(49,549)	(7,343)	(9)	-	(56,901)	-	(56,901)
Property, plant and equipment	(13,108)	9,624	-	-	(3,484)	-	(3,484)
Intangibles	(15,375)	1,097	-	(18,270)	(32,548)	-	(32,548)
Investment property	(3,406)	3,406	-	-	-	-	-
Defined benefit asset	(1,639)	(64)	400	-	(1,303)	-	(1,303)
Lease liability	9,912	(7,961)	-	-	1,951	1,951	-
Trade and other payables	1,956	(822)	-	125	1,259	1,259	-
Provisions	1,312	374	-	73	1,759	1,759	-
Other assets and liabilities	1,341	237	-	103	1,681	1,681	-
Tax assets/(liabilities) before set-off	(92,275)	(2,865)	(4,744)	(17,964)	(117,848)	6,650	(124,498)
Set-off of DTA against DTL					-	(6,650)	6,650
Net tax assets/(liabilities)					(117,848)	-	(117,848)

(a) Recognition and measurement

Tax payable

The NRMA company income tax payable this year has been offset by franking credits passed on by its investment portfolio. The franking credits represent income tax already paid by entities within the investment portfolio. In addition, the NRMA is a Mutual organisation and as such derives income and incurs costs in its transactions with Members as owners of the company. These transactions with Members are not subject to company income tax.

(i) Current tax

Current tax assets and liabilities are measured at the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

(ii) Offsetting deferred tax balances

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis, where there is a legally enforceable right to offset.

(iii) Tax consolidation

The Company and its wholly-owned Australian subsidiaries are part of a tax-consolidated group under Australian taxation law. National Roads and Motorists' Association Limited is the head

entity of the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the group allocation approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Tax contribution amounts payable to or receivable by the Company are recognised in accordance with the Group's tax funding arrangements. To the extent the tax contribution amounts determined under the tax funding arrangement differ to the current tax liability or asset assumed by the Company in respect of a particular entity, the difference is recognised as a contribution from (or distribution to) equity participants.

Franking account balance

The amount of franking credits available at 30 June 2019 are \$287.69 million (2018: \$294.96 million), and the balance is calculated using corporate tax rate of 30% (2018: 30%).

The balance of the franking account arises from franked income received and income tax paid. The Company's Constitution prevents the payment of dividends and accordingly, the franking credits are not utilised.

Operating assets and liabilities

This section provides information relating to the operating assets and liabilities of the Group. The NRMA maintains a strong balance sheet through continued focus on cash conversion. The Group's strategy also considers expenditure, growth and asset management requirements.

- C1.** Reconciliation of cash flow from operating activities
- C2.** Trade and other receivables
- C3.** Property, plant and equipment
- C4.** Intangible assets and goodwill
- C5.** Unearned income

C1. Reconciliation of cash flow from operating activities

Notes	2019 \$000	2018 \$000
Reconciliation to cash flow statement:		
Cash at bank and in hand	67,847	93,966
Total cash at hand and in bank	67,847	93,966

CI. Reconciliation of cash flow from operating activities continued

	Notes	2019 \$000	2018 \$000
Net profit		12,794	97,083
Non-cash items			
(Profit)/loss on disposal of non-current assets		(715)	(1,968)
Depreciation and amortisation	B3	86,275	72,123
Change in net fair value of investments		11,632	(17,780)
Acquisition related costs	F2	1,378	3,572
Defined benefit plan		(5,100)	(149)
Equity accounted investments loss/(profit)	F1	7,227	(42,766)
Finance cost		3,558	1,538
(Increase)/decrease in operating assets			
Trade and other receivables		9,775	(20,507)
Inventories		(803)	(188)
Non-current assets held for sale		(3,088)	(1,554)
(Decrease)/increase in operating liabilities			
Payables		6,239	(9,276)
Income tax payable		(3,848)	29,333
Provisions		3,057	(2,663)
Unearned income		(5,522)	(6,204)
Customer deposits		446	1,318
Security deposit		(1,280)	(1,288)
Net deferred tax liability		(15,383)	2,865
Net cash from operating activities		106,642	103,489

(a) Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash is held as part of the investment strategy.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are

included within borrowings in current liabilities on the statement of financial position.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents fair value.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and earn interest at the representative short-term deposit rates.

C2. Trade and other receivables

	2019 \$000	2018 \$000
Trade receivables (b)	16,062	28,963
Allowance for expected credit loss (a)	(535)	(986)
	15,527	27,977
Prepayments	10,149	8,363
Other receivables	13,218	11,286
Total trade and other receivables	38,894	47,626
Movements in expected credit losses are:		
At 1 July	(986)	(985)
Charges for year	(651)	(395)
Foreign exchange difference	(6)	-
Amounts written back	(7)	10
Amounts written off	1,115	384
At 30 June	(535)	(986)

(a) Recognition and measurement

Trade and other receivables are initially recognised at fair value less an allowance for any uncollectible amounts and expected credit losses. Trade receivables are non-interest bearing.

Recoverability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for expected credit loss is raised when there is objective evidence that the Group will not be able to collect the debt. Financial difficulties of the debtor, default

payments or debts more than 91 days overdue are considered objective evidence of impairment. The amount of impairment loss is the receivable carrying amount.

At the reporting date, trade receivables of \$535,000 (2018: \$986,000) were past due and considered impaired.

(b) Trade and other receivables ageing

At 30 June, the ageing analysis of trade receivables is as follows:

	Total \$000	Current \$000	0-30 days \$000	31-60 days \$000	61-90 days \$000	91+ days \$000
2019 Consolidated	16,062	9,293	3,503	1,506	709	1,051
2018 Consolidated	28,963	20,321	3,962	1,537	1,147	1,996

Trade receivables of \$1.1 million were due over 91 days, but not impaired. Each business unit is satisfied that payment will be received in full.

(i) Other receivables

These include prepayments and other receivables incurred under normal terms and conditions and which do not earn interest. None of these balances are considered to be past due or impaired.

