4s

NATIONAL ROADS AND MOTORISTS' ASSOCIATION LIMITED AND ITS CONTROLLED ENTITIES

Financial Report

30 June 2009

ABN 77 000 010 506

National Roads and Motorists' Association Limited is a public company limited by guarantee, incorporated and domiciled in Australia. The registered office and principal place of business is 9A York Street, Sydney, NSW.

NRMA MOTORING + SERVICES

helping people

CONTENTS	PAGE NO.

DIRECTORS' REPORT

REPORT OF THE DIRECTORS OF NATIONAL ROADS AND MOTORISTS' ASSOCIATION LIMITED (NRMA OR THE COMPANY) IN RESPECT OF THE CONSOLIDATED ENTITY CONSISTING OF NRMA AND ITS CONTROLLED ENTITIES (THE CONSOLIDATED ENTITY) FOR THE YEAR ENDED 30 JUNE 2009.

CURRENT DIRECTORS

The following persons held office as Directors of NRMA during the financial year and until the date of this report. Directors were in office for this entire period unless otherwise stated. All Directors are non-executive.

President Ms WS (Wendy) Machin BA Comms, M. Comms

Ms Machin was re-elected as a non-executive Director on 6 December 2008, having been appointed to the Board on 30 March 2005 and was elected as President on 10 December 2008. She is Chair of the Governance, Compensation & Nomination Committee, an ex-officio member of the Finance & Investments Committee, the Audit, Risk Management & Compliance Committee and the Policy & Advocacy Committee and a Director on the Board of the Australian Automobile Association.

Ms Machin owns and maintains a beef cattle property near Wingham, NSW.

She was the first woman elected to represent the National Party in the NSW Legislative Assembly in 1985. She held portfolios in Government and Opposition including Minister for Consumer Affairs and Assistant Minister for Roads and Transport. She was President of Save the Children Fund NSW from 1996 to 2000, Deputy Chair of the Australian Republican Movement from 1997 to 2000 and has served on the National Council for the Prevention of Child Abuse and Neglect. She has also served as a member of the Migration and Refugee Review Tribunal from 2004 to 2008 and undertakes private consulting work in issues management.

Deputy President Mr MT (Michael) Tynan OAM, QM, FAICD

Mr Tynan was re-elected as a non-executive Director on 6 December 2008, having served on the Board since 18 January 2003. He was originally elected as Deputy President on 27 January 2005 and, following the 2008 Board Elections, was re-elected as Deputy President. Mr Tynan is the Chair of the Finance & Investments Committee and an ex-officio member of the Audit, Risk Management and Compliance Committee and the Governance, Compensation & Nomination Committee.

He is the Managing Director of the Tynan Motors Group and was a former Mayor and Councillor of Sutherland Shire Council (1974 – 1991). He served on the National Board of Calvary Health Care Services and is currently Chair of the Calvary Community Council. Michael is also a Board Member of the Honda Foundation, Councillor and life member of the Motor Trader Association, a Director of the Australia Automobile Association and President of the Australian Automobile Dealers Association.

Mr Tynan is a recipient of Rotary's Paul Harris medal for community service.

DIRECTORS' REPORT

Mr DR (David) Bentham C. Eng, M. Eng. Sc

Mr Bentham was elected to the Board as a non-executive Director on 6 December 2008. He is a member of the Policy & Advocacy Committee and, from 1 August 2009, the Audit, Risk Management & Compliance Committee.

David is a retired Chartered mining and civil engineer, the former Deputy Mayor of Baulkham Hills Shire Council and a former Board member of the Western Sydney Area Health Board (Westmead Hospital). He is a current Councillor of The Hills Shire Council and a Director of Bentham Investments Pty Ltd.

The geographical area now represented by Mr Bentham is the NRMA region of Cox, which takes in suburbs in Western Sydney and the Blue Mountains. David has lived in the region for more than 40 years and is keen to represent the interests of NRMA members locally.

Mr GJ (Graham) Blight

Mr Blight was re-elected as a non-executive Director on 6 December 2008, having served on the Board since 18 January 2003. He is the Chair of the Policy & Advocacy Committee, a member of the Finance & Investments Committee and the Board appointed representative on the Holiday Parks Industry Advisory Panel.

Mr Blight is a rice, cereals and sheep farmer and a former trade representative and adviser on agricultural matters to the Federal Government. He was President of the National Farmers' Federation from 1991-1994 and President of the Ricegrowers Association of Australia for nine years. He was also President of the World Farmers' Federation from 1994-1998 and consultant to the World Bank in 1996. Mr Blight was a Director of SunRice Australia from 1969-2003 and is now the Rice Industry Ambassador. He is the former Chair of the Wheat Export Marketing Alliance and a Director of Q-BiOH Limited and several private and family company businesses.

Mr K (Kyle) Loades GAICD

Mr Loades was re-elected to the Board as a non-executive Director on 6 December 2008, having served on the Board since 5 December 2005. He is a member of the Governance, Compensation and Nomination Committee and the Finance & Investments Committee.

He is Managing Director of Auto Advantage, an independent motor vehicle buying/advisory service that delivers vehicles to clients Australia wide from its Hunter base. He has a background in motor vehicle retail and fleet sales and in the transport sector.

Mr Loades is a Director of Hunter Region SLSA Helicopter Rescue Service Limited and a member of the Salvation Army Red Shield Appeal Committee. He is a former Director and President of Hunter Business Chamber, a former Board Member of Hunter Tourism, and a Committee member and past President of Nobbys Surf Life Saving Club.

Mr G (Geoff) Toovey BBus, CA, MAICD

Mr Toovey was re-elected as a non-executive Director on 6 December 2008, having served on the Board since 1 December 2001. He is the Chair of the Audit, Risk Management & Compliance Committee and a member of the Finance & Investments Committee.

Mr Toovey is a Chartered Accountant with over 15 years' experience. He is a Director of Manly Warringah Rugby League Football Club Limited and Manly-Warringah Rugby League Club. Mr Toovey played rugby league for Manly Warringah and represented both NSW and Australia.

He is active in working with a number of charitable, community and school based organisations.

DIRECTORS' REPORT

Mr AH (Alan) Evans GAICD

Mr Evans was re-elected to the Board as a non-executive Director on 6 December 2008, having served on the Board since 18 January 2003. He was President from 27 January 2005 to 10 December 2008. He is a member of the Audit, Risk Management and Compliance Committee and the Policy & Advocacy Committee and is the NRMA Ambassador for Alternative Fuels and Technologies.

Mr Evans is the immediate past President of the Australian Automobile Association, he is presently the Chair of Eco-Motive an Australian company developing alternative fuel technologies for motorists. He was formerly CEO of Medicines Australia and has also held senior executive positions in federal and state governments including as Head of the Office of Regional Development, Executive General Manager of AusIndustry and Principal Adviser to the Federal Treasurer.

He has qualifications in engineering, law and economics. Mr Evans is a strong supporter of all forms of motor sport and is a Director of CAMS and Chair of Rally Australia Pty Ltd and drives extensively throughout Australia, particularly in NSW and ACT.

Ms D (Dawn) Fraser AO MBE

Ms Fraser was re-elected to the Board as a non-executive Director on 6 December 2008, having served on the Board since 5 December 2005. She is a member of the Audit, Risk Management and Compliance Committee and is Deputy Chair of the Policy and Advocacy Committee and is the Board appointed Director on the Travel Industry Advisory Panel. Ms Fraser is well known for her Olympic and Commonwealth swimming achievements, as a swimming coach and as an Independent Member of the NSW Parliament in the late 1980s. Ms Fraser was a Director of NRMA Limited during the period from 1991-1995.

She is a Director of Wests Tigers NRL Club, the Balmain Leagues Club, the Laureaus World Sport Academy and the Save the Bilby Foundation, is Patron of Australian Ladies Professional Golf, the Cerebral Palsy Foundation, the Noosa Triathlon and the Volunteer Lifeguard, is an Ambassador for AH Beard, Winnebago Motorhomes, Live Life Villages and is a former member of the NSW Sports Advisory Board.

Ms C (Coral) Taylor

Ms Taylor was appointed to the Board as a non-executive Director on 12 February 2008 and re-elected on 6 December 2008. She is a member of the Policy & Advocacy Committee and the Governance, Compensation & Nomination Committee and is the NRMA Ambassador for Driver Safety. She is a Director of Tamroc Enterprises Pty Ltd, a company engaged in the building industry.

With more than 25 years' experience in the motor sport industry, Ms Taylor is currently responsible for the management of Neal Bates Motorsport Rally Team and has been the Australian Rally Champion four times as co-driver with Neal Bates.

Ms Taylor is a passionate motoring enthusiast and has a strong interest in road safety issues, driver training and young drivers.

DIRECTORS' REPORT

COMPANY SECRETARIES

Ms H (Helen) Burgess BA, LLB (Hons), FCIS, GAICD

Ms Helen Burgess has the dual roles of Group General Counsel and Group Secretary. Her background and experience is as a senior lawyer with expertise in corporate law and corporate governance. Her previous roles include Senior Associate at a major law firm, Company Secretary at the Federal Airports Corporation and as General Counsel and Company Secretary at Sydney Airports Corporation Limited. Ms Burgess has the following qualifications: BA, LLB (Hons), she is a Fellow of the Chartered Institute of Secretaries and a Graduate of the Australian Institute of Company Directors.

Mr N A S (Nick) Mowat, SA Fin, AAICD

The Company Secretary is Mr Nick Mowat. He has had experience in company secretarial roles over a period of more than 15 years. Nick is also a management-appointed Director of a number of the group's subsidiary companies as well as a member-elected Director of the IAG & NRMA Superannuation Fund. His previous roles include Assistant Company Secretary of Southcorp Limited and as Company Secretary of its subsidiaries as well as similar roles with Normandy Mining Limited. Mr Mowat is a Senior Associate of the Financial Services Institute of Australasia and an affiliate member of the Australian Institute of Company Directors and the Chartered Institute of Secretaries.

PRINCIPAL ACTIVITIES

NRMA is one of Australia's largest mutual organisations. The principal activities of the Consolidated Entity are the provision of a range of products and services relating to the needs of Members. These include:

- roadside assistance services;
- accommodation and travel services;
- car rental;
- motor vehicle servicing;
- advocacy on a range of mobility issues including road safety, petrol prices, vehicle safety and integrated transport solutions;
- the provision of the More4Members program;
- publication of a number of magazines, including the bi-monthly "*Open Road*" magazine;
- a range of community service and education programs; and
- investment of Members' funds to support the principal activities.

During the period, NRMA:

- acquired the remaining 30% shareholding in Adventure World Travel Pty Ltd and Adventure World Travel Limited;
- acquired the remaining 25% shareholding in TR Australia Holdings Pty Limited (the parent company of Kingmill Pty Limited (trading as Thrifty));
- acquired 100% of the shares in Creative Cruising Group Pty Ltd and Value Tours (Aust) Pty Ltd; and
- opened MotorServe centres in Brookvale, Marrickville, Rockdale and South Strathfield offering motor vehicle servicing.

There have been no other significant changes in the nature of those activities during the year.

DIRECTORS' REPORT

RESULTS AND REVIEW OF OPERATIONS

The consolidated net loss for the financial year was:

	2009 $(m)	2008 $(m)
Operating (loss)/profit before change in fair value of investments and profit share from Joint Ventures and Associates	(33.0)	12.3
Profit share from Joint Ventures and Associates	4.7	23.6
Operating (loss)/profit before change in fair value of investments	(28.3)	35.9
Change in net fair value of investments	(50.4)	(51.6)
(Loss) from ordinary activities before income tax	(78.7)	(15.7)
Income tax benefit relating to ordinary activities	16.9	2.2
Net (loss) attributable to Members of the parent entity	(61.8)	(13.5)

The operating loss of the Consolidated Entity before change in fair value of investments for the year was $28.3 million (2008: profit of $35.9 million). The Consolidated Entity's net loss attributed to Members for the year was $61.8 million (2008: loss of $13.5 million) including a $50.4 million reduction in the net fair value of investments (2008: decrease in net fair value of investments $51.6 million).

For information on the result and review of operations refer to the Review of Operations and Financial Condition on pages 23 to 28.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The business strategies, prospects and future developments in the operations of NRMA in future financial years and the expected results of those operations known at the date of this Report are set out in the Review of Operations and Financial Condition on pages 23 to 28. Further information in relation to such matters has not been included because Directors believe it would be likely to result in unreasonable prejudice to the NRMA.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as referred to in the Review of Operations and Financial Condition on pages 23 to 28, 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 that have arisen since 30 June 2009 up to the date of this report that would significantly affect:

(i) the operations of the Consolidated Entity;
(ii) the results of those operations; and
(iii) the state of affairs of the Consolidated Entity.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Board of NRMA is committed to maintaining best Corporate Governance practice.

Corporate Governance is the system or manner by which a company is directed and controlled. The Board, as the members' representative, has responsibility for the governance of the Company. Corporate Governance ensures that the organisation's systems and processes are appropriately managed and that Management is complying with NRMA's policies and directives.

Good Corporate Governance structures encourage companies to create value for members through sensible risk taking, but provide accountability and control systems commensurate with the risks involved.

DIRECTORS' REMUNERATION

Each Director of the Consolidated Entity receives a maximum of $55,000 (2008: $55,000) per annum in Board fees. The Deputy President and the President receive $110,000 (2008: $110,000) per annum and $165,000 (2008: $165,000) per annum respectively.

The Chair of the Audit, Risk Management & Compliance Committee receives $25,665 (2008: $18,000) and the Chairs of the other Committees receive $18,585 (2008: $18,000). Members of each committee receive $12,000 per annum. Each Director is also entitled to be paid reasonable travelling and other expenses incurred in connection with the business of the Consolidated Entity. The pool of Directors' fees was increased from $420,000 per annum to $660,000 per annum by the approval of Members at the 2007 AGM. The increase in fees for Committee work during the period was reviewed and recommended by an independent remuneration expert.

The Deputy President and the President do not receive additional fees for participation in Board Committees.

Directors appointed to an Industry Advisory Panel receive $25,000 (including all superannuation and travel allowances) and Directors appointed to represent NRMA as Ambassadors receive $20,000 (including superannuation and all travel allowances).

No fees are payable for subsidiary Board appointments.

WRITTEN RESOLUTIONS OF THE BOARD

During the year there were three meetings held by written resolution of the Board.

BOARD SUB-COMMITTEE MEETINGS

During the year there was one meeting of a Board sub-Committee.

BOARD STRATEGY DAYS

During the year there was 1 meeting of the Board (held over three days) to review, discuss and plan the Company's ongoing strategy for the period from 2007-2010 and beyond.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The number of meetings of the Board of Directors and Board Committees held during the year and the number each Director was eligible to attend ("held") and actually attended ("attend") are set out below:

Directors	Board of Directors			Finance & Investments Committee			Audit, Risk Management & Compliance Committee			Policy & Advocacy Committee			Governance, Compensation & Nomination Committee		
	Held		Attend	Held		Attend	Held		Attend	Held		Attend	Held		Attend
Mr D Bentham (a)	5	1L	4							1		1			
Mr G J Blight	11	1L	10	7	1L & 2T	6				4		4			
Mr A H Evans	11	1L	10	4	1L & 1T	3	5	1L & 1T	4	2		2	2		2
Ms D Fraser	11	3L	8	-	1V	1	5	4L	1	4	1L	3			
Mr K Loades	11		11	2	2V	4				3	1L	2	5	1L & 2T	4
Ms W S Machin	11		11	3	1V	4	2		2	3		3	5	1L	4
Mr G F Punch (b)	6	3L	3	4	2L	2	3	1L	2						
Ms C Taylor	11	2L	9	-	1V	1				4		4	2		2
Mr G Toovey	11	3L	8	7	1L & 1T	6	5		5						
Mr M T Tynan	11		11	7	1L & 1T	6	5	2L & 1T	3	3	1T	3	5	2L	3

(a) Became Director on 6/12/08
(b) Ceased to be a Director on 6/12/08
(V) Visitor
(T) Attended meeting by phone
(L) Leave of absence granted by Board

In addition to the above, a sub-Committee of the Finance and Investments Committee met three times during the reporting period.

KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of the following Directors and Executives, being the key management personnel of the Consolidated Entity is set out in aggregate below:

	Consolidated	
	2009 $	2008 $
Short-term employment benefits	**4,769,905**	4,124,291
Post-employment benefits	**384,657**	432,592
Other long-term employment benefits	**339,367**	348,637
Termination benefits	**-**	555,277
	5,493,929	5,460,797

Owing to the Group governance restructure, as described on Page 18 of this report, Key Management Personnel now includes subsidiary executives. Short-term employment benefits have increased predominately as a result of these changes.

DIRECTORS' REPORT

Directors

During the financial year, the Directors of the Company, who are Key Management Personnel, were:

Director	Commenced	Ceased
Mr D Bentham	6-Dec-08	
Mr G J Blight	18-Jan-03	
Mr A H Evans	18-Jan-03	
Ms D Fraser	5-Dec-05	
Mr K Loades	5-Dec-05	
Ms W S Machin	30-Mar-05	
Mr G F Punch	13-Apr-05	6-Dec-08
Ms C Taylor	12-Feb-08	
Mr G Toovey	1-Dec-01	
Mr M T Tynan	18-Jan-03	

Executives

During the financial year, the Executives of the Company, who are Key Management Personnel, and the positions held during the financial year were:

Executive	Title	Commenced
Ms H Burgess	Group General Counsel and Secretary	
Ms D Day	General Manager, NRMA Holiday Parks	20-Mar-09
Mr C Frier	CEO, Tourism & Leisure Holdings	20-Mar-09
Mr O Gilbert	CEO, NRMA MotorServe	20-Mar-09
Mr D Lumb	Executive General Manager, Corporate Communications	
Mr M Kaye	Executive General Manager, Strategy & Capability	
Mr B McGoldrick	CEO, Thrifty Car Rental	20-Mar-09
Mr J Simmons	Executive General Manager, Motoring & Member Services	
Mr T Stuart	Group Chief Executive Officer	
Mr A Tilley	Group Chief Financial Officer	

ROUNDING OF AMOUNTS

NRMA is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

DIRECTORS' REPORT

INDEMNIFICATION AND INSURANCE OF OFFICERS

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 NRMA and its related bodies corporate under which, 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 indemnity includes costs and expenses incurred by them in successfully defending proceedings or in connection with an application in which the court grants relief to them under the Corporations Act. In addition, Directors and Officers of the Company are indemnified, pursuant to the Constitution, against personal liability arising from their respective positions within the Company and its related bodies corporate, except as prohibited by the Corporations Act. NRMA 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 30 June 2009 to 30 June 2010. The policy prohibits disclosure of the nature of the liabilities and the amount of the premium in respect of that insurance.