(ii) Fair value

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

C3. Property, plant and equipment

	Land and buildings \$000	Leasehold improvements \$000	Leased motor vehicles \$000	Motor vehicles \$000	Plant and equipment \$000	Marine vessels \$000	Total \$000
Year ended 30 June 2019							
At 1 July 2018	141,724	21,989	6,417	182,827	28,174	26,351	407,482
Additions	5,227	1,599	30,954	147,145	9,631	3,223	197,779
Acquisition of businesses	9,455	-	-	36	281	18,960	28,732
Transfers	(12,807)	-	(5,181)	5,181	-	-	(12,807)
Disposals	(258)	-	-	(124,306)	(1)	(33)	(124,598)
Depreciation charge for the year	(6,072)	(1,974)	(2,776)	(39,451)	(7,002)	(3,081)	(60,356)
Foreign exchange differences	-	-	-	1,663	101	-	1,764
At 30 June 2019	137,269	21,614	29,414	173,095	31,184	45,420	437,996
Cost	174,126	35,154	32,001	220,179	70,260	70,409	602,129
Accumulated depreciation	(36,857)	(13,540)	(2,587)	(47,084)	(39,076)	(24,989)	(164,133)
Year ended 30 June 2018							
At 1 July 2017	133,184	20,185	32,786	106,109	23,419	-	315,683
Additions	347	4,192	2,415	189,348	9,047	4,463	209,812
Acquisition of businesses	14,849	-	-	59	1,296	22,425	38,629
Transfers	-	-	(24,513)	24,513	1,174	-	1,174
Disposals	(1,564)	(122)	-	(102,620)	(293)	-	(104,599)
Depreciation charge for the year	(5,092)	(2,266)	(4,271)	(33,934)	(6,416)	(537)	(52,516)
Foreign exchange differences	-	-	-	(648)	(53)	-	(701)
At 30 June 2018	141,724	21,989	6,417	182,827	28,174	26,351	407,482
Cost	175,797	33,564	8,733	223,990	60,985	31,470	534,539
Accumulated depreciation	(34,073)	(11,575)	(2,316)	(41,163)	(32,811)	(5,119)	(127,057)

C3. Property, plant and equipment continued

(a) Recognition and measurement

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Item	Useful life	Depreciation method
Land	n/a	No depreciation
Buildings	20-40 years	Straight-line
Leasehold improvements	Life of lease	Straight-line
Leased motor vehicles	Life of lease	Straight-line
Motor vehicles	2-9 years	Straight-line
Plant and equipment	2-10 years	Straight-line
Marine vessels	10-20 years	Straight-line

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

For detail on the approach to testing for impairment refer to note C4.

C4. Intangible assets and goodwill

	Land use rights \$000	Software \$000	Goodwill \$000	Licence agreement \$000	Contracts \$000	Total \$000
Year ended 30 June 2019						
At 1 July 2018, net of accumulated amortisation	32,646	93,916	83,476	7,525	78,691	296,254
Additions	-	10,769	-	-	-	10,769
Acquisition of businesses	-	-	8,857	-	2,726	11,583
Transfers	-	-	-	-	-	-
Disposals	-	(309)	-	-	-	(309)
Research and development contribution	-	(10,006)	-	-	-	(10,006)
Impairment	-	-	-	-	-	-
Amortisation expense	(1,028)	(16,973)	-	(490)	(7,428)	(25,919)
Foreign exchange differences	-	15	-	-	1	16
At 30 June 2019	31,618	77,412	92,333	7,035	73,990	282,388
Gross carrying amount	47,886	152,410	92,333	14,047	83,834	390,510
Accumulated amortisation	(16,268)	(74,998)	-	(7,012)	(9,844)	(108,122)
Year ended 30 June 2018						
At 1 July 2017, net of accumulated amortisation	33,674	89,140	36,008	8,043	20,198	187,063
Additions	-	20,489	-	-	1,000	21,489
Acquisition of businesses	-	142	47,468	-	60,900	108,510
Transfers	-	(1,174)	-	-	-	(1,174)
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Amortisation expense	(1,028)	(14,654)	-	(518)	(3,407)	(19,607)
Foreign exchange differences	-	(27)	-	-	-	(27)
At 30 June 2018	32,646	93,916	83,476	7,525	78,691	296,254
Gross carrying amount	47,886	142,337	83,476	14,047	82,098	369,844
Accumulated amortisation	(15,240)	(48,421)	-	(6,522)	(3,407)	(73,590)

(a) Recognition and measurement

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the consideration over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If this consideration is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in the profit or loss as a bargain purchase.

(ii) Research and development

The Group is undertaking a number of development projects aimed at producing new products and services, along with the on-going investment in information technology systems.

Expenditure on research into areas such as potential new products and services is recognised as an expense as incurred.

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

Given the significant investment, there is an element of judgement in respect of the recoverability of the asset values and in the classification of expenditure as capital rather than on going operational in nature.

C4. Intangible assets and goodwill continued

(iii) Amortisation

Where applicable, amortisation is calculated on a straight-line basis over the estimated finite life of the intangible assets as follows:

- Licence agreement – over the life of the licence
- Land use rights – over the expected life of the lease
- Software – over 3 to 10 years
- Contracts – over 3 to 18 years.

(iv) Impairment of assets

Intangible assets that have an indefinite useful life, such as goodwill, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (or when the asset is not yet available for use, annually or more frequently when an indication of impairment arises during the reporting period).

Equity accounted investments are reviewed annually for indicators of impairment (or more frequently if events or changes in circumstances indicate that they might be impaired).

Key estimate and judgement: impairment of assets

Determination of potential impairment requires an estimation of the recoverable amount of the CGUs to which the goodwill and intangible assets with indefinite useful lives are allocated. In 2019, the Group used the "value in use method" (2018: "value in use method") to determine the recoverable amount. A valuation methodology based on a discounted cashflow (DCF) analysis was completed, using inputs including estimated maintainable operating profit applying mutual tax rates and an appropriate discount rate and growth rate.

The recoverable amount of the asset is determined as the higher of the fair value less costs of disposal and the value in use.

If it is not possible to determine a recoverable amount for the individual assets, the assets are assessed together in the smallest group of assets which generate cash inflows that are largely independent of those from other assets or groups of assets (CGUs). Goodwill is allocated to each of the Group's CGUs that are expected to benefit from the business combination in which the goodwill arose. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised as an expense in the statement of profit or loss and other comprehensive income.