GOVERNANCE LITIGATION

In December 2004, Nicholas Whitlam (a former president and director of NRMA) commenced proceedings against NRMA in the Supreme Court of NSW. He sought a declaration that he was entitled to an indemnity from NRMA with respect to loss and damage to his reputation (and legal fees incurred in seeking to vindicate his reputation) resulting from an alleged defamation of Mr Whitlam in a television interview broadcast on 11 March 2001.

On 29 May 2006, Mr Whitlam's claim came to trial before the Chief Judge of the Commercial List of the Equity Division of the Supreme Court of NSW in Sydney. On 3 August 2006, the Chief Judge delivered judgment. She held that Mr Whitlam was entitled to indemnity from NRMA with respect to the legal fees.

NRMA appealed to the Court of Appeal and a unanimous judgment was delivered on 11 April 2007 overturning the decision of the trial judge. The Court of Appeal held that, when Mr Whitlam incurred legal costs in connection with the defamation actions, his commencement of the actions was not part of his duties as an officer of NRMA and therefore there could be no indemnity with respect to his legal fees.

On 9 May 2007, Mr Whitlam filed an application for special leave to appeal to the High Court. On 31 August 2007, Justices Gleeson, Gummow and Heydon refused the application with costs.

On 23 June 2008, the High Court determined NRMA's reasonable costs of the special leave application to be $23,356.80. A cheque was received from Mr Whitlam in satisfaction of this determination on 24 July 2008. A Costs Assessment of the Supreme Court and Court of Appeal Proceedings certified that NRMA was entitled to costs totalling $467,137.53. A cheque was received from Mr Whitlam in satisfaction of the certificates on 21 November 2008.

MEMBERS

Role of Members

The Board has primary responsibility to the members under the Corporations Act. Members also play a key role in the Governance of the Company by electing Directors to office every three years and all Directors, including the President and Deputy President, are subject to re-election no later than every three years. Under the Constitutional changes approved by members in 2003, no Director may be re-elected if their re-election would result in the Director serving for an aggregated period of greater than 9 years after 1 December 2005.

DIRECTORS' REPORT

Appointment of Directors

All Directors, including the President and Deputy President, are non-executive and independent of management. Under the Constitution an employee cannot act as a Director, therefore it is not currently possible for the roles of Chair and Group CEO to be exercised by the same person.

Although the Directors are elected under a region-based system, each director is required to act in the interest of NRMA as a whole, not as a nominee of the region which elected them. Background details of the Directors are shown on pages 4 to 6 of this report.

Under the Constitution, where the office of a Director becomes vacant, the Board must fill the vacancy. If the vacancy arises during an Election Period, it may only be filled where the number of Directors is less than a quorum (being five Directors). Should such a casual vacancy occur, independent external advice is obtained to maintain the mix of skills and experience required on the Board.

The Directors elected in the 2008 Board of Directors' Elections will hold office for 3 years commencing 6 December 2008, unless they resign or their office becomes vacant in accordance with the Constitution.

THE BOARD OF DIRECTORS

Role of the Board

The role of the Board of Directors is to have primary responsibility to members for the sustainability and relevance of the NRMA by guiding and monitoring its business and affairs through its long and short term strategies, major policies, processes and performance and is responsible for the overall corporate governance of the organisation. To that end, the Board has adopted a Charter which sets out the following key objectives for the Board:

- Setting the strategic direction of the NRMA group of companies and monitoring management's implementation of that strategy;
- Monitoring financial outcomes and the integrity of reporting, in particular, approving annual budgets and longer-term strategic and business plans;
- Setting specific limits of authority for management to commit to new expenditure, entering contracts or acquiring businesses without Board approval;
- Approving significant changes of key policies;
- Ensuring that effective audit, risk management and compliance systems are in place to protect the group's assets and to minimise the possibility of NRMA operating beyond legal requirements or beyond acceptable risk parameters; and
- Monitoring compliance with regulatory requirements and ethical standards.

The Board recognises its responsibilities in achieving these objectives as being:

- Oversight of the group, including its control and accountability systems;
- Input into and adoption of a strategic plan for the group, and monitoring performance against that plan;
- Ensuring that systems are in place to facilitate the effective management of the principal risks of the group;
- Ensuring that the group has adequate reporting systems and internal controls (both financial and operational), codes of conduct and legal compliance systems, and monitoring them;
- Appointing, removing and reviewing the performance of the Group Chief Executive Officer (Group CEO) and the Company Secretary; and
- Ensuring that the group's accounts comply with relevant accounting standards and present a true and fair view.

DIRECTORS' REPORT

A copy of the Board Charter may be found on the Company's website at: www.mynrma.com.au

President and Deputy President

The President and Deputy President are elected by the Board. The letter of appointment for the role of President sets out in detail the responsibilities and duties expected of the incumbent. Ms Wendy Machin was elected as President and Mr Michael Tynan was re-elected as Deputy President by their fellow Directors at the first Board meeting following the Board Elections held in November 2008.

Relationship with Management

The management of the business of the group is conducted by or under the supervision of the Group CEO. The Group CEO is accountable to the Board for all authority delegated to executive management.

The roles of the Chair and the Group CEO are separate.

The Group CEO, Mr Tony Stuart, is responsible for managing the day-to-day operations of the NRMA group of companies and he has authority for implementing the strategic direction in accordance with the decisions of the Board. The Group CEO chairs the Group Executive Committee which is comprised of the Executives who report directly to the Group CEO. This Committee meets regularly to review and report on NRMA's group business activities including operations, financial and investment performance and strategic direction.

The roles of the Board and management are set out in the Board Charter and the NRMA Constitution, copies of which are available in the About Us section of the NRMA website at www.mynrma.com.au

Communications

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

Members receive information from the Group through distribution of the bi-monthly printed version of the Open Road magazine, the Members' Annual Review or Annual Report, which members may elect to receive electronically or by post, the Chair's address to the Annual General Meeting, the web-casting of the Annual General Meeting and through the release of other relevant significant announcements to the media and on the NRMA website.

Copies of all public releases are posted on the NRMA website, together with the Members' Annual Review. Furthermore, the External Auditor attends the Annual General Meeting and is available to answer Members' questions about the conduct of the audit and the preparation and content of the Auditor's Report.

Codes of Conduct

The Board has adopted a Code of Conduct for Directors which can be viewed on the website at http://www.mynrma.com.au/cps/rde/xchg/mynrma/hs.xsl/code_conduct.htm. All Directors are required to observe the requirements of the Code. These include:

- the requirement to avoid conflicts of interest;
- to ensure no improper advantage of a Director's position is taken for personal gain;
- to maintain the confidentiality of NRMA information, except where disclosure is authorised;
- to act honestly, in good faith and in the best interests of NRMA;

DIRECTORS' REPORT

- to perform the functions of office and exercise the powers attached to that office with reasonable care and diligence;
- to use the powers of office for a proper purpose;
- to serve the interests of Members of NRMA as a whole; and
- to devote such time as is necessary to carry out the duties required of a non-executive Director.

NRMA also has a Staff Code of Conduct for Employees that covers such matters as conflicts of interest, corporate opportunities, confidentiality, fair dealing, NRMA assets and compliance.

Induction and continuing education of Directors

All Directors are encouraged and assisted to attend educational courses which serve to enhance their performance as Directors. Membership of the Australian Institute of Company Directors and participation in the Institute's course on the role and duties of Directors is also actively encouraged. Induction days designed for newly appointed Directors are held as required.

Remuneration of Directors and management

Details of Directors' and executives' remuneration are set out in the Directors' Report on page 10.

Under the Constitution, the Members determine the aggregate remuneration payable to Directors, and the Board determines its allocation between Directors. Members last approved an increase in Directors' remuneration at the Annual General Meeting in 2007, the first such increase since November 1999.

Directors are entitled to be paid reasonable travelling and other expenses incurred in connection with attendances at Board and Committee meetings or otherwise in connection with the business of the NRMA group of companies. There are no schemes for retirement benefits for Directors. Under the NRMA's Board Expenditure Policy, Directors are able to seek appropriate independent legal advice at NRMA's expense with the prior approval of the Board.

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

Performance review

In accordance with the Board Charter, a review of the Board's performance is undertaken every two years. The next review is due to be undertaken in 2010.

The performance review for the Group CEO is conducted by the Governance, Compensation and Nomination Committee, which then makes recommendations to the Board. The performance review for the Group CEO is carried out annually.

BOARD MEETINGS

The Board meets formally at least 10 times per year. In addition, it meets whenever necessary to deal with specific matters needing attention between the scheduled meetings. During the 2008/2009 financial year, the Board met 11 times.

Materials for Board and Board Committee meetings are circulated to Directors in advance. The Chair and the Group CEO, with advice from the Company Secretary, establish meeting agendas to ensure adequate coverage of financial, strategic and other major areas of business focus during the year.

DIRECTORS' REPORT

Presentations to the Board are frequently made by members of Senior Management and telecommunication facilities are used from time to time to facilitate participation by all Directors.

Board meetings have been held in various locations during the financial year, including at the Company's Head Office in York Street, Sydney and, Eveleigh, Gosford, North Ryde and North Strathfield (where the Group's operations are based). The Board has a program to meet at other sites and regions where the group does business throughout the year ahead.

Meetings attended by Directors for the past financial year are detailed in the Directors' Report on page 10.

Meetings with the Group Chief Executive Officer

During the 2008/2009 financial year, the Board continued the practice of meeting with the Group CEO at the commencement of most scheduled Board meetings without the presence of other management or staff.

BOARD COMMITTEES

The Board has empanelled four permanent committees with either delegated authority or an advisory role to assist the Board to perform its functions, as appropriate. All permanent committees have a Charter and Protocols by which they operate (copies of which are available on the NRMA website at www.mynrma.com.au) which the Board reviews and approves regularly. Ad-hoc committees, designated for a special purpose, are established as required. The four permanent committees, their key roles and the functions performed during the period are set out below:

Finance & Investments Committee

Role and functions performed during the year:

- review of business development initiatives or opportunities proposed by management, the provision of broad strategic advice and the risk profile of the Investment Policy;
- review and, if appropriate, approval of business opportunities and strategic investments within the broader strategic framework for the group;
- making recommendations to the Board in respect of the annual budget of the Consolidated Entity; and
- conducting of an annual review of the performance of the investment portfolio and advising the Board on matters arising from that review.

The Committee meets four times a year and additionally as required.

Membership: Mr M Tynan (Chair), Mr G Blight (Deputy Chair), Mr K Loades, Mr G Toovey and Ms W Machin (ex officio).

Audit, Risk Management and Compliance Committee

Role and functions performed during the year:

- supervision of an organisational risk management framework and integrated internal audit program in relation to NRMA and its wholly-owned subsidiary companies, including internal controls dealing with the efficiency and effectiveness of significant business processes;

DIRECTORS' REPORT

- assisting the Board in fulfilling its duties in relation to accounting reporting practices, risk management and legal compliance;
- monitoring the effectiveness of the internal and external audits.

The Committee has unlimited access to the Head of Group Risk & Environment, the internal and external auditors and to senior management of NRMA and this access may be without the presence of Management. The Head of Group Risk & Environment and the internal and external auditors also have direct access to the Chair of the Committee.

The Committee meets four times a year and additionally as required.

Membership: Mr G Toovey (Chair), Ms D Fraser, Mr A Evans, Mr D Bentham (from 1 August 2009) and Ms W Machin (ex officio).

Policy & Advocacy Committee

Role and functions performed during the year:

- to consider issues on public policy for recommendation to the Board, including road safety, road funding, petrol pricing and transport infrastructure;
- to consider and review changes in public policy proposed by members of the Committee or other Directors; and
- to have consideration for the relationship between the three spheres of government.

The Committee meets four times a year and additionally as required.

Membership: Mr G Blight (Chair), Ms D Fraser (Deputy Chair), Mr D Bentham, Mr A Evans, Ms C Taylor and Ms W Machin (ex officio).

Governance, Compensation and Nomination Committee

Role and functions performed during the year:

- review of remuneration strategy, other benefits and policies relating to recruitment in accordance with market best practice, and retention and termination of senior executive staff;
- review of remuneration policies and other terms of employment applicable to the CEO, Senior Executives and the Directors themselves;
- monitoring of the performance of the Group CEO against agreed objectives and performance indicators and for consulting with the Group CEO on the performance reviews of senior executives;
- oversight of succession planning;
- considering and proposing suitable persons to fill any casual vacancies of Directors; and
- reviewing the governance structure and practices of both the Board and NRMA.

Independent external advice may be obtained where relevant. All Executive Management are set key performance targets which are assessed on an annual basis.

The Committee meets four times a year and additionally as required.

Membership: Ms W Machin (Chair), Mr K Loades, Ms C Taylor and Mr M Tynan.

A copy of each of the Committees' Charters and Protocols is available at www.mynrma.com.au

DIRECTORS' REPORT

GROUP GOVERNANCE RESTRUCTURE

During the 2008/09 financial year, NRMA acquired the remaining 25% shareholding in TR Australia Holdings Pty Limited (the parent company of Thrifty) and the remaining 30% shareholding in Adventure World Travel Pty Ltd and Adventure World Travel Limited. As a result of these acquisitions, the Board undertook a review of the group's governance structure, focussing on:

- the need to recognise that accountability for the performance of these two 100% owned businesses rests with the main Board and Group CEO and that the governance structure must support this;
- to ensure clarity of authority, responsibility and accountability; and
- allowing the individual businesses to operate in their own markets and with their own culture, but with appropriate oversight and control.

On 20 March 2009, the Board approved the introduction of a revised corporate governance structure under which each of the operating businesses report through to the group executive team, as detailed on Page 11 of this report. The subsidiaries have retained only a statutory Board, which now comprise management appointees only.

Industry Advisory Panels

As a result of the change in the Corporate Governance structure, the Board also approved the establishment of four Industry Advisory Panels, with one covering each of the following business areas:

- Motor vehicle servicing/repairs;
- Travel;
- Tourist Parks/Accommodation; and
- Car Rental.

Each Industry Advisory Panel is facilitated/co-ordinated by the Group CEO (with the assistance/attendance of the relevant subsidiary CEO/GM) and consists of at least 2 relevant industry experts and one NRMA Board member with relevant experience.

The purpose of the Industry Advisory Panels is to advise the Group CEO (and from time-to-time the NRMA Board) on matters relevant to the industry in which they have expertise. This includes industry background, strategic insight, competitor activity and general advice and support. Each Panel may also give advice to the NRMA Board/Group CEO on key deliverables and benchmarks to be set for that business.

Industry Advisory Panels meet 3 to 4 times a year. A representative from each Panel will attend the NRMA Board annual strategic session in February/March each year to brief the NRMA Board on industry dynamics and the competitive environment.

The industry representatives on each Industry Advisory Panel are selected by the Group CEO. Their nomination and selection is based on their merit for the job, including the networks in the relevant industry they bring to the NRMA. The advantage to NRMA of the revised structure is that it is able to attract high-calibre external individuals to an Industry Advisory Panel as they can bring expertise, without the responsibilities and liabilities of a director.

The NRMA Board member on an Industry Advisory Panel is appointed by the NRMA Board and selected having regard to their interest for, and experience in, the relevant industry.

The NRMA Board member on each Industry Advisory Panel supports the Group CEO in bringing the insights of the Industry Advisory Panel to the NRMA Board's attention.

DIRECTORS' REPORT

Ambassadorial Roles

These roles do not relate to a particular NRMA business but are to assist in championing or representing a critical activity of the NRMA. These roles necessitate additional focus and also extra demands on a Director's time over and above their Board and Committee responsibilities.

The NRMA Board has approved the creation of three Ambassadorial roles, covering areas of advocacy which are considered core to NRMA. The Ambassadors will work with NRMA as a champion in the following roles:

- Alternative Fuels & Technologies Ambassador;
- Driver Safety Ambassador; and
- Youth Ambassador.

Fees for IAP and Ambassadorial roles are set out on the NRMA website at: http://www.mynrma.com.au/cps/rde/xchg/mynrma/hs.xsl/directors_fees.htm

RISK MANAGEMENT

The Company has established a structured and consistent approach to the identification and management of risk which is consistent with the Australian Risk Management Standard AS/NZS 4360. This approach has been implemented within NRMA and its wholly-owned subsidiary companies.

Risk is identified and assessed within this framework and managed by each business entity and division which is responsible for putting in place its own risk management plans, based on operational and strategic needs. Mitigating management actions are complimented by ensuring appropriate insurances are in place, as required.

The Board's Audit, Risk Management and Compliance Committee oversees this framework with respect to both financial and non-financial risk. Quarterly Risk Management Reports are provided to the Audit, Risk Management and Compliance Committee and in performing its oversight function, the Committee has access to such internal and external advisers (including the Internal Auditors) as it deems appropriate to assist it in performing those functions.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In line with our Constitution and corporate values, NRMA has again undertaken a number of CSR-related activities during the year. These activities are integral to the way NRMA does business and are driven by our corporate strategy. This year we have commenced formalising our approach to CSR and are developing a new strategic framework across NRMA which builds on our Corporate Strategy. NRMA's approach to CSR is described in more detail at www.mynrma.com.au

ETHICAL STANDARDS

The group acknowledges the need for Directors, Executives and other employees to observe the highest ethical standards of corporate behaviour when undertaking Company business. NRMA has adopted an Employee Code of Conduct, which sets out the principles and standards with which all Directors and employees of NRMA are expected to comply in the performance of their respective functions.

DIRECTORS' REPORT

MANAGEMENT REPRESENTATION TO BOARD

Prior to the Directors approving these financial statements, the Group CEO and the Group Chief Financial Officer have provided a formal written representation stating to the Board that:

- the financial records of the NRMA and its subsidiaries have been properly maintained;
- the Financial Report complies with all relevant accounting standards; and
- the Financial Report gives a true and fair view.

WEBSITE

Information about the Board, Executive Management, the Constitution and copies of Board and Board Committee Charters can be found on the NRMA website www.mynrma.com.au under the tag "About Us".

This information is regularly reviewed and updated where necessary.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

A declaration of independence has been provided on page 22 by our auditor, Ernst & Young.

The Directors are satisfied that the provision of non-audit services as detailed in Note 10 to the Financial Statements is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Signed in accordance with a resolution of the Directors.