C4. Intangible assets and goodwill continued

The following table summarises the quantitative information about the significant unobservable inputs used in measuring the recoverable value of the NRMA Parks and Resorts and Marine CGUs. These inputs are further shown below:

Description	Carrying value at 30 June 2019 \$000	Unobservable inputs	Range of inputs 2019	Relationship of unobservable inputs to fair value
Goodwill – NRMA Parks and Resorts	47,655	WACC discount rate	8.3%	The higher the WACC rate, the lower the fair value
		Growth rate	2.5%	The higher the growth rate, the higher the fair value
Goodwill – Marine	32,495	WACC discount rate	9.5%	The higher the WACC rate, the lower the value in use
		Growth rate	2%	The higher the growth rate, the higher the value in use
		Contract renewal	25% - 100%	The higher the contract renewal percentage, the higher the value in use

The discount rate is calculated at the weighted average cost of capital utilising the capital asset pricing mechanism. The growth rate utilised is benchmarked against long term industry averages and historical growth rates achieved by the NRMA Parks and Resorts and Marine businesses.

These value in use assessments, and utilisation of above inputs support the carrying value of goodwill associated with these holiday parks and ferry services at 30 June 2019.

Goodwill arising from the acquisition of Fantasea and newly acquired parks has not been impairment tested given the proximity of the acquisition to year end and its value approximating value in use.

Impact of possible changes in key assumptions

Reasonably possible changes in the key assumptions outlined above, could potentially cause the carrying value of the CGUs to exceed their recoverable amount, and result in an impairment. These are:

- an increase of WACC discount rate and/or decrease in growth rate of 1% and
- a change in the assumption on likely renewal of Marine contracts.

C5. Unearned income

	2019 \$000	2018 \$000
Current liabilities	116,006	119,346
Non-current liabilities	9,785	12,380
Total	125,791	131,726

(a) Recognition and measurement

Unearned revenue comprises of amounts received from Members for entrance fees and roadside subscriptions, prepayments for ferry and tourism related services, and deposits on holiday park accommodation.

For Member entrance fees and roadside subscriptions, the earned portion of amounts received is recognised as revenue evenly over the subscription period using the 365 day method (earned over

one year). Revenue received applicable to the unexpired period of the subscription term is recognised as unearned income.

Amounts received in respect of prepaid ferry and tourism related services and deposits for holiday park accommodation are recognised as revenue as the customer utilises the service. Revenue received in respect of services yet to be provided is recognised as unearned income.

Financial instruments

This section provides information relating to the Group's capital structure, its investment portfolio and its exposure to financial risk, how they affect the Group's financial position and performance, and how the risks are managed.

D1. Financial risk management objectives and policies

D2. Fair value estimation

D3. Financial assets at fair value through profit or loss

D4. Financial assets at fair value through other comprehensive income

D5. Investment property

D6. Interest bearing liabilities

D7. Contingent consideration

D1. Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, which include: market risk (mainly price risk as the Group has minimal exposure to interest rate risk and foreign exchange risk which are not material), credit risk and liquidity risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit and liquidity risk.

Financial risk management is carried out by the Chief Financial Office (CFO) team under policies approved by the Board of Directors (the Board). The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on the use of financial instruments and other derivatives. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuing basis.

The Parent is not exposed to any significant financial risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Section D to the financial statements.

(a) Market risk

(i) Interest rate risk

The Group's interest rate risk is minimal. Interest rate risk arises from floating rate borrowings and capped bank loan facilities. It also has third party borrowings in the form of finance leases.

Further details of the Group's interest bearing liabilities are provided in note D6.

(ii) Foreign exchange risk

While the Group transacts in a range of currencies and is therefore exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the New Zealand Dollar, this exposure is minimal as the Group's volume of overseas transactions is low.

The Group does not enter into forward exchange contracts to hedge foreign currency denominated receivables and payables.

(iii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as other non-current financial assets. The investment balance is comprised of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The Group's investment in financial assets at fair value through other comprehensive income are in IAG shares that are publicly traded on the Australian Stock Exchange. In addition, the group also carries investments in a few startup companies that are not publicly listed. The Group intends to hold on to these investments for the foreseeable future. In the absence of public trading, the acquisition costs of these shares will be treated as a proxy for its fair value. There has been no market decline in value based on recent capital raising with investors apart from the NRMA.

The table overleaf analyses the Group's other investments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

DI. Financial risk management objectives and policies continued

	2019 \$000	2018 \$000
Investment category		
Australian shares	105,737	207,354
International shares	69,760	70,699
Fixed interest securities	175,960	175,661
Diversified unit trust	202,794	71,433
Financial assets at fair value through other comprehensive income	85,700	91,577
At 30 June	639,951	616,724

Group sensitivity

The following table analyses the sensitivity of price risk on the Group's financial assets. The group is not exposed to price risk on financial liabilities.

A 10% strengthening or weakening of market prices at the reporting date would have changed the result by the amounts shown in the below table.

	Carrying amount \$000	Price risk			
		-10%		+10%	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000
2019					
Financial assets	639,951	(25,164)	(8,570)	25,164	8,570
Total increase/(decrease)		(25,164)	(8,570)	25,164	8,570
2018					
Financial assets	616,724	(32,132)	(9,158)	32,132	9,158
Total increase/(decrease)		(32,132)	(9,158)	32,132	9,158

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk is managed on a business unit basis. No business unit has a significant concentration of credit risk. Each business unit has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Group does not hold any guarantees over the debts of customers.

For information on the ageing profile and impairment of trade receivables refer to note C2(b).

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table opposite analyses the Group's financial liabilities, financial guarantees and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

DI. Financial risk management objectives and policies continued

The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 1 month \$000	Between 1 and 3 months \$000	Between 3 and 12 months \$000	Between 1 and 5 years \$000	Total \$000
2019					
Trade payables	12,692	3,353	144	-	16,189
Interest bearing liabilities	25,265	118,328	32,536	-	176,129
Customer deposits ⁽¹⁾	3,024	6,281	1,850	3,850	15,005
2018					
Trade payables	15,605	2,347	319	217	18,488
Interest bearing liabilities	36,332	98,844	58,512	-	193,688
Customer deposits ⁽¹⁾	2,486	5,895	4,343	2,460	15,184

⁽¹⁾Customer deposits are only refundable if the underlying service is not provided.

Where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant, equipment and investments in working capital (e.g. inventories and trade receivables).

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

D2. Fair value estimation

The Directors consider that the carrying amount of financial assets, financial liabilities and the investment property recorded in the statement of financial position approximate their fair values.

The Group uses various methods in estimating the fair value of these assets and liabilities. The methods comprise:

Level 1

The fair value is calculated using quoted prices in active markets.

Level 2

The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3

The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

	Quoted market price (Level 1) \$000	Valuation technique – market observable inputs (Level 2) \$000	Valuation technique – non market observable inputs (Level 3) \$000	Total \$000
2019				
Financial assets at fair value through profit or loss				
Listed investments	351,457	-	-	351,457
Unlisted investments	-	202,794	-	202,794
Financial assets at fair value through other comprehensive income				
Listed investments	82,511	-	-	82,511
Unlisted investments	-	3,189	-	3,189
Investment property	-	-	18,000	18,000
Total	433,968	205,983	18,000	658,152
2018				
Financial assets				
Listed investments	449,526	-	-	449,526
Available-for-sale investments	91,577	-	-	91,577
Unlisted investments	-	75,621	-	75,621
Investment property	-	-	-	-
Total	541,103	75,621	-	616,724

D2. Fair value estimation continued

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

(i) Valuation techniques used to determine Level 1 and Level 2 fair values

The total value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include unlisted unit trusts valued at the redemption value per unit, as reported by the managers of such trusts.

(ii) Valuation techniques and processes used to determine Level 3 fair values

The Group engages external, independent and qualified valuers to determine the fair value of its land and buildings classified as investment property at least every three years. Following a change in the use of an office building in 2019, the property has been classified as an investment property. The valuation of the property was determined by an external, independent and qualified valuer.

Description	Fair value at		Unobservable input	Range of inputs (probability-weighted average)		Relationship of unobservable inputs to fair value
	30 June 2019 \$000	30 June 2018 \$000		2019	2018	
Investment property	18,000	-	Discount rate	5.00%	-	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	5.25%	-	
			Capitalisation rate	4.75%	-	The higher the capitalisation rate and terminal yield, the lower the fair value
			Expected vacancy rate	5.00%	-	

D3. Financial assets at fair value through profit or loss

Current	2019 \$000	2018 \$000
Other investment receivables	7,378	9,027
Total	7,378	9,027

Non-current	2019 \$000	2018 \$000
Investments designated at fair value through the profit or loss:		
Cash – long term deposits	126,652	28,164
Australian shares	105,737	206,165
International shares	69,760	68,699
Fixed interest securities fund	175,960	174,662
Diversified unit trust	76,142	43,269
Unlisted investments amortised cost	-	4,188
Total	554,251	525,147

*Reclassified unlisted investments to fair value through other comprehensive income due to AASB 9 impact in 2019

(a) Recognition and measurement

The Group classifies its financial assets in the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVOCI).

Management determines the classification of its investments at initial recognition depending on the purpose for which the investments were acquired or originated. The classification is determined by the business model in which a financial asset is managed and its contractual cash flow characteristics.

When financial assets are recognised initially, they are measured at fair value. Subsequent changes in fair value are recognised in the profit or loss as they arise (FVTPL), unless a more restrictive criteria is met for classifying and measuring the assets at either amortised cost or fair value through other comprehensive income (FVOCI).

(i) Assets carried at amortised cost

Subsequent to initial recognition, receivables with less than 12 months maturity are classified and measured at amortised cost.

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

The Group has classified certain financial assets at fair value through profit or loss. Fair value is determined in the manner described in note D2. Gains and losses arising from changes in fair value are recognised directly in the statement of profit or loss. Financial assets at fair value through profit or loss are designated as such on the basis that this group of financial assets are managed and performance is evaluated on a fair value basis in accordance with a documented investment strategy and information about the portfolio is provided internally on this basis to the Group's key management personnel.

(b) Expected credit losses (ECL)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is an indication that its value has diminished or is no longer recoverable in full (ECL). For loans and receivables without a significant financing component, the simplified approach is used in determining expected credit losses. Under this approach, a loss allowance is recognised based on lifetime expected credit losses at each reporting date. Lifetime expected credit losses are determined based on historical credit information for the Group.

Historical information such as previous years' credit sales, amounts written off and any specific write offs have all been considered in establishing the expected credit loss on transition. In addition, forward looking indicators such as current economic trends or indicators as well as expected revenue growth for the Group have been factored in to determine the most appropriate level of ECL. At 30 June 2019 there was no adjustment required to the allowance for expected credit loss for the group as the level was sufficient following the assessment performed.

D4. Financial assets at fair value through other comprehensive income

	2019 \$000	2018 \$000
Listed investments	82,511	91,577
Unlisted investments	3,189	-
At 30 June	85,700	91,577

(a) Recognition and measurement

The Group has elected to hold certain equity instruments that are not actively traded at fair value through other comprehensive income. Future valuation changes will not flow through profit or loss but instead will be accounted for in other comprehensive income.

D5. Investment property

	2019 \$000	2018 \$000
At 1 July	-	69,000
Transfer	12,807	-
Disposal through sale	-	(100,000)
Change in net fair value through other comprehensive income	5,193	-
Change in net fair value through profit or loss	-	31,000
At 30 June	18,000	-

(a) Recognition and measurement

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value (refer to note D2 (ii)), which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

In the event of a change in use of assets from operating assets to investment assets, the asset is revalued to its fair value with the difference between the carrying value and fair value accounted in the asset revaluation reserve.

(b) Reclassification of an asset to investment property

On 30 June 2019, one of the Group's office buildings was reclassified as an investment property due to a change in use of the asset. The property was assessed by an independent valuer to determine its fair value. On reclassification to investment property, the property is initially measured at its fair value with the difference between the carrying amount of the asset and fair value recorded to the asset revaluation reserve.

(c) Disposal of investment property

The disposal of the investment property was achieved by entering into a sale agreement on 22 June 2018. Change in net fair value arising from the disposal of the property was determined as the difference between the net disposal proceeds and the carrying amount of the asset which is recognised in the income statement under change in net fair value of investments.

(d) Amounts recognised in the statement of profit or loss for investment properties

	2019 \$000	2018 \$000
Amounts recognised in the statement of profit or loss for investment properties		
Income derived from investment properties	-	5,498
Direct operating expenses from generating property income	-	-
Net profit arising from investment properties carried at fair value	-	5,498

NRMA made a change in use of the building in June 2019, therefore there is no income and expenses associated with the reclassification.

D6. Interest bearing liabilities

	2019 \$000	2018 \$000
Current liabilities		
Bank loan	-	-
Obligations under finance leases	28,495	4,819
At 30 June	28,495	4,819
Non-current liabilities		
Bank loan	176,129	192,680
Obligations under finance leases	1,077	1,682
At 30 June	177,206	194,362



D6. Interest bearing liabilities continued

(a) Recognition and measurement

All loans and interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing liabilities are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and interest bearing liabilities. Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(b) Assets held as security

In 2018 the Group established a A\$250 million dual-currency revolving cash advance facility. This facility refinanced existing debt facilities in Australia and New Zealand and provides capacity for future growth. Under the new facility all wholly owned subsidiaries have provided customary negative pledge undertakings and are subject to financial undertakings. Kingmill Pty Ltd and Motoka Rentals Limited (New Zealand) have retained their existing finance lease facilities.