W S Machin	**M T Tynan**
President	**Deputy President**

Sydney, 26 August 2009

DIRECTORS' REPORT

ERNST & YOUNG

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

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

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

In relation to our audit of the financial report of National Roads and Motorists' Association Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

David Simmonds
Partner
Sydney
26 August 2009

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

FINANCIAL HIGHLIGHTS

The Consolidated Entity's operating loss for the year before change in fair value of investments was $28.3 million ($18.9 million before $9.4 million investment in Member Special Projects) (2008: profit of $35.9 million ($43.0 million before $7.1 million investment in Member Special Projects)).

The increased volatility of the share market saw NRMA's net assets decrease by $63.6 million (negative 9.2%) to $624.0 million (2008: decrease $63.3 million (negative 8.4%) to $687.6 million). The Consolidated Entity recorded a net loss attributable to Members of $61.8 million compared to a $13.5 million net loss in 2007/08.

The Major Components of the Financial Results were:

- Total revenue increased by 3.9% to $459.6 million including $7.1 million revenue from businesses acquired during the year;
- Household cuts in discretionary travel spend and reduced inbound tourism numbers have hurt most business units operating in the travel sector;
- NRMA's investment portfolio produced a negative return of 4.2% (2008: positive 1.8%) for the year excluding shares in IAG;
- Investment income of $34.8 million is 27.3% down on prior year reflecting the state of the market and funds invested in new products and services;
- The reduction in net fair value of investments of $50.4 million reflects the pronounced downturn in Australian and international share markets;
- NRMA's share in jointly controlled ventures and associated companies generated profits of $4.7 million, down from $23.6 million in 2008. Travelodge cash returns of $9.0 million were $1.9 million less than in 2008, but non cash property and interest rate swap devaluations impacted results; and
- Income tax benefit of $16.9 million compared to the $2.2 million benefit in 2007/08 mainly reflects the impact of the reduction in net fair value of assets.

Operations

The decrease of $64.2 million in operating profit before change in fair value of investments from $35.9 million to a loss of $28.3 million is mainly due to:

- Reduced returns from associates and joint ventures (primarily Travelodge) totalling $18.9 million.
- A decrease in investment income of $13.1 million;
- A decrease in the bad debt expense of $3.9 million;
- An increase in Governance costs including election and Annual General Meeting of $3.9 million;
- Increased depreciation and amortisation costs of $23.2 million, excluding impairments, mainly relating to leased motor vehicles and software capitalisation;
- One-off costs associated with an organisational restructure in March of $3.8 million;
- Investment in the More4Members Loyalty Program of $3.6 million; and
- An increase in Financing costs of $4.7 million.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

Operational Highlights

- Despite the tough economic climate, NRMA membership subscriptions continued to increase with a net paid growth in 2008/09 of 1%;
- During the year, results from the Roadside Experience Survey showed a 5% increase and NRMA was awarded the 'Australian Business Award – Service Excellence' in recognition of the Customer Care Centre service performance;
- Lobbying was again a key focus with 19 written submissions to Government and media on areas such as infrastructure, road safety, fuel pricing and alternative fuels. The strong advocacy program helped secure Government funding for two key regional member priorities – the F3-Branxton project and the Kempsey Bypass;
- Our Motoring Advice team answered almost 70,000 telephone calls and responded to 1,600 emails from members seeking expert advice;
- The Mobile Member Centre visited 39 events to showcase the businesses and services NRMA offers. During the tragic Victorian Bushfire crisis, the Mobile Member Centre provided relief by assisting the RACV insurance claim activity for 9 days in the town of Yea;
- The launch of the More4Members Program via the Sunday Telegraph promotion was a media first. More than 2,000 lost keys were reunited with Members via the key tag return service;
- October 2008 saw the Board Election conducted with more Members participating in the process than at any time since demutualisation. A new governance structure was implemented in March 2009 and included the introduction of industry advisory panels;
- Climate change is a growing concern and in 2009, NRMA delivered an integrated climate change strategy through Divisional climate change action plans, milestones and working groups. We introduced the program 'How to reduce your tyre print';
- In the first half of 2008/09 NRMA finalised the remaining minority interests in Adventure World Travel and Thrifty giving 100% ownership of both businesses; and
- NRMA members booked 11,500 accommodation nights at our award winning holiday parks. Treasure Island, Ocean Beach and Darlington Beach all ranked in the Top 10 holiday parks in Australia with Treasure Island #2.

Operational Achievements

Advocacy

NRMA spent over $9 million on advocacy and community activities over the 2008/09 year. This includes our government relations work that provides sound policy solutions to all levels of government, as well as our work in the community benefitting Members and those in need.

In the past year we have helped secure Federal Government funding of $1.5 billion to build the F3-Branxton link and $618 million to build the Kempsey Bypass on the Pacific Highway. Our lobbying also saw the State Government increase its road budget funding by $400 million.

The NRMA has continued to monitor and comment on unfair fuel prices – a major concern for motorists and we have raised our Members' concerns at the highest level, including directly with the Federal Government and the ACCC Petrol Commissioner.

We also supported the successful introduction of the NSW Government's Biofuels mandate legislation as a major step towards promoting the development of an alternative fuels industry in Australia to end our dependence on oil.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

Our highly successful Years Ahead programme continued with 250 presentations attended by almost 12,000 Gold Members. NRMA supported a range of community youth road safety programs through the provision of presenters, educational materials or advice. NRMA Safer Driving School Safety Grants provided $100,000 for 24 community based organisations to develop and deliver road safety education projects to meet local needs.

We also supported the activities of our charity partners: Sunnyfield, Diabetes Australia NSW, Conservation Volunteers Australia, Starlight Children's Foundation and Father Chris Riley's Youth Off the Streets.

Road Service

Job volumes continued to decrease during the financial year albeit at a slower pace than the previous year. We attended to 1,502,476 jobs during the year (2008: 1,539,187) that included 1,857 jobs (2008: 1,890 jobs) in respect of children locked in cars.

The 'Go Rate' measures the success of our Roadside Patrols in getting the Members' vehicle up and running. The 'Go Rate' for the Sydney metropolitan area (staff and non-staff) remains at 91% and in line with the previous years. In the country, the average 'Go Rate' remained at 85% (2008: 85%). Across the NSW network, our patrols reached a Member in need within 60 minutes 91% of the time (2008: 91%). The average time taken to reach a Member translated to 29 minutes (2008: 28 minutes).

Our Call Centres answered 2.1 million (2008: 2.1 million) Roadside Calls through the year. From a service level perspective, 72% (2008: 73%) of these calls were answered within 20 seconds.

Investments for Financial Sustainability and Strategic Direction

In 2009 NRMA revisited the Investment Policy, strategic asset allocation, fund managers and fund manager fee structures with a view to ensuring that all of the investment learning of the last 12 months has been reflected in NRMA's investment approach and policy. This review was conducted in conjunction with NRMA's asset consultant, JANA and in consultation with members of the Finance and Investment Committee. As a result of the review the guiding principles were refined to more specifically address the issues of liquidity, volatility and investment returns. In addition NRMA reviewed and developed a more rigorous approach to the allocation of capital across the group.

NRMA's investment portfolio aims to create stable income flows to support and enhance services to members. Therefore NRMA's investment approach is more akin to that of an endowment fund than a superannuation fund. During the year NRMA repositioned the portfolio for income by exiting two hedge fund investments and redeploying funds to principally investment grade credit offering attractive yields. In addition NRMA examined its active Australian fund managers having regard to returns and fees and exited two Australian equity funds in favour of index enhanced funds.

A Challenging Year

2008/09 was the worst financial year for equities in 27 years. Including our strategic shareholding in IAG, the return was negative 2.8% (2008: negative 7.2%) as our investment in IAG held its ground despite a material reduction in dividends. NRMA's investment portfolio produced a negative total return of 4.2% (2008: positive 1.8%) for the year excluding shares in IAG. (including income and capital growth, before fees and tax). Whilst this is disappointing, the result should be considered having regard to the ASX 200 return for the year of negative 24.2% and S&P 500 negative 27.6%. Moreover, the NRMA investment portfolio outperformed the expected outcome for the average Australian superannuation fund at negative 13.0% as stated by Super Ratings and the recent Chant West report for a median balanced superannuation vehicle which is expected to report a fall of negative 13.4% in the 12 months to 30 June 2009.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

Importantly for NRMA, the portfolio continued to generate a solid level of investment income for the year of $39.4 million (2008: $53.7 million) including income from Travelodge. This equates to a 10.2% (2008: 11.0%) yield for the portfolio against current cash rates of 3%.

The return on a relative basis demonstrates the benefits of diversification away from the equities market and solid performance of the fixed interest and credit, exiting of some alternative unlisted funds and the significant holding ($94.8 million) in Travelodge that produced a superior cash return.

Within each asset class, the following investment returns were achieved during the 2008/09 financial year (including income and capital growth, before fees and tax). Note that the returns do not include the operating results of Strategic Investments i.e. Thrifty Car Rental, Travel or the five NRMA Holiday Parks. As a result of the Group governance restructure, from March 2009 these strategic investments changed in nature to become managed subsidiaries within the Group.

Asset Class	Return %
Cash	4.4
Australian Equities (excluding IAG)	(14.9)
International Equities	(13.0)
Growth Alternatives	(10.3)
Australian & International Fixed Interest	15.7
Tucker Box Hotel Trust	4.6
Total Portfolio – asset weighted including Travelodge	(4.2)

Continued focus on Income

The 2008/09 results reflect our continued focus on lower risk and, in particular, regular sustainable income. Investment income for the 2008/09 financial year was $39.4million (2007/08: $53.7 million) inclusive of the IAG dividends. Cash yields fell significantly in 2009 as the Reserve Bank of Australia cut the cash rates to 3% and in addition many companies cut dividends to preserve cash. Whilst investment income is down for the year, the income generated provided for the operating needs of NRMA and its members.

In addition to the above income, the portfolio realised losses of $18.9 million (2008: realised gain $19.4 million) for the year, as well as an unrealised loss of $32.3 million (2008: $71.1million). The level of gains or losses will fluctuate from year to year, and to a greater degree than income, reflecting the cyclical nature of share markets particularly over the last two years where volatility has been very high.

Expenses relating to managing the portfolio were $2.3 million (2008: $3.2 million) which includes consultant fees, management fees, transaction costs, custodian fees and all associated operational costs in running the investment function at NRMA.

In conclusion, the net loss from investments, including income and losses plus equity accounted investments, and after deducting expenses was $12.9 million (2008: net profit $16.7 million).

A diversified portfolio mix

The relative performance of the portfolio in a highly volatile market and its various asset types reconfirms the benefits of appointing a range of experienced, professional managers in line with best investment practice. NRMA is supported in this selection process by the research and advice from JANA Investment Advisers Pty Ltd, the core investment adviser appointed by the NRMA Finance and Investments Committee and assisted by its custodian JP Morgan.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

The portfolio (excluding IAG shares) was valued at $389.1 million as at 30 June 2009 (2008: $488.9 million), and was invested across a diversified range of asset classes and investment managers. The portfolio mix as at 30 June 2009 (excluding IAG Limited) is shown in the following table.

Asset Class	Weight %	$ Million
Cash	11	42.5
Australian Equities	18	69.0
International Equities	11	41.2
Growth Alternatives	15	58.6
Australian & International Fixed Interest	21	82.9
Tucker Box Hotel Trust	24	94.9
Total	100	389.1

IAG Limited

The return of NRMA's strategic holding of 29.3 million IAG Limited shares was 4.7% (2008: negative 34.9%) for the year, including both capital growth and dividends.

During a year of turbulence and negative returns IAG proved resilient. Whilst the market as a whole was down negative 24.2% (2008: negative 17.0%), NRMA's IAG holding increased marginally by $0.3 million to $102.0 million.

IAG is making good progress on the business reengineering process through increasing premiums, cutting costs and exiting unprofitable business (i.e.UK). NRMA supports these initiatives and is pleased to see the progress made to date. IAG has also announced that it has changed its dividend policy to 50 - 70% of cash earnings. Whilst NRMA is disappointed that it will receive lower income from it's IAG investment, it supports the move to a more sustainable dividend policy. In 2008/09 financial year NRMA received dividends of $3.8 million (2008: $8.6 million) from IAG.

NRMA's substantial investment in a single company involves much higher risk than our more broadly diversified portfolio. As at 30 June 2009 this holding represented 20.9% (2008: 17.2%) of our total portfolio. The IAG holding is treated as a long-term strategic investment outside the main portfolio.

Investments in Associates and Joint Ventures

NRMA Equity Accounts Investments in the following:

(a) Australian Motoring Services Pty Ltd (AMS)

NRMA owns 35% of AMS, with the other motoring clubs in Australia being shareholders in line with their respective membership numbers. AMS conducts Australia wide commercial activities on behalf of the motoring clubs – primarily Assist Australia, which provides wholesale roadside assistance and AAA Tourism, which gives accommodation operators "star ratings" and publishes accommodation guides.

(b) Club Assist Pty Ltd

NRMA holds 25% of Club Assist through its shareholding in Club Assets Pty Ltd. Club Assist provides mobile battery service to motoring clubs worldwide. NRMA Batteries is the largest retailer of motor vehicle batteries in NSW.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

(c) Travelodge Hotels

NRMA holds a 50% shareholding of the Travelodge Hotel group, a chain that has grown to thirteen 3.5 star hotels spread across Australia and New Zealand. The hotels are leased to Toga Hospitality Group. As at 30 June 2009, this joint venture with Mirvac Real Estate Investment Trust (MRZ) had total assets of approximately \$371 million (2008: \$375 million) and NRMA's net holding is carried at \$94.8 million (2008: \$100.5 million). Our investment in Travelodge enables us to provide Members and staff with accommodation discounts and special offers.

We are pleased to report that both rental revenue and cash distributions received have remained steady, compared to 2008, giving a cash yield of 9.5% (2008: 10.8%). Losses in relation to the carrying value of financial instruments and a properties' value decrease of \$3.3 million (2008: increase of \$18.7 million) have negatively impacted the reported result from this investment.

THE YEAR AHEAD

There is a growing belief that the economy is slowly recovering. However the road ahead remains bumpy as major western economies like the US endure a period of slower growth over coming years as the process of deleveraging plays out, with governments, banks and consumers seeking to pay down debt. Leading economic forecasters expect a return to growth in 2010. The International Monetary Fund sees global growth of 1.9% in 2010 after a 1.3% contraction this year.

The last period has been unprecedented and a new norm is yet to be established. The only thing that is certain is that there will continue to be volatility.

Whilst Australia has seemingly avoided the recession there are risks ahead with the large amount of debt issued. Governments will look for more revenues to reduce the deficit and as a result we are likely to see more regulation and intervention. Although, global trends are likely to be the dominant influence in 2010, the increased domestic debt burden will put upward pressure on interest rates once the economic recovery is underway, with the public sector "crowding out" some private demand.

In a terrible year for the investment markets, the NRMA portfolio has fared relatively well through diversification and a conservative balanced approach to investment. The portfolio continues to provide good income and on a relative basis reasonable performance. The NRMA portfolio remains targeted at the defensive and yield base stocks and therefore should continue to benefit when the market improves.

NRMA's investment portfolio remains positioned to continue its role in supporting the organisation's financial sustainability and funding member enhancements. The focus remains on producing sustainable income over time and maintaining an appropriate risk profile over the long term. The investments are well spread across different asset types, markets and geographies. We will continue to consider investment opportunities that offer the potential for both stable returns, together with Member relevance and enjoyment.

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent	
	Notes	**2009 $000**	2008 $000	**2009 $000**	2008 $000
Revenue from Operations	6 (a) (i)	**424,791**	394,654	**32,675**	31,613
Investment Income	6 (a) (ii)	**34,805**	47,864	**34,253**	34,733
Total Revenue from Operating Activities		**459,596**	442,518	**66,928**	66,346
Annual General Meeting, Special General Meetings & Election Expenses		**(5,319)**	(2,984)	**(5,319)**	(2,890)
Expenses from investment management		**(2,289)**	(3,220)	**-**	-
Other expenses from Operations	7	**(485,047)**	(423,967)	**(15,863)**	(16,535)
Total expenses from Operating Activities		**(492,655)**	(430,171)	**(21,182)**	(19,425)
Share of net profits of associates and jointly controlled entities accounted for using the equity method	30	**4,739**	23,592	**-**	-
Operating (loss)/profit before change in fair value of investment		**(28,320)**	35,939	**45,746**	46,921
Change in net fair value of investments	6 (b)	**(50,414)**	(51,638)	**-**	-
(Loss)/profit before income tax		**(78,734)**	(15,699)	**45,746**	46,921
Income tax income/(expense)	8 (a)	**16,942**	2,162	**(6,102)**	(4,586)
Net (loss)/profit for the year	32 (d)	**(61,792)**	(13,537)	**39,644**	42,335

The above income statement should be read in conjuction with the accompanying notes.

BALANCE SHEET AS AT 30 JUNE 2009

	Notes	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Current Assets					
Cash and cash equivalents	12	**45,474**	51,114	**1**	1
Trade and other receivables	13	**30,153**	36,811	**78,298**	95,134
Inventories	14	**1,213**	1,456	**-**	-
Deferred distribution costs	15	**1,869**	2,456	**-**	-
Other financial assets	16	**2,613**	5,988	**-**	-
		81,322	97,825	**78,299**	95,135
Non-current assets classified as held for sale	22	**8,925**	-	**-**	-
Total current assets		**90,247**	97,825	**78,299**	95,135
Non-current Assets					
Other financial assets and subsidiaries	17	**294,206**	388,394	**588,362**	553,968
Investments in associates and joint ventures	30	**106,040**	111,019	**-**	-
Available for sale financial assets	18	**101,964**	101,671	**-**	-
Property, plant and equipment	20	**211,002**	219,052	**871**	579
Investment property	21	**1,216**	1,216	**-**	-
Deferred distribution costs	19	**100**	95	**-**	-
Intangible assets and goodwill	22	**113,323**	111,410	**1**	1
Total non-current assets		**827,851**	932,857	**589,234**	554,548
Total assets		**918,098**	1,030,682	**667,533**	649,683
Current Liabilities					
Trade and other payables	23	**48,452**	71,347	**2,189**	2,266
Income tax payable	8 (c)	**257**	9,194	**(88)**	21,963
Provisions	24	**19,186**	18,488	**-**	126
Interest bearing loans and borrowings	29	**58,498**	85,169	**-**	-
Unearned income	25	**100,000**	94,421	**14,757**	13,934
Deposits held	28	**22,206**	18,255	**-**	-
Total current liabilities		**248,599**	296,874	**16,858**	38,289
Non-current Liabilities					
Pension deficit	31 (d)	**1,355**	938	**-**	-
Provisions	26	**3,005**	3,672	**1,417**	1,466
Interest bearing loans and borrowings	29	**17,717**	360	**-**	-
Deferred tax liabilities	8 (d)	**11,060**	28,782	**(11)**	99
Unearned income	27	**5,133**	6,511	**758**	962
Deposits held	28	**7,227**	5,961	**-**	-
Total non-current liabilities		**45,497**	46,224	**2,164**	2,527
Total liabilities		**294,096**	343,098	**19,022**	40,816
Net assets		**624,002**	687,584	**648,511**	608,867
Equity					
Reserves	32 (a)/(b)/(c)	**974**	608	**-**	-
Retained earnings	32 (d)	**623,028**	686,976	**648,511**	608,867
Total Equity		**624,002**	687,584	**648,511**	608,867

The above balance sheet should be read in conjuction with the accompanying notes.