In 2019 the facility limits were reviewed with some minor changes to limits held across the banks within the banking group. As at 30 June 2019 the facility balance was at A\$240 million pending finalisation of documentation realigning the limit.

(c) Financial commitments

At the reporting date, the following financing facilities had been negotiated and were available:

	Total facilities		Used facilities		Unused facilities	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Corporate debt facility	240,000	250,000	176,692	193,688	63,308	56,312
Leasing facility ⁽¹⁾	49,558	49,172	30,105	6,518	19,453	42,654
Corporate card facility	2,435	3,587	395	292	2,040	3,295
Bank guarantees	21,412	22,887	16,199	21,611	5,213	1,276
At 30 June	313,405	325,646	223,391	222,109	90,014	103,537

⁽¹⁾The leasing facility is a multi-option facility that can be drawn in the form of either finance leases or operating leases. At 30 June 2019, \$865,568 (2018: \$68,000) of the facility was drawn in the form of operating leases. Refer to note G2 for the accounting treatment of finance leases and operating leases.

D7. Contingent consideration

	2019 \$000	2018 \$000
Non-current liabilities		
At 1 July	33,778	-
Liability arising on business combination	-	32,300
Unrealised fair value changes recognised in profit or loss	3,507	1,478
At 30 June	37,285	33,778

(a) Recognition and measurement

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred is measured at the amount of cash and cash equivalents transferred, the fair value of any equity instruments transferred and the fair value of any contingent consideration arrangement. Subsequent changes to the fair value of the contingent consideration which is classified as a financial liability that is within the scope of AASB 9 are recognised in profit or loss.

The Group has agreed to pay the selling shareholders a further \$37.3 million (2018: \$33.8 million) in consideration, based on the probability of meeting financial and other targets. The Group engaged experts to value the components of the contingent consideration using assumptions on probability of achieving targets. The amount recognised at acquisition represents the discounted value of the contingent consideration.

Employee benefits

This section provides a breakdown of the various employee entitlements the NRMA provides to reward and recognise employees and key executives, including key management personnel (KMP). The NRMA believes these entitlements reinforce the Group's values and drive performance both individually and collectively to deliver better outcomes for Members.

E1. Employee benefits

E2. Key management personnel compensation and related party transactions

E1. Employee benefits

	2019 \$000	2018 \$000
Employee benefits provision		
Current	30,690	28,685
Non-current	5,614	4,702
At 30 June	36,304	33,387

(b) Superannuation

Contributions are made to various defined contribution superannuation plans and a defined benefit superannuation plan in accordance with their governing rules and, for the defined benefit superannuation plan, recommendations from the plan's actuaries, which are designed to ensure that the plan's funding provides sufficient assets to meet liabilities over the longer term. The majority of employees are defined contribution members with less than 100 employees participating on a defined benefits basis. Entry to the defined benefit superannuation plan is closed so all new employees are provided defined contribution arrangements. The plans provide benefits for members or their dependents in the form of lump sum or pension payments generally upon ceasing relevant employment.

(a) Recognition and measurement

The employee benefits liability represents accrued wages and salaries, leave entitlements and other incentives recognised in respect of employees' services up to the end of the reporting period. These liabilities are measured at the amounts expected to be paid when they are settled and include related on-costs, such as workers compensation insurance, superannuation and payroll tax.

	Notes	2019 \$000	2018 \$000
Employee benefits expense			
Defined contribution superannuation		16,183	15,391
Employee benefits		243,729	225,414
At 30 June	B3	259,912	240,805



E2. Key management personnel compensation and related party transactions

	2019	2018
Short term employee benefits	5,363,600	6,903,136
Post-employment benefits	222,229	302,366
Other long term benefits	1,028,829	1,120,979
Termination benefits	-	318,108
Total	6,614,658	8,644,589

The compensation of the Directors and Executives, being the key management personnel of the Group, is set out in aggregate above.

(a) Transactions with related parties

The wholly-owned Group consists of National Roads and Motorists' Association Limited and its wholly-owned Controlled Entities. Ownership interests in these Controlled Entities are set out in F3.

Key management personnel from time to time acquire goods or services from the NRMA and its related entities, such as Thrifty car rental and Travelodge accommodation. Key management personnel obtained the usual staff benefits and discounts applicable to all employees of the NRMA.

A number of key management personnel hold positions in or have direct or indirect financial interest in other companies that are considered related party companies.

A number of these related party companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

(b) Key management personnel transactions

The Group used the below services from companies with which a director has a financial interest. The contract terms are based on market rates for these types of services and amounts are payable on agreed payment terms. There are no balances outstanding as at 30 June 2019 (2018: nil).

Name of the company	Nature of relationship	Type of services	2019	2018
The Quantum Group Pty Ltd	Shareholder and Advisor	Market research	851,000	812,000
Communications for Commerce Pty Ltd	Shareholder and Director	Leadership development and coaching	11,000	57,000

Terms and conditions of transactions with related parties:

All transactions with related parties are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

(c) Associate related entities

All transactions with Australian Motoring Services Pty Ltd (AMS), Divvy Parking Pty Ltd and Club Assets Pty Ltd are conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

(d) Joint venture entities

The Group continues to hold an interest in a property as a 'tenant in common' with its joint venture entity, the Tuckerbox Trust. The carrying value of the property is included in land and buildings.

Group structure

This section explains significant aspects of the NRMA Group structure, including equity accounted investments, the entities over which the Group has control and how changes have affected the Group structure. It also provides information on business acquisitions made during the year and the financial statements of the Parent entity.

F1. Equity accounted investments

F2. Acquisition of businesses

F3. Controlled entities

F4. Parent entity information

F1. Equity accounted investments

	2019 \$000	2018 \$000
Carrying amount of investments		
Investments in associates	33,382	34,186
Investments in joint ventures	206,094	233,441
Total carrying amount of investments	239,476	267,627
Net profit accounted for using the equity method		
Share of operating profit from investments in associates	3,321	1,733
Share of operating profit from investments in joint ventures	17,936	19,896
Total share of operating profit from equity accounted investments	21,257	21,629
Share of net fair value movement in equity accounted investments	(28,484)	21,137
Total share of net profits of equity accounted investments	(7,227)	42,766
Interest in associates at the end of the financial year		
Carrying amount of investment in associates at the start of the year	34,186	31,272
Purchases	-	1,715
Associates' reserve movement	-	-
Distributions received from associates	(4,125)	(534)
Share of associates' net profits	3,321	1,733
Carrying amount of investments in associates at end of the year	33,382	34,186

F1. Equity accounted investments continued

	2019 \$000	2018 \$000
Interest in joint ventures at the end of the financial year		
Share of revenue from ordinary activities	24,604	25,265
Share of unrealised (loss)/gain for interest rate swaps	(1,211)	1,971
Share of unrealised (loss)/gain on revaluation of non-current assets	(28,484)	19,166
Share of expenses from ordinary activities	(5,406)	(5,322)
Share of (loss)/profit from ordinary activities before income tax expense	(10,497)	41,080
Share of income tax (expense) related to ordinary activities	(51)	(47)
Share of joint ventures' net profit accounted for using the equity method	(10,548)	41,033
Summary financial position of joint ventures		
The Group's share of aggregate assets and liabilities of the joint venture is as follows:		
Current assets	4,178	5,092
Non-current assets	311,392	330,952
Total assets	315,570	336,044
Current liabilities	4,405	48,112
Non-current liabilities	105,071	54,491
Total liabilities	109,476	102,603
Net assets	206,094	233,441
Accumulated profits of the Group attributable to the joint ventures		
Balance at the beginning of the year	153,165	130,565
Share of joint ventures' net (losses)/profits	(10,548)	41,033
Distributions received from joint ventures	(16,681)	(18,433)
Balance at the end of the year	125,936	153,165
Movement in carrying amount of investments		
Carrying amount of investments in joint ventures at the beginning of the year	233,441	210,809
Joint ventures' reserve movements	(118)	32
Distributions received from joint ventures	(16,681)	(18,433)
Share of joint ventures' net (losses)/profits	(10,548)	41,033
Carrying amount of investments in joint ventures at end of the year	206,094	233,441

F1. Equity accounted investments continued

The Group has interests in the following joint ventures and associates which are equity accounted:

Name of arrangement	Principal activity	Country of operation	Ownership interest	
			2019 %	2018 %
Associates				
Australian Motoring Services Pty Ltd	Motoring and travel assistance services	Australia	35	35
Club Assets Pty Ltd (i)	Motoring assistance services	Australia	50	50
Divvy Parking Pty Ltd	Parking enablement	Australia	36.51	36.51
(i) Club Assets Pty Ltd owns a 75% interest in Club Assist Corporation Pty Ltd.				
Joint ventures				
Tucker Box Hotel Trust	Accommodation	Australia	50	50
KJ Hotel Trust	Accommodation	Australia	50	50

(a) Recognition and measurement

Investments in entities over which the Group has the ability to exercise significant influence, but not control, are accounted for using equity method of accounting.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described in note C4.

F2. Acquisition of businesses

During the financial year the NRMA Group acquired 100% interest in a ferry and related tourism services business along with five holiday parks set out in the table below:

Business	Principal activity	Acquisition date
Big 4 Bowen Coral Coast Beachfront Holiday Park	Operating as a tourist park	22 October 2018
Big 4 Yarrowonga-Mulwala Lakeside Holiday Park		13 November 2018
Big 4 Hopkins River Holiday Park		15 November 2018
Big 4 Grampians Parkgate Resort		20 November 2018
Atherton Woodlands Tourist Park		27 November 2018
Fantasea Pty Limited	Provides ferry and related tourism services in Sydney Harbour	30 November 2018

(i) Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

Consideration transferred	\$000
Cash paid	41,208
Total consideration transferred	41,208

(ii) Acquisition related costs

The Group incurred acquisition related costs of \$1.4m on legal fees and due diligence costs. These costs have been included in "administrative expenses".

(iii) Identifiable assets acquired and liabilities assumed

The accounting and tax values for the acquisition have been determined on a provisional basis as the fair value of certain assets and liabilities acquired have not been determined at balance date. The NRMA has 12 months from acquisition date to establish and finalise these values and where necessary has stated these amounts at book value established by the vendor.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at acquisition date:

	\$000
Property, plant and equipment	26,586
Intangible assets	2,726
Cash	596
Trade and other receivables	832
Inventory	257
Customer deposits	(654)
Trade and other payables	(538)
Deferred tax liabilities	(780)
Total identifiable assets acquired	29,025

The valuation techniques used for measuring the fair value of material assets and liabilities acquired were as follows:

Assets and liabilities acquired	Valuation techniques
Property, plant and equipment	Market comparison technique and cost technique: the valuation model considers quoted market prices for similar items when available and depreciated replacement cost when appropriate.
Intangible assets	Multi-period excess earnings method: considers the present value of net cash flows expected to be generated by the contracts, excluding any cash flows related to contributory assets.
Trade and other receivables	Cost technique: considers the expected economic benefits receivable when due.
Inventory	Market comparison and cost technique: the fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.
Customer deposits	This amount is the actual value of reportable fees in advance as agreed to with the vendor.
Trade and other payables	Cost technique: considers the expected economic outflow of resources when due.

(iv) Goodwill

Goodwill arising from acquisitions has been recognised as follows:

	Notes	\$000
Gross purchase consideration		41,208
Fair value of identifiable net assets acquired		(29,025)
Goodwill arising from acquisition		12,183
Provisional accounting change ⁽¹⁾		(3,326)
Total goodwill arising from acquisition	C4	8,857

⁽¹⁾ Represents the change to provisional accounting on acquisition of Noorton Pty Limited.

The goodwill represents revenue growth opportunities, the skills and talent of staff retained and expected synergies to be achieved from integrating the companies into the Group's existing business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

F2. Acquisition of businesses continued

(v) Purchase consideration – cash outflow

	Notes	\$000
Gross purchase consideration	F2 (i)	41,208
Less: cash balances acquired	F2 (iii)	(596)
		40,612
Acquisition related costs	C1	1,378
Outflow of cash from investing activities		41,990

(vi) Impact of the NRMA acquisitions of businesses on the result of the Group

In the year end 30 June 2019 the businesses acquired contributed revenue of \$12.24 million and an operating loss of \$0.64 million to the Group's results, since acquisition. If the acquisitions had occurred at 1 July 2018, management estimates that the Group's full year contributed revenue would have been \$19.45 million and operating profit of \$1.68 million.