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent	
	Notes	**2009 $000**	2008 $000	**2009 $000**	2008 $000
Available for sale investments valuation gains/(losses) taken to equity	32 (a)	**293**	(65,046)	**-**	-
Equity accounted reserve movement	32 (b)	**-**	(505)	**-**	-
Foreign currency translation	32 (c)	**161**	(110)	**-**	-
Actuarial (loss) on defined benefit plans	32 (d)	**(1,193)**	(3,495)	**-**	-
Income tax on items taken directly to or transferred from equity	8 (b)	**(138)**	19,446	**-**	-
Net (loss) recognised directly in equity		**(877)**	(49,710)	**-**	-
(Loss)/profit for the year		**(61,812)**	(13,537)	**39,644**	42,335
Total recognised income and expense for the year		**(62,689)**	(63,247)	**39,644**	42,335

The above statement of recognised income and expense should be read in conjuction with the accompanying notes.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent	
	Notes	**2009 $000**	2008 $000	**2009 $000**	2008 $000
Cash flows from operating activities					
Receipts from Members and customers		**450,703**	416,803	**21,726**	16,766
Payments to suppliers and employees		**(449,511)**	(387,368)	**(21,726)**	(16,766)
Dividends paid		**(913)**	-	**-**	-
Dividends received		**30,679**	41,247	**-**	-
Interest received		**2,842**	4,862	**-**	-
GST paid		**(7,983)**	(5,441)	**-**	-
Interest paid		**(9,479)**	(4,263)	**-**	-
Net income taxes paid		**(10,191)**	(14,836)	**-**	-
Net cash flows from operating activities	33	**6,147**	51,004	**-**	-
Cash flows used in investing activities					
Proceeds from disposal of investments		**187,362**	91,435	**-**	-
Proceeds from disposal of fixed assets		**29,459**	14,207	**-**	-
Equity accounted distributions		**9,718**	10,873	**-**	-
Outlays for business combinations	39	**(13,387)**	(11,322)	**-**	-
Outlays for investments acquired		**(143,722)**	(96,255)	**-**	-
Outlays for fixed assets acquired		**(22,680)**	(38,573)	**-**	-
Net cash flows from/(used in) investing activities		**46,750**	(29,635)	**-**	-
Cash flows used in financing activities					
Convertible note loan		**-**	(1,376)	**-**	-
Manufacturer buy-back		**(514)**	-	**-**	-
Finance lease payments		**(57,102)**	(23,146)	**-**	-
Proceeds from bank loans		**-**	8,533	**-**	-
Loans to related parties		**-**	(86)	**-**	-
Net cash flows used in financing activities		**(57,616)**	(16,075)	**-**	-
Net (decrease)/increase in cash and cash equivalents		**(4,719)**	5,294	**-**	-
Cash and cash equivalents at the beginning of the financial year		**43,587**	38,293	**1**	1
Cash and cash equivalents at the end of the financial year	12	**38,868**	43,587	**1**	1

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. Corporate information

The financial report of National Roads and Motorists' Association Limited (the Company) and its controlled entities (the Consolidated Entity or the Group) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 26 August 2009.

National Roads and Motorists' Association Limited (the Parent) is a company limited by guarantee of Members to contribute, in the event of a winding up, a sum not exceeding $2.10 per Member. There are 1,925,093 Members (2008: 1,892,654).

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.

2. Summary of significant accounting policies

(a) 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.

(b) 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.

The Group has chosen to adopt AASB 8: *Operating Segments*. AASB 8 is a disclosure standard only so it has not had a direct impact on the amounts included in the Group's financial statements. As we are not a listed company, we are not required to make segment disclosures. However, for the information of the Members we have disclosed unaudited segment information at the end of the financial report.

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 that are relevant to current operations are:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Future impact on the Group	Application date for Group
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	Future impact will be limited to the extent that capitalisation of qualifying assets occurs. For such assets, borrowing costs will be recognised in the carrying amount.	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements in the future.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any future impact on the Group, as the Group does not intend to have on issue or expect to issue any puttable financial instruments, as defined by the amendments.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into business combination transactions during the next financial year and will consider the impact of these amendments at this time. The changes will not impact past business combinations.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or loss in the Group's income statement.	1 July 2009
AASB 2009-Y	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	These amendments are not expected to have any future impact on the Group, as they are editorial in nature only.	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Future impact on the Group	Application date for Group
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].	1 January 2009	The Group has not yet determined the future impact of the amendments, if any.	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the "cost method" and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e. parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	These amendments are not expected to have any future impact on the Group, as only consolidated, rather than separate, financial statements are prepared by the parent company.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	Refer above. The future impact on the Group will be assessed when, and if, the relevant transactions occur.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the impact of these amendments will be considered at this time.	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Future impact on the Group	Application date for Group
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); 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 2); and inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of *Improving Disclosures about Financial Instruments (Amendments to IFRS 7)* by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The amendments pertaining to IFRS 5, 8, IAS 1,7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).	1 July 2009	The Group has not yet determined the future impact of the amendments, if any.	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).	1 January 2010	The Group has not yet determined the future impact of the amendments, if any.	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of Significant Accounting Policies (continued)

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the National Roads and Motorists' Association Limited and its subsidiaries (outlined in Note 37) as at 30 June each year. Interests in associates and joint ventures are equity accounted for and are not part of the Group (see Note (m) and (n) below).

Subsidiaries are all those entities over which the Group has the power to govern financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all significant intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. (see Note (d)).

(d) Business Combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets acquired, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is determined using evidence and valuation methods that provide a reliable measure of fair value.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. Where required, provisional acquisition accounting entries are reported in relation to business combinations and relevent adjustments are made on the finalisation of the required accounting entries.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) Foreign Currency Translation

(i) Functional and presentation currency

Both the functional and presentation currency of National Roads and Motorists' Association Limited and its Australian subsidiaries is Australian dollars ($). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of significant accounting policies (continued)

(ii) Transactions & balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group companies functional currency to presentation currency

The above is applied to translate the financial statements of the New Zealand subsidiaries into Australian dollars. Any exchange difference resulting from the translation is taken to the foreign currency translation reserve.

(f) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet 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 Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities on the balance sheet.

(g) Trade and other Receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value less an allowance for any uncollectible amounts.

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 doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

(h) Inventories

Finished goods are valued at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of the business, less estimated costs of completion and the estimated costs necessary to make the sale.

(i) Derivative Financial Instruments and Hedging

Through its investment managers, the Consolidated Entity and Company may utilise derivative financial instruments in connection with its portfolio investments to enhance the returns and hedge against foreign currency exchange rates, fixed interest rates and stock market exposures.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of significant accounting policies (continued)

Forward exchange contracts

Forward exchange contracts are entered into to hedge against foreign currency exchange rate changes. These contracts are not specific to any particular transaction and are marked to market at each reporting period end and the profit or loss determined is reported in the result for the period.

(j) Non-current assets held for sale

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

(k) Investments and other Financial Assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Consolidated Entity determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

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

The Consolidated Entity has classified certain shares as financial assets at fair value through profit or loss. Fair value is determined in the manner described in Note 3 to the financial statements. Gains and losses arising from changes in fair value are recognised directly through the income statement. The shares 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 entity's key management personnel.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecoginsed or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of significant accounting policies (continued)

(iii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the two preceding categories or held to maturity. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(l) Investments in Subsidiaries

Investments in subsidiaries are carried at cost.

(m) Investments in Associates

The Consolidated Entity's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Consolidated Entity has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Consolidated Entity determines whether it is necessary to recognise any impairment loss with respect to the Consolidated Entity's net investment in associates.

The Consolidated Entity's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Consolidated Entity are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of significant accounting policies (continued)

(n) Interest in a Jointly Controlled Operation

The Group has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operation by recognising its interest in the assets and the liabilities of the joint venture. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(o) Property, Plant and Equipment

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:

- Land - not depreciated
- Buildings - over 25 to 40 years
- Plant and equipment - over 2.5 to 10 years
- Leased equipment - over 2.5 to 5 years
- Motor vehicles - over 4 to 6 2/3 years
- Leasehold improvements - over the expected life of the lease
- Leased motor vehicles - over the expected life of the lease

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Revaluations of land and buildings

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in the profit and loss, in which case the increment is recognised in the profit and loss.

Any revaluation decrement is recognised in the profit and loss, except to the extent that it reverses a revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of significant accounting policies (continued)

(p) Investment Properties

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, which reflects market conditions at the balance sheet 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.

(q) 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 income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement 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.

(r) Impairment of Non-financial Assets other than Goodwill

Intangible assets that have an indefinite useful life 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. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of significant accounting policies (continued)

(s) Goodwill and Other Intangibles

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Consolidated Entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Consolidated Entity's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Goodwill with an indefinite useful life is tested for impairment annually at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(ii) Other intangibles

Other intangible assets acquired separately or in a business combination are initially measured at cost. The cost of other intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, other intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives, such as Land Use Rights, Licence Agreements and Developed Software, are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an other intangible assets with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on other intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the other intangible asset.

Gains or losses arising from de-recognition of other intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of significant accounting policies (continued)

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 leases
- Developed software - over 2.5 to 9 years

(t) Pensions

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 liabilties over the longer term.

For defined contribution superannuation plans, obligations for the contributions are recognised in profit or loss as they become payable. For defined benefit superannuation plans, the net financial position of the plan is recognised on the balance sheet and the movement in the net financial position is recognised in profit or loss, except for actuarial gains and losses (experience adjustments and changes in actuarial assumptions), which are recognised directly in retained earnings.

(u) Trade and other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(v) Interest-Bearing Loans and Borrowings

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

After initial recognition, interest-bearing loans and borrowings 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 borrowings. Borrowings 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 balance sheet date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(w) Provisions and Employee Benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of significant accounting policies (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to: expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(x) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Member revenue

Revenue from Members' entrance fees are recognised when received upon taking up membership. Revenue from ongoing subscriptions are recognised over the time period covered by the subscription with the unearned portion transferred to the unearned income provision. Revenue from other services is recognised at the time that the service to the Member is provided.

(ii) Revenue from investments

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Dividends on publicly listed shares are recognised on the date the dividend is declared. Income from investments in unit trusts is recognised on the date the distribution is declared.

(iii) Revenue from sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be reliably measured. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(iv) Rendering of services

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date.

The stage of completion is based on the contract period that has elapsed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Revenue from the Travel business is disclosed on a net agency commissions basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of significant accounting policies (continued)

(v) Revenue from shares in associates and joint ventures

Revenue from associates and joint ventures is equity accounted when received.

(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) Dividends

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

(viii) Rental revenue

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income 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.

(y) Income Tax and other Taxes

(i) Current tax

The assessable income of the Consolidated Entity and Company for income tax purposes comprises only certain income deemed to be derived from non-member activities. Conversely, allowable deductions for income tax purposes are limited to certain expenses and statutory deductions.

Current tax is calculated by reference to 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 reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of significant accounting policies (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity and Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

(iii) Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

(iv) Tax consolidation

The Company and all 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.

(v) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2. Summary of significant accounting policies (continued)

(z) Deposits Held

(i) Security Deposit

This represents a payment received from Australian Motoring Services Pty Limited (AMS) an associate, as security for services to be provided under a fee for service agreement. This covers roadside assistance provided on behalf of AMS to vehicles within their national assistance programs. Revenue earned from this service is brought to account when the service is provided.

(ii) Client Deposits

This represents payments received from customers in advance of receipt of services to be rendered.

(aa) 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, as the settlement date of the expected future obligation draws nearer.

3. Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, finance leases, available for sale investments, cash and short term deposits, derivatives and portfolio investments.

The Group's activities expose it to a variety of financial risks, which include: operational control risk; market risk, including interest rate risk, foreign exchange risk and price risk; credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize 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 CFO and Investment teams under policies approved by the Board of Directors. 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 of Directors, 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 entity 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 Notes 2 and 4 to the financial statements.

(a) Market risk

(i) Interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn under bank overdraft facilities and capped bank loan facilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

3. Financial risk management objectives and policies (continued)

The Group does have third party borrowings in the form of finance leases. However, interest rate risk is minimal owing to the fixed nature of the arrangements with respect to both term and interest rate.

Refer to Note 29 for further details of the Group's borrowings

Group sensitivity

A sensitivity analysis of interest rate risk on the Group's financial assets and liabilities is provided in the table at 3(e).

A change of 100 basis points in interest rates at the reporting date would have changed the result by the amounts shown in the table. The interest rate sensitivity is calculated on total balances and assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

(ii) Foreign exchange risk

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 NZ Dollar.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Refer to Notes 13 and 23 for receivables and payables denominated in foreign currencies.

The Group's foreign exchange policy is to reduce the foreign exchange risk associated with transactional exposures, primarily over a 6 month horizon. External foreign exchange contracts are designated at the business unit level as hedges of foreign exchange risk on grouped foreign currency denominated transactions. The Consolidated Entity does not apply hedge accounting.

Unrealised gains or losses on outstanding foreign exchange contracts are taken to the Group's income statement on a monthly basis.

The Group enters into derivatives in the form of forward exchange contracts to hedge foreign currency denominated receivables and payables. The following table provides information as at balance date on the net fair value of the Group's existing foreign exchange hedge contracts:

	Consolidated			
	Weighted Average exchange rate	Maturity Profile < 1 year $000	Maturity Profile > 1 year $000	Net fair value gain/(loss) $000
2009				
AUD/USD	**0.75**	**4,041**	**-**	**(251)**
AUD/NZD	**1.26**	**7,945**	**-**	**90**
AUD/CAD	**0.87**	**1,492**	**-**	**(107)**
AUD/EUR	**0.54**	**435**	**-**	**(24)**
AUD/FJD	**1.59**	**785**	**-**	**(26)**
AUD/ZAR	**6.50**	**217**	**-**	**6**
AUD/GBP	**0.50**	**182**	**-**	**5**
NZD/USD	**0.58**	**614**	**-**	**64**
NZD/CAD	**0.63**	**220**	**-**	**9**
2008				
AUD/USD	0.93	3,587	-	131
AUD/CAD	0.94	859	-	30
AUD/ZAR	6.90	88	-	7

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

3. Financial risk management objectives and policies (continued)

Group sensitivity

A sensitivity analysis of foreign exchange risk on the Group's financial assets and liabilities is provided in the table at 3(e).

A 10% percent strengthening or weakening of the Australian Dollar against the foreign currencies at the reporting date would have changed the result by the amounts shown in the table. This analysis assumes all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

(iii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as other non-current financial assets. The investment balance is comprised of available-for-sale investments that are revalued through reserves and investments that are designated at fair value through the profit and loss account.

The Group's available-for-sale investment is in IAG Limited shares that are publicly traded on the Australian Stock Exchange.

The table below 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:

	Consolidated			
	Less than 1 month $000	Between 1 and 3 months $000	Between 3 and 12 months $000	Between 1 and 5 years $000
2009				
Investment Category				
Australian shares	-	-	-	**69,001**
International shares	-	-	-	**41,185**
Fixed interest securities	-	-	-	**82,931**
Diversified unit trust	-	-	-	**101,089**
2008				
Investment Category				
Australian shares	-	-	-	61,670
International shares	-	-	-	34,829
Fixed interest securities	-	-	-	33,267
Diversified unit trust	-	-	-	258,628

Group sensitivity

A sensitivity analysis of price risk on the Group's financial assets and liabilities is provided in the table at 3(e).

A 10% percent strengthening or weakening of market prices at the reporting date would have changed the result by the amounts shown in the table. This analysis assumes all other variables, in particular interest rates and foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

3. Financial risk management objectives and policies (continued)

(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 13.

(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 CFO and Investment teams aim at maintaining 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 below analyses the Group's financial liabilities and net settled derivative financial instruments 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:

	Consolidated			
	Less than 1 month $000	Between 1 and 3 months $000	Between 3 and 12 months $000	Between 1 and 5 years $000
2009				
Trade payables	**10,578**	**4,508**	**395**	**-**
Interest bearing borrowings	**9,576**	**14,605**	**34,317**	**17,717**
Deposits held *	**11,831**	**8,749**	**1,595**	**7,258**
2008				
Trade payables	13,337	7,724	988	-
Interest bearing borrowings	84,917	46	206	360
Deposits held *	18,255	-	-	5,961

* Deposits held are only repayable if the underlying service is not provided.

The Group enters into forward exchange contracts to hedge foreign currency denominated receivables and payables. Refer to Note 3(a)(ii) for the maturity profiles of the Group's existing foreign currency hedge contracts.

Refer to Note 23 for payables denominated in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

3. Financial risk management objectives and policies (continued)

(d) Fair value estimation

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- Listed, unsecured and convertible notes that are traded in an organised financial market are determined based on quoted market bid prices;
- Securities that are not traded in an active market are determined based on the fund managers' valuation; and
- The nominal value less credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair values of certain financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group.

(e) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and liabilities to interest rate risk, foreign exchange risk and price risk. These sensitivities are prior to the offsetting impact of hedging instruments. The parent entity is not exposed to any significant financial risk.