(a) Recognition and measurement

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred is measured at the amount of cash and cash equivalents transferred, the fair value of any equity instruments transferred and the fair value of any contingent consideration arrangement. Subsequent changes to the fair value of the contingent consideration which is classified as a financial liability that is within the scope of AASB 9 are recognised in profit or loss. Acquisition related costs are expensed as incurred in profit or loss.

(b) Noorton Pty Limited – 2018

On 19 January 2018, the Group acquired 100% of Noorton Pty Limited and its subsidiaries. As at 30 June 2018 provisional accounting was undertaken given the proximity of the transaction to period end. In 2019, the NRMA finalised its provisional accounting, resulting in an increase in the fair value of vessels of \$2.15 million resulting from a Directors' valuation of the vessels, a net increase in working capital of \$1.22 million and a reduction in goodwill of \$3.32 million.

Key estimates and judgement: accounting for acquisition of businesses

Accounting for acquisition of businesses requires judgement and estimates in determining the fair value of acquired assets and liabilities. The relevant accounting standard allows the fair value of assets acquired to be refined for a window of a year after the acquisition date and judgement is required to ensure that the adjustments made reflect new information obtained about facts and circumstances that existed as of the acquisition date. The adjustments made on fair value of assets are retrospective in nature and have an impact on goodwill recognised on acquisition.

F3. Controlled entities

The consolidated financial statements include the financial statements of National Roads and Motorists' Association Limited and the subsidiaries listed in the following table:

Name of entity	Place of incorporation	Percentage of shares held	
		2019 %	2018 %
National Roads & Motorists' Assoc. (N.S.W.) Limited	Australia	100	100
NRMA Consolidated Limited	Australia	100	100
NRMA Holdings Limited	Australia	100	100
NRMA Limited	Australia	100	100
NRMA Enterprise Pty Ltd	Australia	100	100
NRMA Motoring Limited	Australia	100	100
NRMA Mutual Group Limited	Australia	100	100
NRMA Open Road Pty Limited	Australia	100	100
NRMA Safer Driving Schools Pty Limited	Australia	100	100
MotorServe Pty Limited	Australia	100	100
NRMA Travel Pty Limited	Australia	100	100
NRMA Travel Technology Pty Limited	Australia	100	100
AFG Investments Pty Limited	Australia	100	100
NRMA Treasury Limited	Australia	100	100
NRET Pty Ltd	Australia	100	100
NRET Holding Pty Ltd (ATF NRET Real Estate Trust)	Australia	100	100
MB RET Pty Ltd (ATF MB Real Estate Trust)	Australia	100	100
NRMA Holiday Parks Pty Limited	Australia	100	100
NRMA Tourist Parks Pty Limited	Australia	100	100
NRMA Tourist Park No.1 Pty Ltd	Australia	100	100
NRMA Tourist Park No.2 Pty Ltd	Australia	100	100
NRMA Tourist Park No.3 Pty Ltd	Australia	100	100
NRMA Tourist Park No.4 Pty Ltd	Australia	100	100
NRMA Holiday Parks Franchising Pty Ltd	Australia	100	100
T R Australia Holdings Pty Ltd	Australia	100	100
Kingmill Pty Ltd	Australia	100	100
Motoka Rentals Limited	New Zealand	100	100
Australian Tourist Park Management Property Pty Ltd (ATF Australian Tourist Park Management Property Trust)	Australia	100	100
Australian Tourist Park Management Pty Ltd	Australia	100	100
NRMA Marine Pty Limited	Australia	100	100
Noorton Pty Ltd	Australia	100	100
Manly Fast Ferry Pty Ltd	Australia	100	100
Portunes RW Pty Ltd (ATF Portunes Unit Trust)	Australia	100	100
Fantasea Pty Ltd*	Australia	100	-
NRMA Hotels Pty Limited*	Australia	100	-
NRMA Hotels Management Pty Limited*	Australia	100	-

*Acquired and incorporated to the NRMA Consolidated Group in 2019.
All Australian subsidiaries are members of the tax consolidated Group at 30 June 2019.

F4. Parent entity information

Information relating to National Roads and Motorists' Association Limited:	Parent	
	2019 \$000	2018 \$000
Current assets	70,579	99,613
Non-current assets	577,220	585,049
Total assets	647,799	684,662
Current liabilities	133,585	165,910
Non-current liabilities	34,753	33,525
Total liabilities	168,338	199,345
Net assets	479,461	485,227
Retained earnings	479,461	485,227
Total shareholders' equity	479,461	485,227
Loss of the parent entity	(5,766)	(868)
Total comprehensive loss of the parent entity	(5,766)	(868)

The Parent entity had a deficiency of net working capital of \$63 million at 30 June 2019 (2018: net working capital deficiency of \$66.29 million). This represents the increase in intercompany loans drawn by the parent entity to fund capital expenditure during the year. The intercompany loans are payable to controlled subsidiary entities where the parent entity can control the timing of repayment. Payment will not be made on these loans in preference to meeting obligations to external suppliers.

The Parent entity has entered into a deed of cross guarantee as noted in note G3.

There are no contingent liabilities of the Parent entity.

There are no contractual commitments for the Parent entity in relation to the acquisition of property, plant or equipment.



Other

This section provides detail on other required disclosures relating to the Group to comply with the accounting standards and other pronouncements.

G1. New accounting standards

G3. Deed of cross guarantee

G5. Subsequent events

G2. Commitments

G4. Auditor's remuneration

G1. New accounting standards

As at the date of this Financial Report, there are a number of new and revised Accounting Standards and interpretations published by the Australian Accounting Standards Board for which mandatory application dates fall after the end of this current reporting period.

The standards that have not been early adopted and are relevant to current operations are shown on the following page.

Standard and application date	Summary	Future impact on the group
AASB 16 Leases Application date of the standard: 1 Jan 2019 Application date for Group: 1 Jul 2019	AASB 16 replaces AASB 117 Leases, and becomes mandatory for the Group's 2020 Financial Report. The standard removes the classification of leases between finance and operating leases, effectively treating all leases as finance leases for the lessee. The purpose is to provide greater transparency of a lessee's financial leverage and capital employed. Lessor accounting remains largely unchanged.	<p>The Group continues to estimate the impact of the new rules on its financial report. The Group plans to adopt the AASB 16 modified retrospective approach where the right of use asset is measured as equal to the lease liability plus prepayments, minus accruals.</p> <p>The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value which is less than \$10,000. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.</p> <p>The Group estimates the right of use asset and corresponding lease liability on transition to be in the range of \$210 million to \$230 million.</p>

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

G2. Commitments

	2019 \$000	2018 \$000
(i) Estimated expenditure contracted for at reporting date, but not provided for, or payable:		
Total capital commitments	83,425	109,910
(ii) Operating leases		
Non-cancellable operating leases relating to property with lease terms between 1 to 10 years:		
Within one year	31,978	31,612
Between one and five years	82,332	86,871
Greater than five years	131,654	46,278
Total operating leases	245,964	164,761

The Group leases property under non-cancellable operating leases expiring from one to 10 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Most contingent rental clauses are based on movements in the Consumer Price Index.