		Consolidated											
		Interest rate risk				Foreign exchange risk				Price risk			
	Carrying	-1%		+1%		-10%		+10%		-10%		+10%	
	amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
2009													
Financial assets													
Cash and cash equivalents	45,474	(455)	-	455	-	-	(293)	-	293	-	-	-	-
Trade receivables	14,824	-	-	-	-	-	(61)	-	61	-	-	-	-
Other financial assets	294,206	(425)	-	425	-	-	-	-	-	(22,794)	-	22,794	-
Investments in associates	104,511	-	-	-	-	-	-	-	-	-	-	-	-
Available for sale financial assets*	101,964	-	-	-	-	-	-	-	-	(8,730)	(1,466)	-	10,196
Financial liabilities													
Trade payables	15,481	-	-	-	-	-	(62)	-	62	-	-	-	-
Interest bearing borrowings	76,215	(159)	-	159	-	-	(29)	-	29	-	-	-	-
Deposits held	29,433	(222)	-	222	-	-	(224)	-	224	-	-	-	-
Total increase/ (decrease)		(1,261)	-	1,261	-	-	(669)	-	669	(31,524)	(1,466)	22,794	10,196

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated												
		Interest rate risk				Foreign exchange risk				Price risk			
	Carrying	-1%		+1%		-10%		+10%		-10%		+10%	
	amount $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000
2008													
Financial assets													
Cash and cash equivalents	51,114	(511)	-	511	-	-	(458)	-	458	-	-	-	-
Trade receivables	19,967	-	-	-	-	-	(111)	-	111	-	-	-	-
Other financial assets	388,394	(1,247)	-	1,247	-	-	-	-	-	(24,021)	-	24,021	-
Investments in associates	110,485	-	-	-	-	-	-	-	-	-	-	-	-
Available for sale financial assets*	101,671	-	-	-	-	-	-	-	-	(8,985)	(1,182)	-	10,167
Financial liabilities													
Trade payables	22,049	-	-	-	-	-	(103)	-	103	-	-	-	-
Interest bearing borrowings	85,529	(167)	-	167	-	-	(168)	-	168	-	-	-	-
Deposits held	24,216	(183)	-	183	-	-	(319)	-	319	-	-	-	-
Total increase/ (decrease)		(2,108)	-	2,108	-	-	(1,159)	-	1,159	(33,006)	(1,182)	24,021	10,167

*Investment in IAG Limited

4. Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Classification and valuation of investments

The Group has classified its investment in listed shares not designated as fair value through profit or loss as 'available-for-sale' investments and movements in fair value are recognised directly in equity. The fair value of listed shares has been determined by reference to published price quotations in an active market. The fair values of unlisted securities not traded in an active market are determined by an appropriately qualified independent valuer by projecting future cash inflows from expected future dividends and subsequent disposal of the securities.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Classification of assets and liabilities as held for sale

The Group classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

4. Significant accounting judgements, estimates and assumptions (continued)

(ii) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 22.

Defined benefit plans

Various actuarial assumptions underpin the determination of the Group's pension obligations. These assumptions and the related carrying amounts are discussed in Note 31.

Long service leave provision

As discussed in Note 2(w)(ii), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Make good provisions

Provision is made for the anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with dismantling, closure, decontamination and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of this provision requires assumptions such as application of environmental legislation, available technologies and engineering cost estimates. The related carrying amounts are disclosed in Note 26.

Allowance for impairment loss in trade receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. Due to the large number of debtors, this assessment is based on supportable past collection history and historical write-offs of bad debts. The allowance for impairment loss is outlined in Note 13.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as lease terms (for leased equipment) and turnover policies (for leased motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation periods are included in Note 2(o).

Financial guarantees

National Roads and Motorists' Association Limited and certain 100% owned subsidiaries (the Closed Group), as detailed in Note 43, entered into a Deed of Cross Guarantee on 7 December 2007. The effect of the Deed is that National Roads and Motorists' Association Limited has guaranteed to pay any deficiency in the event of winding up of either Closed Group Members or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The Closed Group Members have also given a similar guarantee in the event that National Roads and Motorists' Association Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

4. Significant accounting judgements, estimates and assumptions (continued)

The fair value of the Deed of Cross Guarantee has been assessed as $nil, based on the following:

- Most members of Closed Group are all 'pooled' with respect to working capital cash funds on a daily operational basis;
- The probability of default across the Group is considered negligible, given the cash and asset rich nature of the Closed Group; and
- The fair value of the following third party financial obligations has been assessed as equating to the carrying value in the books of the relevant legal entity:
  - Bank overdraft;
  - Residual value facility; and
  - Bank bill facility.

There is also a shortfall guarantee in place in relation to a finance fleet facility provided by two third parties. NRMA Treasury Limited has guaranteed any potential deficit between the sales value of the relevant vehicle fleet and other assets and the associated financial settlement obligations. There is a covenant in place in relation to this guarantee that requires NRMA Treasury Limited's net assets to remain above a specific threshhold. Management monitor the net asset position of NRMA Treasury Limited on a monthly basis to ensure this requirement is met. Based on the existence of surplus net assets, the fair value the financial guarantee has been assessed as $nil.

5. Operating (loss)/profit before investment income and member special projects

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Revenue from Operations	**424,791**	394,654	**32,675**	31,613
Other expenses from Operations	**(474,126)**	(416,824)	**(14,009)**	(14,535)
Annual General Meeting, Special General Meetings and Election expenses	**(5,319)**	(2,984)	**(5,319)**	(2,890)
Operating (loss)/profit before investment income, change in fair value of investments and expenses from Member special projects	**(54,654)**	(25,154)	**13,347**	14,188
Expenses from Member special projects	**(9,421)**	(7,143)	**(1,854)**	(2,000)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

6. Revenue from operations

		Consolidated		Parent	
		2009 $000	2008 $000	**2009 $000**	2008 $000
(a)	Revenue				
	(i) Revenue from operations consists of the following items:				
	Membership subscription	**181,845**	175,932	**32,675**	31,613
	Thrifty Car Rental	**151,008**	134,679	**-**	-
	Travel	**21,783**	24,767	**-**	-
	Holiday Parks	**23,694**	22,184	**-**	-
	Commercial road service	**20,505**	18,808	**-**	-
	MotorServe	**13,038**	4,518	**-**	-
	The Open Road advertising	**5,910**	6,248	**-**	-
	Membership entrance fees	**3,347**	3,709	**-**	-
	Technical services	**1,305**	770	**-**	-
	Other	**2,356**	3,039	**-**	-
		424,791	394,654	**32,675**	31,613
	(ii) Investment Income				
	Interest Revenue	**4,145**	4,867	**-**	-
	Dividends	**30,465**	42,812	**-**	-
	Rentals – other corporations	**195**	185	**-**	-
	Assumption of tax losses in the tax consolidated group accounted for as distributions received from entities in the tax consolidated group	**-**	-	**34,253**	34,733
		34,805	47,864	**34,253**	34,733
(b)	Loss before income tax has been arrived at after crediting the following losses from continuing operations:				
	Change in fair value of financial assets classified as fair value through the Income Statement	**(50,414)**	(51,638)	**-**	-
(c)	Loss/(Profit) on disposal of assets	**361**	(755)	**-**	(1)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

7. Expenses

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
(Loss)/profit before income tax has been arrived at after charging the following expenses:				
Depreciation	**48,146**	23,044	**292**	271
Impairment of intangibles	**-**	2,378	**-**	-
Amortisation	**6,690**	8,586	**10**	60
Total depreciation and amortisation	**54,836**	34,008	**302**	331
Employment costs	**167,497**	149,210	**7,869**	7,125
Fleet, road service and towing contractors	**108,827**	93,011	**133**	98
General and administrative services	**36,379**	28,870	**647**	1,221
Marketing expenses	**26,823**	24,072	**2,124**	1,952
Commissions and cost of sales	**25,874**	24,048	**-**	10
Network distribution and IAG	**11,175**	11,483	**-**	-
Printing	**10,666**	12,108	**1,111**	659
The Open Road print & distribution	**7,768**	7,803	**-**	-
Governance and related costs	**3,470**	1,897	**1,931**	1,890
Bad & doubtful debts arising from other entities	**2,379**	6,285	**-**	-
Other operating costs	**19,874**	26,336	**1,665**	3,176
Finance Costs	**9,479**	4,836	**81**	73
Total other expenses from operations	**485,047**	423,967	**15,863**	16,535

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

8. Income tax

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
(a) Income tax recognised in the income statement				
Tax (benefit)/expense comprises:				
Current tax expense	**2,604**	13,649	**7,889**	5,342
Adjustments recognised in the current year in relation to the current tax of prior years	**(1,686)**	374	**(1,677)**	(495)
Deferred tax (benefit)/expense relating to the origination and reversal of temporary differences	**(17,860)**	(16,185)	**(110)**	(261)
Total tax (benefit)/expense	**(16,942)**	(2,162)	**6,102**	4,586
The prima facie income tax (benefit)/expense on pre-tax accounting (loss)/profit from operations reconciles to the income tax (benefit)/expense in the financial statements as follows	**(78,734)**	(15,699)	**45,746**	46,921
Income tax (benefit)/expense calculated at 30%	**(23,620)**	(4,710)	**13,724**	14,076
Tax effect of permanent differences:				
Deferred tax asset not booked	**9,219**	5,126	**-**	-
FX translation adjustment	**-**	155	**-**	-
Non-deductible net mutual expense	**3,580**	1,470	**4,427**	1,423
Non-deductible items arising under tax consolidation	**-**	-	**(10,276)**	(10,420)
Foreign tax rate adjustment	**-**	(50)	**-**	-
Other non-deductible items	**246**	(773)	**-**	-
Imputation credits	**(1,913)**	(3,570)	**-**	-
Adjustment recognised in the current year in relation to tax of prior years	**(25)**	374	**(1,677)**	(495)
Adjustment recognised for change in tax base of mutual related deferred tax balances	**844**	-	**(96)**	-
Adjustment to deferred tax on intangibles based on change to hold for sale basis	**(5,578)**	-	**-**	-
Other	**305**	(184)	**-**	2
	(16,942)	(2,162)	**6,102**	4,586

The tax rate used in the above reconciliation is the parent entity's statutory income tax rate of 30%. There has been no change in the corporate tax rate when compared with the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

8. Income tax (continued)

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
(b) Income tax recognised directly in retained earnings and equity The following current and deferred amounts were charged directly to equity during the year:				
Deferred Tax:				
Revaluations of available-for-sale securities	**(88)**	19,593	**-**	-
Actuarial movements on defined benefit plans	**(50)**	(147)	**-**	-
	(138)	19,446	**-**	-
(c) Current tax assets and liabilities				
Current tax payables:				
Income tax payable attributable to:				
Tax authorities	**257**	9,194	**(88)**	21,963
(d) Deferred tax balances				
Deferred tax assets comprise:				
Temporary differences	**31,071**	10,372	**11**	-
Deferred tax liabilities comprise:				
Temporary differences	**(42,131)**	(39,154)	**-**	(99)
Net deferred temporary differences	**(11,060)**	(28,782)	**11**	(99)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

8. Income tax (continued)

Taxable income and deductible temporary difference arise from the following:

	Consolidated				
	Opening Balance $000	Charged to Income $000	Charged to Equity $000	Charged on Acquisition $000	Closing Balance $000
2009					
Gross deferred tax liabilities:					
Trade and other receivables	(1,822)	1,259	-	-	(563)
Available for sale financial assets	(1,055)	-	(88)	-	(1,143)
Fair value through profit & loss financial assets	(231)	231	-	-	-
Investments accounted for under the equity method	(9,371)	255	-	-	(9,116)
Property, plant and equipment	(8,996)	(10,515)	-	-	(19,511)
Intangibles	(17,548)	5,899	-	-	(11,649)
Investment property	(121)	-	-	-	(121)
Defined benefit asset	39	67	(50)	-	56
Trade and other payables	-	-	-	-	-
Other financial liabilities	(50)	(34)	-	-	(84)
	(39,155)	(2,838)	(138)	-	(42,131)
Gross deferred tax assets:					
Trade and other receivables	223	809	-	-	1,032
Property, plant and equipment	904	99	-	-	1,003
Inventory	12	-	-	-	12
Lease liability	7,260	10,778	-	-	18,038
Trade and other payables	468	34	-	-	502
Provisions	1,488	80	-	-	1,568
Other liabilities (restoration obligation)	18	189	-	-	207
Fair value through profit and loss financial assets	-	8,709	-	-	8,709
	10,373	20,698	-	-	31,071
Total net deferred tax liability	(28,782)	17,860	(138)	-	(11,060)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

8. Income tax (continued)

	Consolidated				
	Opening Balance	Charged to Income	Charged to Equity	Charged on Acquisition	Closing Balance
	$000	$000	$000	$000	$000
2008					
Gross deferred tax liabilities:					
Trade and other receivables	(8)	(1,814)	-	-	(1,822)
Available for sale financial assets	(20,648)	-	19,593	-	(1,055)
Fair value through profit & loss financial assets	(18,977)	18,746	-	-	(231)
Investments accounted for under the equity method	(4,898)	(4,472)	-	-	(9,370)
Property, plant and equipment	(5)	(8,991)	-	-	(8,996)
Intangibles	(10)	1,866	-	(19,403)	(17,547)
Investment property	(121)	-	-	-	(121)
Defined benefit asset	(680)	865	(147)	-	38
Trade and other payables	(10)	10	-	-	-
Other financial liabilities	-	(50)	-	-	(50)
	(45,357)	6,160	19,446	(19,403)	(39,154)
Gross deferred tax assets:					
Trade and other receivables	1	222	-	-	223
Property, plant and equipment	15	888	-	-	903
Inventory	-	12	-	-	12
Lease liability	-	7,260	-	-	7,260
Trade and other payables	45	423	-	-	468
Provisions	279	1,209	-	-	1,488
Other liabilities (restoration obligation)	7	11	-	-	18
	347	10,025	-	-	10,372
Total net deferred tax liability	(45,010)	16,185	19,446	(19,403)	(28,782)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

8. Income tax (continued)

	Parent			
	Opening Balance $000	Charged to Income $000	Charged to Equity $000	Closing Balance $000
2009				
Gross deferred tax liabilities:				
Property, plant and equipment	**(81)**	**81**	**-**	**-**
Other liabilities (restoration obligation)	**(18)**	**29**	**-**	**11**
Total deferred tax liability	**(99)**	**110**	**-**	**11**
2008				
Gross deferred tax liabilities:				
Property, plant and equipment	(26)	(55)	-	(81)
Trade and other payables	(141)	141	-	-
Provisions (employee entitlements)	(169)	169	-	-
Other liabilities (restoration obligation)	(24)	6	-	(18)
Total deferred tax liability	(360)	261	-	(99)

Tax losses

The Group has income tax losses for which no deferred tax asset is recognised on the balance sheet of $15,845,041 comprising 2008 actual of $8,947,222 and 2009 estimate of $6,897,819 (2008: estimated $13,158,000), which are available indefinitely for offset against future assessable income subject to relevant statutory tests.

In addition, the Group has net capital losses, for which no deferred tax asset is recognised on the balance sheet, of $20,629,209 (2008: $nil). These are available indefinitely for offset against future capital gains, subject to the relevant tax tests.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is National Roads and Motorists' Association Limited. The members of the tax-consolidated group are identified at Note 37.

The decision to consolidate for tax purposes has been formally notified to the Australian Taxation Office.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have a tax funding arrangement, however, they have not entered into a tax sharing agreement. Should the head entity not meet it's obligations to the Australian Tax Office, the other members of the tax-sharing group will meet the obligations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

8. Income tax (continued)

Tax consolidation contributions by (or distributions to) equity participants

The net amount recognised for the period under tax consolidation contributions by (or distributions to) equity participants, its major components and accounts affected are as follows:

	Parent	
	2009 $000	2008 $000
Major components of tax consolidation contributions by (or distribution to) equity participants		
Net assumptions of tax liabilities of members of the tax-consolidated group	**188,362**	153,968
Assumptions of unused tax losses and tax offsets of members of the tax-consolidated group at other than full consideration	**(157,761)**	(123,508)
Net amount recognised	**30,601**	30,460
Accounts affected		
Investments in subsidiaries	**188,362**	153,968
Retained earnings	**(157,761)**	(123,508)
Net amount (as above)	**30,601**	30,460

Allocation of tax liability is done on a group allocation basis which allocates tax on a proportional basis of the underlying item that gives rise to current or deferred tax balances.

9. Franking account balance

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
The amount of franking credits available for the subsequent financial year are:				
Franking account balance as at the end of the financial year at 30% (2008: 30%)	**229,887**	213,978	**229,887**	213,978
Franking credits that will arise from the payment of tax payable as at the end of the financial year	**260**	9,134	**260**	21,963
	230,147	223,112	**230,147**	235,941

The balance of the franking account arises from franked income received and income tax paid, after adjusting for any franking credits which will arise from the payment of income tax provided for in the financial statements and franking credits that will arise from the receipt of dividends recognised as receivables at year end. The Company's Constitution prevents the payment of dividends and, accordingly, the franking credits are not utilised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

10. Auditor's remuneration

	Consolidated		Parent	
	2009 $	2008 $	**2009 $**	2008 $
The auditor of National Roads and Motorists' Association Limited is Ernst & Young				
Amounts received or due and receivable by Ernst & Young for:				
An audit of the financial report of the entity and any other entity in the consolidated group:				
– Consolidated Group – current year	**317,000**	299,500	**10,000**	10,000
– Thrifty Group	**118,600**	180,905	**-**	-
– Travel Group	**76,200**	90,780	**-**	-
Other services in relation to the entity and any other entity in the consolidated group				
- Special audits required by regulators	**-**	-	**-**	-
	511,800	571,185	**10,000**	10,000
Other assurance related services by Ernst & Young:				
Due diligence on acquisitions	**-**	15,450	**-**	-
Company liquidation support	**7,687**	11,933	**-**	-
Additional purchase price review	**-**	18,025	**-**	-
Corporate finance advice	**-**	47,388	**-**	-
Accounting advice	**5,768**	12,884	**-**	-
	13,455	105,680	**-**	-
	525,255	676,865	**10,000**	10,000

The Consolidated Entity, through its Board and Audit, Risk Management & Compliance Committee, considers these other services as ancillary to or an extension of the external audit services provided by the auditors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

11. Key management personnel compensation

Directors

During the financial year, the Directors of the Company, who are Key Management Personnel, were:

Director	Commenced	Ceased
Mr D Bentham	6-Dec-08	
Mr G J Blight	18-Jan-03	
Mr A H Evans	18-Jan-03	
Ms D Fraser	5-Dec-05	
Mr K Loades	5-Dec-05	
Ms W S Machin	30-Mar-05	
Mr G F Punch	13-Apr-05	6-Dec-08
Ms C Taylor	12-Feb-08	
Mr G Toovey	1-Dec-01	
Mr M T Tynan	18-Jan-03	

Executives

During the financial year, the Executives of the Company, who are Key Management Personnel, were:

Executive	Title	Commenced
Ms H Burgess	Group General Counsel and Secretary	
Ms D Day	General Manager, NRMA Holiday Parks	20-Mar-09
Mr C Frier	CEO, Tourism & Leisure Holdings	20-Mar-09
Mr O Gilbert	CEO, NRMA MotorServe	20-Mar-09
Mr D Lumb	Executive General Manager, Corporate Communications	
Mr M Kaye	Executive General Manager, Strategy & Capability	
Mr B McGoldrick	CEO, Thrifty Car Rental	20-Mar-09
Mr J Simmons	Executive General Manager, Motoring & Member Services	
Mr T Stuart	Group Chief Executive Officer	
Mr A Tilley	Group Chief Financial Officer	

The compensation of the Directors and Executives, being the key management personnel of the Consolidated Entity is set out in aggregate below:

	Consolidated		Parent	
	2009 $	2008 $	**2009 $**	2008 $
Short-term employment benefits	**4,769,905**	4,124,291	**1,283,556**	1,057,031
Post-employment benefits	**384,657**	432,592	**133,600**	135,028
Other long-term employment benefits	**339,367**	348,637	**50,969**	46,468
Termination benefits	**-**	555,277	**-**	83,108
	5,493,929	5,460,797	**1,468,125**	1,321,635

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

12. Cash and cash equivalents – current assets

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Cash at bank and in hand	**28,825**	33,906	**1**	1
Short-term deposits	**16,649**	17,208	**-**	-
	45,474	51,114	**1**	1

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 deposit 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 rate.