The Group has entered into commercial leases on items of office machinery. These leases have an average life of three years with no renewal option included in the contract. There are no restrictions placed on the lessee by entering into the leases.

(iii) Finance lease commitments

The Group has finance lease contracts for a fleet of motor vehicles. These lease contracts expire within one to five years. The leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

	2019 \$000	2018 \$000
Within one year	29,000	4,935
After one year but not more than five years	1,106	1,728
Minimum finance lease payments	30,106	6,663
Future finance charges	(534)	(163)
Finance lease liabilities	29,572	6,500

G2. Commitments continued

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

(ii) Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

G3. Deed of cross guarantee

The consolidated income statement and statement of financial position of the Closed Group is shown below:

Consolidated statement of profit or loss	Closed Group	
	2019 \$000	2018 \$000
Profit from operations before income tax	13,677	128,198
Income tax expense	(21)	(31,881)
Profit after income tax	13,656	96,317
Actuarial gain/(loss)	3,660	(935)
Retained earnings at the beginning of the year	1,055,420	960,038
Retained earnings at the end of the year	1,072,736	1,055,420
Consolidated statement of financial position		
Cash and cash equivalents	61,635	86,592
Trade and other receivables	36,591	45,639
Inventories	2,784	1,724
Other financial assets	7,377	9,027
Non-current assets classified as held for sale	2,336	3,342
Total current assets	110,723	146,324
Financial assets at fair value through profit or loss	554,251	525,147
Financial assets at fair value through other comprehensive income	85,700	91,577
Property, plant and equipment	384,701	357,072
Investment property	18,000	-
Equity accounted investments	239,476	267,627
Pension asset	11,758	4,346
Intangible assets and goodwill	280,989	295,803
Non-current assets	1,574,875	1,541,572
Total assets	1,685,598	1,687,896
Trade and other payables	97,810	84,280
Employee benefit provisions	30,145	28,252
Income tax payable	15,660	30,154
Unearned income	116,006	119,346
Customer deposits	10,808	9,613
Interest bearing liabilities	28,495	4,819
Current liabilities	298,924	276,464
Employee benefits provisions	5,614	4,702
Provision for make good obligations	2,698	2,558
Deferred tax liabilities	105,525	117,861
Unearned income	9,785	12,380
Customer deposits	3,849	5,129
Interest bearing liabilities	120,732	151,457
Contingent consideration	37,285	33,778
Non-current liabilities	285,488	327,865
Total liabilities	584,412	604,329
Net assets	1,101,186	1,083,567
Reserves	14,696	10,733
Retained earnings	1,072,834	976,517
Current year profit	13,656	96,317
Total equity	1,101,186	1,083,567

G3. Deed of cross guarantee continued

The Closed Group financial statements include the financial statements of National Roads and Motorists' Association Limited and all subsidiaries listed in note F3 with the exception of Motoka Rentals Limited.

Entities subject to class order relief

Pursuant to ASIC Instrument 2016/785, relief has been granted to the above entities from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial statements.

As a condition of the Class Instrument, National Roads and Motorists' Association Limited and the above entities, (the Closed Group), entered into a deed of cross guarantee on 7 December 2006 and subsequent Assumption Deeds on 22 June 2007, 25 June 2008, 2 March 2009, 29 June 2009, 29 June 2011, 30 June 2017, 30 June 2018 and 3 April 2019 and a Notice of Disposal dated 31 October 2013.

A Deed of Variation to the Deed of Cross Guarantee was entered into on 21 August 2018. This Deed of Variation updated the original Deed of Cross Guarantee dated 7 December 2006 to be in line with the new ASIC Instrument 2016/785.

G4. Auditor's remuneration

The auditor of National Roads and Motorists' Association Limited is Ernst & Young (EY). Amounts received or due and receivable by EY for:

An audit of the financial report of the entity and any other entity in the consolidated group:

	2019 \$	2018 \$
– Consolidated Entity	398,000	400,000
– Thrifty Group	102,000	78,000
	500,000	478,000
Other assurance services:	12,000	-
Total audit and assurance services	512,000	478,000
Other services provided by EY:		
Taxation advice	-	-
Consulting and advisory	-	-
Other	-	-
	-	-
	512,000	478,000

The Group, through its Board and Audit and Risk Management Committee, considers these other services as ancillary to or an extension of the external audit services provided by the auditors.

G5. Subsequent events

NRMA Treasury Limited, in its capacity as a unitholder in the Tucker Box Hotel Trust (TBHT), entered into a loan agreement with the TBHT trustee on 27 September 2019. Under the terms of this unitholder loan agreement, NRMA Treasury Limited loaned the TBHT trustee \$5 million with a maturity date of 5 years.

Directors' declaration

In accordance with a resolution of the Directors of National Roads and Motorists' Association Limited, we state that:

1. In the opinion of the Directors:

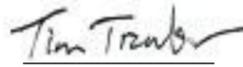
- a) the financial statements and notes of the Company and of the Group are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2019 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

Note: a) confirms that the financial statements also comply with

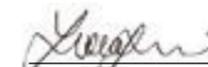
International Financial Reporting Standards as issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.
3. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note G3 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



Tim Trumper
Chair and Director



Fiona Simson
Deputy Chair and Director

2 October 2019

Independent Auditor's Report to the Members of National Roads & Motorists' Association Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of National Roads & Motorists' Association Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- b) 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* (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.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material 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.



- 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

Trent van Veen
Partner
Sydney
2 October 2019

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2019 Annual Report of National Roads and Motorists' Association Limited ABN 77 000 010 506.

National Roads and Motorists' Association Limited (NRMA) is a public company limited by guarantee, incorporated and domiciled in Australia. The registered office and principal place of business is Level 13, 151 Clarence St, Sydney NSW 2000, Australia.



Hany Salib, Patrolman