Reconciliation to cash flow statement:				
Cash at bank and in hand	**28,825**	33,906	**1**	1
Short-term deposits	**16,649**	17,208	**-**	-
Bank overdrafts (Note 29)	**(6,606)**	(7,527)	**-**	-
	38,868	43,587	**1**	1

13. Trade and other receivables – current assets

Trade debtors	**17,619**	24,562	**-**	-
Allowance for impairment loss (a)	**(2,795)**	(4,595)	**-**	-
	14,824	19,967	**-**	-
Prepayments	**5,922**	7,692	**36**	573
Goods and services tax	**-**	584	**-**	-
Other receivables	**9,407**	8,568	**-**	1
Related party receivables:				
Controlled entities	**-**	-	**78,262**	94,560
	30,153	36,811	**78,298**	95,134
Movements in the allowance for impairment loss were as follows:				
At 1 July	**(4,595)**	(1,085)	**-**	-
Charges for year	**-**	(4,399)	**-**	-
Amounts written off	**1,800**	889	**-**	-
At 30 June	**(2,795)**	(4,595)	**-**	-

The carrying amounts of the Group's receivables are denominated in the following currencies:

	Consolidated	
	2009 $000	2008 $000
US Dollars	**7**	-
NZ Dollars	**856**	-
Australian Dollars	**16,745**	24,562
ZAR Dollars	**10**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Other*	1	-

*Other refers to a basket of currencies (Euro, Great British Pound, Japanese Yen and Fijian Dollar)

13. Trade and other receivables – current assets (continued)

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
2009						
Consolidated	**17,619**	**8,462**	**4,207**	**1,537**	**944**	**2,469**
2008						
Consolidated	24,562	5,235	7,086	4,398	2,691	5,152

At the reporting date, trade receivables of $2,795,000 (2008: $4,595,000) were past due and considered impaired, impaired receivables being the '91+ days' category plus additional debts considered unrecoverable. Trade receivables of $2,155,000 (2008: $15,028,000) were past due, but not impaired.

(a) Allowance for impairment loss

The Group has established an allowance for impairment that represents the estimate of incurred losses in respect of trade receivables. The recoverability of trade receivables is reviewed on an ongoing basis. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Debts that are known to be unrecoverable are written off.

(b) Related party receivables

For terms and conditions of related party receivables refer to Note 38.

(c) 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.

(d) Fair value and credit risk

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

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(e) Foreign currency and interest rate risk

None of the carrying amounts of the Group's receivables are denominated in foreign currencies. Details regarding interest rate risk exposure are disclosed in Note 3.

14. Inventories – current assets

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Finished goods – at cost	**1,337**	1,698	**-**	-
Allowance for impairment loss	**(124)**	(242)	**-**	-
	1,213	1,456	**-**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Inventory write-downs recognised as an expense totalled $562,000 (2008: $242,000) for the Group and $nil (2008: $nil) for the Company.

15. Deferred distribution costs – current assets

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Deferred distribution costs	**1,869**	2,456	**-**	-

The balance represents the current deferred element of the network distribution and IAG fees.

16. Other financial assets – current assets

At fair value				
Other investment receivables	**2,613**	5,988	**-**	-

17. Other financial assets and subsidiaries – non-current assets

Shares in controlled entities	**-**	-	**588,362**	553,968
Investments designated at fair value through the profit and loss:				
Australian shares	**68,001**	60,670	**-**	-
International shares	**41,185**	34,829	**-**	-
Fixed interest securities fund	**82,931**	33,267	**-**	-
Diversified unit trust	**101,089**	258,628	**-**	-
At Amortised cost:				
Investment – Optalert	**1,000**	1,000	**-**	-
	294,206	388,394	**588,362**	553,968

18. Available for sale financial assets – non-current assets

Investments held at fair value				
Available for the sale of shares*	**101,964**	101,671	**-**	-

*NRMA holds 1.8% of IAG's issued ordinary shares (2008: 1.8%) with fair value of $102.0 million as at 30 June 2009 (2008: $101.7 million)

19. Deferred distribution costs – non-current assets

Deferred distribution costs	**100**	95	**-**	-

The balance represents the non-current deferred element of the network distribution and IAG fees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

20. Property, plant and equipment – non-current assets

	Consolidated					
	Land and Buildings	Leasehold Improvement	Leased Motor Vehicles	Motor Vehicles	Plant and Equipment	Total
	$000	$000	$000	$000	$000	$000
Year ended 30 June 2009						
At 1 July 2008, net of accumulated depreciation	**100,605**	**8,840**	**68,609**	**12,526**	**28,472**	**219,052**
Additions	**2,363**	**1,005**	**53,714**	**682**	**18,381**	**76,145**
Business acquisitions	**-**	**7**	**-**	**-**	**173**	**180**
Transfers	**2,313**	**5,481**	**-**	**2,122**	**(16,305)**	**(6,389)**
Disposals	**(52)**	**(58)**	**(28,080)**	**(1,516)**	**(137)**	**(29,843)**
Depreciation charge for the year	**(2,006)**	**(1,740)**	**(33,662)**	**(3,970)**	**(6,768)**	**(48,146)**
Foreign exchange currency difference	**-**	**-**	**-**	**-**	**3**	**3**
At 30 June 2009, net of accumulated depreciation	**103,223**	**13,535**	**60,581**	**9,844**	**23,819**	**211,002**
At 30 June 2009						
Cost	**107,714**	**17,037**	**86,858**	**17,879**	**50,879**	**280,367**
Accumulated depreciation	**(4,491)**	**(3,502)**	**(26,277)**	**(8,035)**	**(27,060)**	**(69,365)**
Net carrying amount	**103,223**	**13,535**	**60,581**	**9,844**	**23,819**	**211,002**
Year ended 30 June 2008						
At 1 July 2007, net of accumulated depreciation	61,770	30,976	24,557	11,397	26,609	155,309
Additions	23,071	1,378	66,756	5,801	5,156	102,162
Business acquisitions	-	10	-	-	334	344
Transfers	17,991	(22,852)	-	108	5,248	495
Disposals	(534)	(23)	(11,647)	(1,488)	(2,446)	(16,138)
Depreciation charge for the year	(1,693)	(643)	(11,057)	(3,290)	(6,361)	(23,044)
Foreign exchange currency difference	-	(6)	-	(2)	(68)	(76)
At 30 June 2008, net of accumulated depreciation	100,605	8,840	68,609	12,526	28,472	219,052
At 30 June 2008						
Cost	102,706	11,450	78,291	27,320	67,514	287,281
Accumulated depreciation	(2,101)	(2,610)	(9,682)	(14,794)	(39,042)	(68,229)
Net carrying amount	100,605	8,840	68,609	12,526	28,472	219,052

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

20. Property, plant and equipment – non-current assets (continued)

	Parent			
	Leasehold Improvements **$000**	Motor Vehicles at Cost **$000**	Office and other Plant and Equip at cost **$000**	Total **$000**
Year ended 30 June 2009				
At 1 July 2008, net of accumulated depreciation and impairment	**172**	**292**	**115**	**579**
Additions	**438**	**32**	**165**	**635**
Transfers	**-**	**-**	**-**	**-**
Disposals	**(51)**	**-**	**-**	**(51)**
Depreciation charge for the year	**(138)**	**(92)**	**(62)**	**(292)**
At 30 June 2009, net of accumulated depreciation and impairment	**421**	**232**	**218**	**871**
At 30 June 2009				
Cost	**1,067**	**598**	**566**	**2,231**
Accumulated depreciation and impairment	**(646)**	**(366)**	**(348)**	**(1,360)**
Net carrying amount	**421**	**232**	**218**	**871**
Year ended 30 June 2008				
At 1 July 2007, net of accumulated depreciation and impairment	377	363	217	957
Additions	-	31	1	32
Transfers	(13)	-	-	(13)
Disposals	(108)	(18)	-	(126)
Depreciation charge for the year	(84)	(84)	(103)	(271)
At 30 June 2008, net of accumulated depreciation and impairment	172	292	115	579
At June 2008				
Cost	967	566	401	1,934
Accumulated depreciation and impairment	(795)	(274)	(286)	(1,355)
Net carrying amount	172	292	115	579

21. Investment property – non-current assets

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Investment property	**1,216**	1,216	**-**	-

The fair value of the Consolidated Entity's investment property has been based on a Directors' valuation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

22. Intangible assets and goodwill – non-current assets

	Consolidated					Parent
	Land Use Rights $000	Developed Software $000	Goodwill $000	Licence Agreement $000	Total $000	Developed Software $000
Year ended 30 June 2009						
At 1 July 2008, net of accumulated amortisation and impairment	**40,102**	**13,246**	**35,627**	**22,435**	**111,410**	**1**
Additions	**55**	**248**	**170**	**315**	**788**	**10**
Business combinations	**-**	**123**	**15,894**	**-**	**16,017**	**-**
Disposals/transfers to assets held for sale	**-**	**(206)**	**-**	**(14,385)***	**(14,591)**	**-**
Impairment	**-**	**-**	**-**	**-**	**-**	**-**
Transfers	**-**	**6,389**	**-**	**-**	**6,389**	**-**
Amortisation expense (a)	**(1,016)**	**(3,235)**	**-**	**(2,439)**	**(6,690)**	**(10)**
At 30 June 2009, net of accumulated amortisation and impairment	**39,141**	**16,565**	**51,691**	**5,926**	**113,323**	**1**
At 30 June 2009						
Gross carrying amount	**45,249**	**28,401**	**54,069**	**10,272**	**137,991**	**440**
Accumulated amortisation and impairment	**(6,108)**	**(11,836)**	**(2,378)**	**(4,346)**	**(24,668)**	**(439)**
Net carrying amount	**39,141**	**16,565**	**51,691**	**5,926**	**113,323**	**1**

* Includes $8,925,000 relating to 55 operational franchise sites which the Group plans to sell in the 2010 financial year. No other assets or liabilities are associated with the planned sales.

Year ended 30 June 2008						
At 1 July 2007, net of accumulated amortisation and impairment	30,862	9,870	25,615	10,953	77,300	48
Additions	353	6,112	-	7,310	13,775	-
Business combinations	13,225	-	12,390	6,179	31,794	-
Impairment	-	-	(2,378)	-	(2,378)	-
Transfers	-	(495)	-	-	(495)	13
Amortisation expense (a)	(4,338)	(2,241)	-	(2,007)	(8,586)	(60)
At 30 June 2008, net of accumulated amortisation and impairment	40,102	13,246	35,627	22,435	111,410	1
At 30 June 2008						
Gross carrying amount	45,194	22,141	38,005	24,815	130,155	430
Accumulated amortisation and impairment	(5,092)	(8,895)	(2,378)	(2,380)	(18,745)	(429)
Net carrying amount	40,102	13,246	35,627	22,435	111,410	1

(a) Amortisation expense

Amortisation expense is disclosed in Note 7.

(b) Impairment testing of goodwill with indefinite useful lives

Goodwill is tested on an annual basis for impairment. The 30 June 2009 review covered the Travel business, the Thrifty business, Treasure Island Holiday Park and Darlington Beach Holiday Park.

The key assumptions used in testing goodwill for impairment using cash flow projections were as follows:

- Pre – tax discount rates from 7.25% to 13.75%
- Future revenue growth rates from 3.00% to 10.00%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

22. Intangible assets and goodwill – non-current assets continued

Gross margins and capital spend used in the cash flow projections were consistent with those in management approved budgets.

The recoverable amount of intangibles has been determined on a value in use basis.

(c) Description of the Group's intangible assets and goodwill

(i) Developed Software

Developed software is carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period in line with their useful lives. The amortisation has been recognised in the income statement in the line item 'amortisation'. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(ii) Land Use Rights

Land use rights represents the right to use holiday park sites owned by the NSW Government and let to NRMA. These assets are assessed as having a finite life and are amortised using the straight line method over a period in line with their useful lives. The amortisation has been recognised in the income statement in the line item 'amortisation'. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Land use rights of $39,141,000 are carried in relation to the Holiday Parks.

(iii) Licence Agreement

Represents the right to use the Thrifty Car Rental name under a Master Licence Agreement and territory rights for the Thrifty Car Rental business. These assets are assessed as having a finite life and are amortised using the straight line method over a period in line with their useful lives. The amortisation has been recognised in the income statement in the line item 'amortisation'. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Licence agreement of $5,926,000 is carried in relation to the Thrifty business.

(iv) Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Goodwill of $35,025,000 is carried in relation to the Travel business, $15,924,000 in relation to the Holiday Parks and $742,000 in relation to Australian Classic Car Magazine.

23. Trade and other payables – current liabilities

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Trade creditors and accruals	**48,369**	55,916	**2,189**	2,266
GST Payable	**83**	-	**-**	-
Related party payables:				
Other related parties	**-**	15,431	**-**	-
	48,452	71,347	**2,189**	2,266

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

23. Trade and other payables – current liabilities continued

The carrying amounts of the Group's payables are denominated in the following currencies:

	Consolidated	
	2009 $000	2008 $000
US Dollars	**478**	757
NZ Dollars	**1,700**	-
Australian Dollars	**45,979**	69,203
CAD Dollars	**164**	-
Other*	**131**	1,387

*Other refers to a basket of currencies (Euro, Great British Pound, Japanese Yen and Fijian Dollar)

(a) Fair value

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

(b) Related party payables

For terms and conditions relating to related party payables refer to Note 38.

(c) Interest rate, foreign exchange and liquidity risk

For information regarding interest rate, foreign exchange and liquidity risk exposure refer to Note 3.

(d) Other payables

These include accruals and other payables incurred under normal terms and conditions and which do not earn interest. None of the balances are cosidered to be past due or impaired.

24. Provisions - current liabilities

		Consolidated		Parent	
	Notes	**2009 $000**	2008 $000	**2009 $000**	2008 $000
Annual leave	40 (i)	**10,479**	10,845	**-**	-
Long service leave	40 (i)	**8,255**	7,132	**-**	-
Restructure – employee related	40 (ii)	**452**	511	**-**	126
		19,186	18,488	**-**	126

The provision for restructure represents the present value of the Directors' best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the Group.

25. Unearned income – current liabilities

Unearned income	**100,000**	94,421	**14,757**	13,934

Refer to Note 2 (x)(i)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

26. Provisions – non-current liabilities

	Notes	Consolidated		Parent	
		2009 $000	2008 $000	**2009 $000**	2008 $000
Employee entitlements	40 (i)	**1,488**	2,106	**-**	-
Restoration provision: Carrying amount at the beginning of the financial year		**1,566**	1,392	**1,466**	1,292
Utilised provision		**(93)**	-	**(93)**	-
Release of unused provision		**(475)**	-	**(475)**	-
Additional provision		**438**	100	**438**	100
Unwinding of discount and effect of changes in discount rates		**81**	74	**81**	74
		1,517	1,566	**1,417**	1,466
		3,005	3,672	**1,417**	1,466

The provision for restoration obligations represents the present value of the Directors' best estimate of the future sacrifice of economic benefits that will be required to remove office furniture and fittings from the lease premises currently occupied by the NRMA. The estimate has been made on the basis of quotes obtained from property specialists.

27. Unearned income – non-current liabilities

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
Unearned income	**5,133**	6,511	**758**	962

28. Deposits held

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
Current liabilities				
Client deposits	**22,206**	18,255	**-**	-
Non current liabilities				
Security deposit	**7,227**	5,961	**-**	-

29. Interest bearing loans and borrowings

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
Current liabilities				
Other borrowings	**359**	274	**-**	-
Bank overdraft	**6,606**	7,527	**-**	-
Bank loan	**8,533**	8,533	**-**	-
Obligations under finance leases	**43,000**	68,835	**-**	-
	58,498	85,169	**-**	-
Non current liabilities				
Other borrowings	**352**	360	**-**	-
Obligations under finance leases	**17,365**	-	**-**	-
	17,717	360	**-**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

29. Interest bearing loans and borrowings continued

Security pledged

The Group has pledged the whole of the assets and undertakings including uncalled capital for Kingmill Pty Limited, TR Australia Holdings Pty Ltd and Motoka Rentals Limited (New Zealand) against the obligations under specific finance leases, bank loan and bank overdraft facilities.

The remaining finance leases are secured by the leased motor vehicles.

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

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Total facilities:				
Residual value facility	**10,000**	-	**-**	-
Bank bill facility	**10,500**	10,250	**-**	-
Bank overdraft	**12,000**	8,475	**-**	-
Leasing facility	**212,500**	142,359	**-**	-
Encashment facility	**-**	21	**-**	-
Corporate card facility	**1,600**	1,550	**-**	-
Payroll facility	**650**	-	**-**	-
Bank guarantees	**2,700**	-	**-**	-
Other borrowings	**711**	634	**-**	-
	250,661	163,289	**-**	-
Facilities used at reporting date:				
Residual value facility	**643**	-	**-**	-
Bank bill facility	**8,533**	8,533	**-**	-
Bank overdraft	**6,606**	7,527	**-**	-
Leasing facility	**110,716**	131,069	**-**	-
Encashment facility	**-**	-	**-**	-
Corporate card facility	**525**	1,031	**-**	-
Payroll facility	**-**	-	**-**	-
Bank guarantees	**2,416**	-	**-**	-
Other borrowings	**711**	634	**-**	-
	130,150	148,794	**-**	-
Facilities not used at reporting date:				
Residual value facility	**9,357**	-	**-**	-
Bank bill facility	**1,967**	1,717	**-**	-
Bank overdraft	**5,394**	948	**-**	-
Leasing facility	**101,784**	11,290	**-**	-
Encashment facility	**-**	21	**-**	-
Corporate card facility	**1,075**	519	**-**	-
Payroll facility	**650**	-	**-**	-
Bank guarantees	**284**	-	**-**	-
Other borrowings	**-**	-	**-**	-
	120,511	14,495	**-**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

30. Investments in associates and joint ventures – non-current assets

	Notes	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Carrying amount of investments					
Investments in associates	31 (a)	**11,185**	10,553	**-**	-
Investments in joint ventures	31 (c)	**94,855**	100,466	**-**	-
		106,040	111,019	**-**	-
Net profit accounted for using the equity method					
Investments in associates	31 (b)	**1,382**	1,761	**-**	-
Investments in joint ventures	31 (d)	**3,357**	21,831	**-**	-
		4,739	23,592	**-**	-

(a) Details of investments in associates are as follows:

Ownership Interest – Consolidated & Parent: Name of Entity & Principal Activities	Balance Date	2009 %	2008 %		Investment Carrying Amount – Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Club Assets Pty Ltd								
Motoring assistance services	30 June	50%	50%	Shares	**9,272**	9,083	**-**	-
Australian Motoring Services Pty Ltd								
Motoring and travel assistance services	30 June	35%	35%	Shares	**1,913**	1,470	**-**	-
Total					**11,185**	10,553	**-**	-

All investments in associates are incorporated in Australia

(b) Results of associates

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Share of profit from ordinary activities before income tax expense	**1,790**	2,404	**-**	-
Share of income tax expense related to ordinary activities	**(408)**	(643)	**-**	-
Share of associates net profit accounted for using the equity method	**1,382**	1,761	**-**	-
Summary financial position of associates The Consolidated Group's share of aggregate assets and liabilities of associates is as follows:				
Current assets	**20,283**	21,578	**-**	-
Non-current assets	**11,614**	12,396	**-**	-
Total assets	**31,897**	33,974	**-**	-
Current liabilities	**13,662**	15,312	**-**	-
Non-current liabilities	**7,050**	8,109	**-**	-
Total liabilities	**20,712**	23,421	**-**	-
Net assets	**11,185**	10,553	**-**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

30. Investments in associates and joint ventures – non-current assets continued

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Accumulated losses of the Consolidated Group attributable to associates				
Balance at the beginning of the year	**(3,130)**	(4,266)	**-**	-
Distribution received from associate	**(750)**	(625)	**-**	-
Share of associates net profits/(losses)	**1,382**	1,761	**-**	-
Balance at the end of the financial year	**(2,498)**	(3,130)	**-**	-
Movement in carrying amount of investments				
Carrying amount of investment in associates at the start of the year	**10,553**	9,922	**-**	-
Associate reserve movement	**-**	(505)	**-**	-
Distribution received from associate	**(750)**	(625)	**-**	-
Shares of associates net profits/(losses)	**1,382**	1,761	**-**	-
Carrying amount of investments in associates at end of year	**11,185**	10,553	**-**	-

(c) Details of investment in joint venture is as follows:

Ownership Interest					Investment Carrying Amount			
Consolidated & Parent					Consolidated		Parent	
Name of Entity & Principal Activities	**Balance Date**	**2009 %**	**2008 %**		**2009 $000**	2008 $000	**2009 $000**	2008 $000
Tucker Box Hotel Trust **								
Accommodation	30 June	50%	50%	Shares	**94,855**	100,466	**-**	-

** The Tucker Box Hotel Trust has an ultimate 100% ownership of Travelodge Group Pty Limited (Australia) and is incorporated in Australia.

(d) Results of joint venture

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Share of revenue from ordinary activities	**17,322**	17,278	**-**	-
Share of unrealised (loss)/gain for interest rate swaps	**(7,409)**	1,621	**-**	-
Share of unrealised valuation (loss)/gain for investment properties	**(1,656)**	9,368	**-**	-
Share of expenses from ordinary activities	**(7,257)**	(8,503)	**-**	-
Share of profit from ordinary activities before income tax benefit	**1,000**	19,764	**-**	-
Share of income tax benefit related to ordinary activities	**2,357**	2,067	**-**	-
Share of joint venture net profit accounted for using the equity method	**3,357**	21,831	**-**	-
Summary financial position of joint venture The Consolidated Group's share of aggregate assets and liabilities of the joint venture is as follows:				
Current assets	**2,581**	7,801	**-**	-
Non-current assets	**182,939**	179,531	**-**	-
Total assets	**185,520**	187,332	**-**	-
Current liabilities	**2,543**	5,039	**-**	-
Non-current liabilities	**88,122**	81,827	**-**	-
Total liabilities	**90,665**	86,866	**-**	-
Net assets	**94,855**	100,466	**-**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

30. Investments in associates and joint ventures – non-current assets continued

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Accumulated profits of the Consolidated Group attributable to joint venture				
Balance at the beginning of the year	**26,998**	16,040	**-**	-
Share of joint venture's net profits	**3,357**	21,831	**-**	-
Distributions received from joint venture	**(8,968)**	(10,873)	**-**	-
Balance at the end of the financial year	**21,387**	26,998	**-**	-
Movement in carrying amount of investments				
Carrying amount of investment in joint venture at the beginning of the year	**100,466**	89,508	**-**	-
Distribution received from joint venture	**(8,968)**	(10,873)	**-**	-
Shares of joint venture net profit	**3,357**	21,831	**-**	-
Carrying amount of investments in joint venture at end of year	**94,855**	100,466	**-**	-

31. Superannuation

Contributions are made to a number of superannuation plans. The majority of employees are defined contribution members with approximately 9% (2008: 13%) of employees participating on a defined benefit basis. Entry to the defined benefit superannuation plan is closed so all new employees are provided defined contribution arrangements. The plan provides benefits for members or their dependents in the form of lump sum or pension payments generally upon ceasing relevant employment.

The superannuation expense for the year is included in the employment costs reported in Note 7.

(a) Defined contribution superannuation arrangements

Contributions to the plans are made in accordance with the governing rules of each plan together with relevant legislative requirements. The contributions are generally based upon a percentage of the employees' salaries.

The consolidated entity contributed $7.9 million to the NRMA Superannuation Plan for defined contribution members during the year (2008: $7.3 million) and there were no employer contributions payable at the end of the year for those members (2008: $nil).

The Consolidated Entity is not exposed to risks or rewards of the defined contribution arrangements and has no obligations beyond the payment of contributions.

(b) Defined benefit superannuation arrangements

Employees who are entitled to defined benefit superannuation arrangements are members of one funded superannuation plan. The defined benefit section of the plan is closed to new members and so membership is reducing over time. Contributions to the plan are made in accordance with the governing rules of the plan and the contribution recommendations of an independent actuary. In contrast to defined contribution superannuation arrangements, the future cost of the defined benefit superannuation plan is not known with certainty in advance. The benefits received for defined benefit members are generally based on length of service and final average salary together with the members' own contributions, if any. The net financial position of the plan is included in the balance sheet of the Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

31. Superannuation continued

All employees with defined benefit superannuation arrangements are members of the NRMA Superannuation Plan. The Consolidated Entity has contributed to the Plan during the year in accordance with the recommendations of the actuary and has contributed $1.5 million for defined benefit members. There were no employer contributions payable at the end of the year (2008: $0.3 million). The governing rules of the plan allow any surplus to be used to meet the contributions that would otherwise have been payable for both the defined benefit and defined contribution members of the plan.

Actuarial valuations are performed at each reporting date by an independent specialist. The financial information disclosed has been prepared in accordance with AASB 119 *Employee Benefits*.

The Consolidated Entity has a legal liability to make up a deficit in the plans but no legal right to use any surplus in the plans to further its own interests.

(c) Actuarial assumptions

Assumptions used in the determination of the financial position of the plan are reviewed annually and determined in conjunction with the independent actuaries to the plan. The principal actuarial assumptions used in determining the financial plan include:

	Consolidated	
	2009 %	2008 %
Discount rate (gross)	**5.50**	6.25
Discount rate (net)	**5.50**	5.30
Expected return on plan assets*	**7.40**	7.40
Expected return on other plan assets*	**6.90**	6.90
Expected rate of salary increase	**4.00**	4.00
Rate of pension increases (child)	**0.00**	0.00

* Expected return on plan and other assets has been determined after consideration of administration costs

It is assumed that healthcare cost trend rates do not have a significant effect on the amount recognised in the income statement or the balance sheet.

	The Plan	
	2009 $000	2008 $000
Amounts recognised in income in respect of the defined benefit plan are as follows:		
Current service cost*	**1,063**	11,645
Interest cost	**2,135**	2,051
Expected return on plan assets	**(2,482)**	(3,575)
Net benefit expense	**716**	10,121
Actuarial losses incurred during the year and recognised in the statement of recognised income and expense	**1,193**	3,495
Cumulative actuarial gains recognised in the statement of recognised income and expense	**4,819**	3,626

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

31. Superannuation continued

	The Plan	
	2009 $000	2008 $000
Movements in the present value of the defined benefit obligations in the current period were as follows:		
Opening defined benefit obligation**	**37,451**	38,662
Current service cost	**1,063**	11,645
Interest cost	**2,135**	2,051
Contributions from plan participants	**475**	250
Contributions to accumulation section	**(215)**	(10,221)
Actuarial (gains)/ losses	**(7,375)**	2,765
Benefits paid	**(2,146)**	(7,701)
Closing defined benefit obligation	**31,388**	37,451

* Includes contributions to accumulation section of the Plan and defined benefit member salary sacrifice contributions funded from surplus (2009: $215,000; 2008: $10,221,000)
** Includes contribution tax provision $141,000 (2009) and ($2,262,000) (2008)

The defined benefit obligation consists entirely of amounts from plans that are wholly or partly funded.

(d) Fair value of plan assets

The fair value of Plan assets includes no amounts relating to:

- Any of the employer's own financial instruments; and
- Any property occupied by, or other assets used by, the Employer.

	The Plan	
	2009 $000	2008 $000
Movements in the present value of the plan assets in the current period were as follows:		
Opening fair value of plan assets	**36,513**	53,743
Expected return on plan assets	**2,482**	3,575
Actuarial losses	**(8,568)**	(3,133)
Employer contributions	**1,492**	-
Contributions from plan participants	**475**	250
Benefits paid	**(2,146)**	(7,701)
Use of surplus to fund accumulation plan	**(215)**	(10,221)
Closing fair value of plan assets	**30,033**	36,513

	The Plan			
	2009 $000	2008 $000	2007 $000	2006 $000
The amount included in the balance sheet arising from the entity's obligations in respect of its defined benefit plans is as follows:				
Defined benefit obligation*	**(31,388)**	(37,451)	(38,662)	(32,897)
Fair value on plan assets	**30,033**	36,513	53,744	59,319
Net (liability)/asset recognised in the balance sheet	**(1,355)**	(938)	15,082	26,422

* Includes contributions for tax provision

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

31. Superannuation continued

The actual return on plan assets was negative $6.1 million (2008: $0.4 million)

The Consolidated Entity expects to make a contribution of $1.9 million (2009: $1.5 million) to the defined benefit plans during the next financial year.

	Actual Allocations	
	2009 %	2008 %
The analysis of the plan assets and the expected rate of return at the balance sheet date is as follows:		
Australian shares	**38**	34
Overseas shares	**22**	26
Listed property trusts	**8**	10
Fixed interest	**25**	25
Alternatives/other	**4**	-
Cash	**3**	5
	100	100

(e) Expected rate of return on plan assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between the asset classes. The returns used for each asset class are net of investment tax and investment fees. An allowance for asset-based administration expenses has also been deducted from the expected return. The expected return on assets assumption for pension assets has not been reduced for investment tax.

Historical Information		The Plan			
	2009 $000	2008 $000	2007 $000	2006 $000	2005 $000
Present value of defined benefit obligation	**31,388**	37,451	38,662	32,897	32,222
Fair value of Plan assets	**30,033**	36,513	53,743	59,319	62,980
Deficit/(surplus) in Plan	**1,355**	938	(15,081)	(26,422)	(30,758)
Experience adjustments losses/(gains) – Plan assets	**8,568**	3,133	(3,521)	(3,980)	(6,509)
Experience adjustments (gains)/losses – Plan liabilities	**(1,243)**	3,261	7,614	1,945	3,097

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

32. Retained profits and reserves

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
(a) Available for sale reserve				
Balance at the beginning of the financial year	**1,261**	46,714	**-**	-
Increment/(decrement) revaluation of investments in available for sale (IAG shares)	**293**	(65,046)	**-**	-
Deferred tax arising from evaluation	**(88)**	19,593	**-**	-
Balance at the end of the financial year	**1,466**	1,261	**-**	-
Nature & Purpose of reserve				
The available for sale reserve is used to record increments and decrements in the value of available for sale (IAG shares) and non-current assets				
(b) Equity accounted reserve movement				
Balance at the beginning of the financial year	**(505)**	-	**-**	-
(Decrement) arising from equity accounting	**-**	(505)	**-**	-
Balance at the end of the financial year	**(505)**	(505)	**-**	-
(c) Foreign currency translation reserve				
Balance at the beginning of the financial year	**(148)**	41	**-**	-
Increment/(Decrement) arising from translation of foreign subsidiary	**161**	(189)	**-**	-
Balance at the end of the financial year	**13**	(148)	**-**	-
Nature & Purpose of reserve				
The foreign translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries				
	974	608	**-**	-
(d) Retained Profits Movement in retained profits				
Restated balance at the beginning of the financial year	**686,976**	704,155	**608,867**	566,532
Dividends paid	**(913)**	-	**-**	-
Net (loss)/profit attributable to Members	**(61,792)**	(13,537)	**39,644**	42,335
Actuarial loss (note 31)	**(1,193)**	(3,495)	**-**	-
Deferred tax recognised directly in equity	**(50)**	(147)	**-**	-
Balance at the end of the financial year	**623,028**	686,976	**648,511**	608,867

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

33. Reconciliation of cash and cash equivalents

Reconciliation of net profit after tax to net cash flows from operations

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments				
Reconciliation of net profit/(loss) after income tax to net cash flows from operations				
Net (loss)/profit	**(61,792)**	(13,537)	**39,644**	42,335
Non cash items				
(Profits)/losses on disposal of assets	**361**	(755)	**-**	(1)
Depreciation, amortisation and impairment	**54,836**	34,008	**292**	331
Change in net fair value of investments	**50,414**	51,638	**-**	-
Bad debts	**2,379**	889	**-**	-
Defined benefit plan	**(545)**	7,723	**-**	-
Share of associates and joint ventures profit	**(4,739)**	(23,592)	**-**	-
Net exchange differences	**161**	(110)	**-**	-
Finance cost	**81**	3,002	**81**	71
(Increase)/decrease in operating assets				
Receivables	**2,547**	(3,830)	**-**	91
Inventories	**243**	423	**-**	-
Distribution costs	**582**	755	**-**	-
Prepayment	**1,885**	(1,319)	**537**	(302)
Other	**(237)**	1,232	**-**	-
Contribution to equity participants attributed to other members of the consolidated group	**-**	-	**(34,394)**	(40,192)
(Decrease)/increase in operating liabilities				
Payables	**(9,869)**	9,306	**(273)**	2,671
Provisions	**(1,374)**	761	**(643)**	(730)
Unearned income	**4,200**	5,475	**619**	834
Current tax liability	**(8,954)**	(2,270)	**(5,753)**	(4,847)
Client deposits	**(7,475)**	(2,490)	**-**	-
Security deposit	**1,266**	(187)	**-**	-
Net deferred tax liability	**(17,823)**	(16,118)	**(110)**	(261)
Net cash from operating activities	**6,147**	51,004	**-**	-

34. Contingent liabilities

Total facilities available:				
Motoka Rentals Limited (NZ) lease contingency	**636**	-	**-**	-
Transaction negotiation authority*	**-**	10,021	**-**	-
	636	10,021	**-**	-

* Facility no longer required as payroll and creditor payments are now processed via bank platforms that check bank balances prior to processing

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

35. Commitments for expenditure

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
(a) Estimated expenditure contracted for at reporting date, but not provided for, or payable:				
(i) Total capital commitments	**998**	1,818	**-**	-
(ii) Other expenditure commitments	**1,648**	1,333	**-**	-

The Consolidated Entity had contractual obligations principally relating to operational facilities for different parts of the Group. This commitment is expected to be settled within 12 months from the balance date.

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
(b) Operating leases				
(i) Property				
- due within 1 year	**14,609**	12,683	**2,344**	2,655
- due within 1 – 5 years	**28,374**	28,953	**2,437**	4,781
- due after 5 years	**7,138**	7,663	**-**	-
	50,121	49,299	**4,781**	7,436
(ii) Equipment				
- due within 1 year	**144**	152	**34**	8
- due within 1 – 5 years	**110**	151	**61**	11
	254	303	**95**	19
(iii) Motor Vehicles				
- due within 1 year	**14,802**	13,854	**-**	-
- due within 1 – 5 years	**4,435**	416	**-**	-
- due after 5 years	**219**	-	**-**	-
	19,456	14,270	**-**	-

The Consolidated Entity leases property under non-cancellable operating leases expiring from one to ten years. Leases generally provide the Consolidated Entity 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 Consolidated Entity has entered into commercial leases on items of office machinery. These leases have an average life of 3 years with no renewal option included in the contract. There are no restrictions placed on the lessee by entering into the leases.

Finance lease commitments

The Group has finance lease contracts for a fleet of motor vehicles for the Consolidated Entity. These lease contracts expire within 1 to 5 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

36. Commitments for expenditure continued

Future minimum lease payments under finance lease contracts together with the present value of the net minimum lease payments are as follows:

	Consolidated			
	Minimum Lease Payments 2009 $000	**Present Value of Lease Payments 2009 $000**	Minimum Lease Payments 2008 $000	Present Values of Lease Payments 2008 $000
Within one year	**46,552**	**43,000**	48,468	48,468
After one year but not more than 5 years	**19,124**	**17,365**	25,413	25,413
After more than 5 years	**-**	**-**	136	136
Present value of minimum lease payments	**65,676**	**60,365**	74,017	74,017

The Parent has no finance lease obligations.

37. Investments in 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:

		Percentage of Shares Held		Share Capital	
Name of Entity	**Place of Incorporation**	**2009 %**	2008 %	**2009 $000**	2008 $000
National Roads & Motorists' Assoc. (N.S.W.) Limited **	Australia	**100**	100	**-**	-
NRMA Consolidated Limited **	Australia	**100**	100	**400,000**	400,000
NRMA Holdings Limited **	Australia	**100**	100	**-**	-
NRMA Enterprise Pty Limited **	Australia	**100**	100	**-**	-
NRMA Limited **	Australia	**100**	100	**-**	-
NRMA Motoring Limited **	Australia	**100**	100	**42,700**	42.700
NRMA Mutual Group Limited **	Australia	**100**	100	**-**	-
NRMA Open Road Pty Limited **	Australia	**100**	100	**3,300**	3,300
NRMA Holiday Parks Pty Limited **	Australia	**100**	100	**-**	-
NRMA Treasury Limited **	Australia	**100**	100	**800**	800
NRMA Travel Pty Limited **	Australia	**100**	100	**4,500**	4,500
NRMA Tourist Park No.1 Pty Limited **	Australia	**100**	100	**-**	-
NRMA Tourist Park No.2 Pty Limited **	Australia	**100**	100	**-**	-
NRMA Tourist Park No.3 Pty Limited **	Australia	**100**	100	**-**	-
NRMA Tourist Park No.4 Pty Limited **	Australia	**100**	100	**-**	-
NRMA Tourist Park No.5 Pty Limited	Australia	**100**	100	**-**	-
NRMA Tourist Parks Pty Limited **	Australia	**100**	100	**-**	-
MotorServe Pty Limited **	Australia	**100**	100	**-**	-
NRMA Safer Driving Schools Pty Limited **	Australia	**100**	100	**-**	-
Tourism and Leisure Holdings Pty Limited	Australia	**100**	100	**-**	-
NRMA Travel Technology Pty Limited	Australia	**100**	100	**-**	-
T R Australia Holdings Pty Limited	Australia	**100**	75*	**9,800**	9,800
Adventure World Travel Pty Limited	Australia	**100**	70*	**10,500**	10,500
Adventure World Travel Limited	New Zealand	**100**	70*	**1,500**	1,500
Coral Seas Travel Pty Ltd	Australia	**100**	70*	**76**	76
Kingmill Pty Ltd	Australia	**100**	75*	**11,852**	11,852

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

37. Investments in controlled entities continued

Name of Entity	Place of Incorporation	Percentage of Shares Held 2009 %	2008 %	Investment 2009 $000	2008 $000
Motoka Rentals Limited	New Zealand	**100**	75*	**1,107**	1,107
AFG Investments Pty Ltd	Australia	**100**	-	**70**	-
Creative Cruising Group Pty Ltd	Australia	**100**	-	**-**	-
Value Tours (Aust) Pty Ltd	Australia	**100**	-	**40**	-
Value Tours Methven Ltd	New Zealand	**100**	-	**-**	-

* Legal ownership (2008) ** Member of tax consolidated group (2008)

All Australian subsidiaries are 100% owned and are members of the tax consolidated group at 30 June 2009.

38. Related party disclosures

(a) Ultimate parent

National Roads and Motorists' Association Limited is the ultimate Australian parent entity.

(b) Key Management Personnel

For details relating to key management personnel, including remuneration paid, refer to Note 11.

(c) 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 Note 37. For information regarding outstanding balances on related party trade receivables and payables at year end, refer to Notes 13 and 23 respectively.

Adventure World Travel Pty Limited has a receivable balance of $nil (2008: $18) which is owed by PBN Leisure Pty Ltd (a company related to P. Newsom)

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

Transactions with related parties resulting from business combination transactions during the year are disclosed in Note 39.

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.

(d) Associate Related Entities

All transactions with Australian Motoring Services Pty Ltd (AMS) 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.

(e) Joint Venture Entities

On 30 June 2005 the Consolidated Entity acquired 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

38. Related party disclosures continued

(f) Former Directors

In December 2004, Nicholas Whitlam (a former president and director of NRMA) commenced proceedings against NRMA in the Supreme Court of NSW. He sought a declaration that he was entitled to an indemnity from NRMA with respect to loss and damage to his reputation (and legal fees incurred in seeking to vindicate his reputation) resulting from an alleged defamation of Mr Whitlam in a television interview broadcast on 11 March 2001.

On 29 May 2006, Mr Whitlam's claim came to trial before the Chief Judge of the Commercial List of the Equity Division of the Supreme Court of NSW in Sydney. On 3 August 2006, the Chief Judge delivered judgment. She held that Mr Whitlam was entitled to indemnity from NRMA with respect to the legal fees.

NRMA appealed to the Court of Appeal and a unanimous judgment was delivered on 11 April 2007 overturning the decision of the trial judge. The Court of Appeal held that, when Mr Whitlam incurred legal costs in connection with the defamation actions, his commencement of the actions was not part of his duties as an officer of NRMA and therefore there could be no indemnity with respect to his legal fees.

On 9 May 2007, Mr Whitlam filed an application for special leave to appeal to the High Court. On 31 August 2007, Justices Gleeson, Gummow and Heydon refused the application with costs.

On 23 June 2008, the High Court determined NRMA's reasonable costs of the special leave application to be $23,356.80. A cheque was received from Mr Whitlam in satisfaction of this determination on 24 July 2008. A Costs Assessment of the Supreme Court and Court of Appeal Proceedings certified that NRMA was entitled to costs totalling $467,137.53. A cheque was received from Mr Whitlam in satisfaction of the certificates on 21 November 2008.

39. Business combinations

2009

Acquisition of AFG Investments Pty Limited (Creative Cruising)

On 29 April 2008, two Share Purchase Agreements (SPAs) were entered into between Tourism and Leisure Holdings Pty Limited, the purchaser, AFG Investments Pty Limited, the holding company and two sets of vendors:

- Ernest and Robyn Skalsky; and
- Rodney Muller, Leonard Greis, Julie Slade and Harry Sollander.

The completion date for both SPAs was 1 July 2008, at which point 100% of the ownership of the shares in Creative Cruising transferred to the purchaser.

The total cost of combination was $4.6 million and comprised the payment of cash and costs directly attributable to the combination. There was an earn out period from 1July 2008 to 30 June 2009. An estimated final instalment of $1.5 million was paid in escrow, however, based on the earn out period result, this is not payable to the vendors and is now due and receivable back to the purchaser and has thus not been included in the cost of combination.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

39. Business combinations (2009) (continued)

The fair value of the identifiable assets and liabilities of Creative Cruising Pty Ltd as at the date of acquisition were:

	Notes	Recognised on acquisition	Carrying Value
		$000	$000
Plant and equipment		62	62
Other receivables		185	185
Cash and cash equivalents		3,771	3,771
Intangibles		120	120
		4,138	4,138
Other current liabilities		251	251
Customer deposits		3,036	3,036
Provisions – employee related	40	237	237
		3,524	3,524
Fair value of identifiable net assets		614	
Goodwill arising on acquisition		4,010	
		4,624	
Cost of combination:			
Cash paid		4,500	
Direct costs relating to the acquisition		124	
Total cost of combination		4,624	
The cash outflow on acquisition is as follows:			
Net cash acquired with the subsidiary		3,771	
Cash paid		(4,624)	
		(853)	

From the date of acquisition, which resulted in the consolidation of a full years trading result, Creative Cruising has contributed $0.1 million to the net profit of the Group and revenue from operations was $2.0 million.

As part of allocating the cost of combination, no separately identifiable intangible assets were identified. As a result, the full excess of the cost of combination over the fair value of the net assets acquired is deemed to be goodwill.

Acquisition of Value Tours (Aust) Pty Limited

On 29 July 2008, a Share Purchase Agreement (SPA) was entered into between the Tourism and Leisure Holdings Pty Limited, the purchaser and Peter Marsh, P&W Marsh Investments Pty Limited, Leonard Murray, Janice Murray, John Ross, Bronwyn Ross, and Janlen Pty Limited, the vendors.

The completion date of the SPA was 31 July 2008, at which point 100% of the ownership of the shares in Value Tours transferred to the purchaser.

The total cost of combination was $11.9 million and comprised the payment of cash, costs directly attributable to the combination and the fair value of an agreed earn out payment. There was an earn out period from 1 August 2008 to 31 March 2009. A final instalment of $2.8 million was paid in escrow and has been included in the cost of combination.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

39. Business combinations (2009) (continued)

The fair value of the identifiable assets and liabilities of Value Tours (Aust) Pty Limited as at the date of acquisition were:

	Notes	Recognised on acquisition $000	Carrying Value $000
Plant and equipment		118	118
Intangible assets		2	2
Other receivables		142	142
Cash and cash equivalents		9,297	9,297
		9,559	9,559
Other current liabilities		55	55
Client deposits		8,390	8,390
Provisions – employee related	40	1,087	1,087
		9,532	9,532
Fair value of identifiable net assets		27	
Goodwill arising on acquisition		11,885	
		11,912	
Cost of combination:			
Cash paid		9,040	
Final instalment		2,760	
Direct costs relating to the acquisition		112	
Total cost of combination		11,912	
The cash outflow on acquisition is as follows:			
Net cash acquired with the subsidiary		9,297	
Cash paid		(11,912)	
		(2,615)	

From the date of acquisition, Value Tours has contributed $0.4 million to the net profit of the Group and operational revenue was $5.1 million. If the combination had taken place at the beginning of the financial year, the net profit from operations for the Group would have been $1.2 million and revenue from operations would have been $8.2 million.

As part of allocating the cost of combination, no separately identifiable intangible assets were identified. As a result, the full excess of the cost of combination over the fair value of the net assets acquired is deemed to be goodwill.

Adventure World Travel Earn Out

On 1 February 2007, the original acquisition date of Adventure World Travel, an earn-out payment agreement for the period 1 August 2006 to 30 September 2007 was entered into between NRMA Treasury Limited, the purchaser, and A.C.N. 122609741 Pty Limited, the vendor.

The earn-out payment was settled on 15 August 2008 for an agreed $0.2 million. No financial liability was recorded as part of the original cost of combination reported in the 2007 financial year. In the 2009 financial year, this additional cost has been added to the goodwill arising from this business combination.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

39. Business combinations (2009) (continued)

Adventure World Travel Option

On 1 February 2007, the original acquisition date of Adventure World Travel, a share option over the remaining 30% shareholding, which had a minimum exercise price and enforcement period, was entered into between NRMA Treasury Limited, the purchaser, and A.C.N. 122609741 Pty Limited, the vendor.

The option was settled on 30 September 2008 for an agreed $8.9 million. NRMA Treasury Limited offset the payment in relation to the 30% shareholding against the financial liability from the original cost of combination reported in the 2007 financial year, which was subsequently re-valued during the 2008 financial year.

Coral Seas Travel Earn Out

On 30 September 2007, the original acquisition date of Coral Seas Travel, an earn-out payment agreement for the period 1 October 2007 to 30 June 2008 was entered into between Adventure World Travel Pty Limited (AWT), the purchaser, and Richard & Kathryn Hankin, the vendors.

The earn-out payment was settled on 12 September 2008 for an agreed $0.8 million. AWT offset the payment in relation to the earn-out against the financial liability from the original cost of combination reported in the 2008 financial year.

Thrifty Option

On 14 August 2006, the original acquisition date of Thrifty, a share option over the remaining 25% shareholding, which had a minimum exercise price and enforcement period, was entered into between NRMA Treasury Limited, the purchaser, and the J.H. Walker Family Trust, the vendor.

The option was settled on 12 December 2008 for an agreed $1. NRMA Treasury Limited offset the payment in relation to the 25% shareholding against the financial liability from the original cost of combination reported in the 2007 financial year, which was subsequently re-valued during the 2008 financial year.

Recognition of outlays for business contributions:

	2009 $000
Creative Cruising	(853)
Value Tours	(2,615)
AWT earn out	(244)
AWT option	(8,925)
Coral Seas earn out	(750)
Thrifty option	-
	(13,387)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

39. Business combinations (continued)

2008 Comparative Information

Acquisition of Coral Seas Travel Pty Limited.

On 30 September 2007, a shareholders' agreement relating to Coral Seas Travel Pty Ltd was entered into between Adventure World Travel Pty Limited (AWT) and Richard Hankin & Kathryn Hankin, the vendors. This agreement gave a 100% shareholding to AWT.

The total cost of the combination was $3.2 million and comprised the payment of cash, costs directly attributable to the combination and the fair value of an agreed earn out.

There is an earn out period from 1 October 2007 to 30 June 2008 which has a minimum exercise price and a specified enforcement date. As a result, the required financial liability has been recorded and the relevant balance incorporated into the cost of combination.

The fair value of the identifiable assets and liabilities of Coral Seas Travel Pty Ltd as at the date of acquisition were:

	Recognised on acquisition	Carrying Value
	$000	$000
Plant and equipment	52	52
Trade receivables	122	122
Lease deposit	32	32
Cash and cash equivalents	2,925	2,925
Other current assets	12	12
	3,143	3,143
Trade payables	108	108
Other current liabilities	38	38
Client deposits	2,557	2,557
Provisions – employee related	120	120
	2,823	2,823
Fair value of identifiable net assets	320	
Goodwill arising on acquisition	2,914	
	3,234	
Cost of combination:		
Cash paid	2,250	
Earn out	750	
Direct costs relating to the acquisition	234	
Total cost of combination	3,234	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	2,925	
Cash paid	(2,484)	
	441	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

39. Business combinations (2008) (continued)

In the 2008 financial year, Coral Seas Travel Pty Ltd has contributed $0.5 million to the net profit of the Group. If the combination had taken place at the beginning of the year, the net profit from operations for the Group would have been $0.6 million and revenue from operations would have been $2.4 million.

As part of allocating the cost of combination, no separately identifiable intangible assets were identified. As a result the full excess of the cost of combination over the fair value of the net assets acquired is deemed to be goodwill.

Acquisition of Australian Classic Car Magazine.

On 30 September 2007, a business sale agreement was entered into between NRMA Limited and Australian Classic Motoring Press Pty Ltd (ACM) to acquire agreed assets and liabilities owned by ACM, including the rights to the Australian Classic Car Magazine (ACCM) publication. The total cost of combination was $0.7 million and comprised cash payments and directly attributable costs.

In the 2008 financial year, ACCM has contributed $0.1 million to the net profit of the Group.

The fair value of the identifiable assets and liabilities of ACCM at the date of acquisition were:

	Recognised on acquisition	Carrying Value
	$000	**$000**
Plant and equipment	15	15
Inventories	20	20
Prepayments	13	13
	48	48
Client deposits	50	50
	50	50
Fair value of identifiable net assets	(2)	
Goodwill arising on acquisition	744	
	742	
Cost of combination:		
Cash paid	690	
Direct costs attributable to acquisition	52	
Total cost of combination	742	
The cash outflow on acquisition is as follows:		
Net cash acquired with the business	-	
Cash paid	742	
	(742)	

As the combination transaction is a business sale and not a company purchase, it is not possible to estimate ACCM's impact on the profit and revenue of the Group as if the combination had taken place at the beginning of the year.

Included in the $0.7 million of goodwill recognised above is intellectual property, which is not recognised separately as it cannot be measured reliably and therefore cannot be assigned a fair value. No other separately identifiable intangible assets were identified during the acquisition process.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

39. Business combinations (2008) (continued)

Acquisition of Motoka Rentals Limited (trading as Thrifty NZ)

On 11 October 2007 Kingmill Pty Ltd acquired 70% of the voting shares of Motoka Rentals Limited, an unlisted company based in New Zealand specialising in the provision of 'for hire' vehicles.

On 8 February 2008 Kingmill Pty Ltd acquired the remaining 30% of the voting shares of Motoka Rentals Limited, effectively acquiring 100% of the voting shares and gaining outright control.

The total cost of combination was $1.4 million and comprised the payment of cash and costs directly attributable to the combination.

The fair value of the identifiable assets and liabilities of Motoka Rentals Limited as at the date of acquisition were:

	Recognised on acquisition	Carrying Value
	$000	$000
Plant and equipment	293	293
Trade receivables	1,279	1,279
Prepayments	405	405
Intangibles	256	256
Other current assets	330	330
	2,563	2,563
Trade payables	2,412	2,412
Bank overdraft	378	378
Other current liabilities	621	621
Interest bearing loans and liabilities	20	20
Provisions – employee related	172	172
	3,603	3,603
Fair value of identifiable net assets	(1,040)	
Goodwill arising on acquisition	2,449	
	1,409	
Cost of combination:		
Cash paid	1,361	
Direct costs relating to the acquisition	48	
Total cost of combination	1,409	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	(378)	
Cash paid	(1,409)	
	(1,787)	

In the 2008 financial year, Motoka Rentals Limited has contributed a loss of $2.4 million to the net loss of the Group.

If the combination had taken place at the beginning of the year, the loss from operations for the Group would have been $3.3 million and revenue from operations would have been $18.2 million.

As part of the cost of combination, no separately identifiable intangibles assets were identified. As a result, the full excess of the cost of combination over the fair value of the set assets acquired is deemed to be goodwill.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

39. Business combinations (2008) (continued)

Adventure World Travel Share Subscription

On 1 February 2007, the original acquisition date of Adventure World Travel Pty Limited (formerly known as NRMA Travel No.1 Pty Limited), a subscription deed for a further issue of shares was entered into between NRMA Travel No.1 Pty Limited, NRMA Treasury Limited and A.C.N. 122609741 Pty Limited. The deed allowed for a further subscription of 2,000,000 partly paid ordinary shares, $200 having been paid in the 2007 financial year in accordance with the deed.

The remaining $1,999,800 was paid in full by NRMA Treasury Limited and the shares duly issued in September 2007. The deed provided for NRMA Treasury Limited to receive 70% of the issued shares and A.C.N. 122609741 Pty Limited the remaining 30%.

NRMA Treasury Limited offset the payment in relation to the 30% share holding against the deferred consideration from the orignal cost of combination reported in the 2007 financial year.

Thrifty Franchise Buy-Backs

Throughout the 2008 financial year, Thrifty has continued to buy-back various franchises to further develop its' network of facilities. During 2008 a total spend of $7,234,000 (2007: $4,158,000) was made in acquiring the following franchises:

- Ballina;
- Albury;
- Sydney West;
- Sydney North;
- Newcastle;
- South Queensland;
- Sydney South-West; and
- Melbourne Suburban.

Recognition of outlays for business contributions:

	2008 $000
Thrifty New Zealand (Motoka Rentals Limited)	(1,787)
Australian Classic Car Magazine	(742)
Coral Seas	441
AWT Share Subscription	(2,000)
Thrifty franchise buy-backs	(7,234)
	(11,322)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

40. Employee Entitlements

	Notes	Consolidated		Parent	
		2009 $000	2008 $000	**2009 $000**	2008 $000
(i) Provision for employee entitlements					
Current	24	**18,734**	17,977	**-**	-
Non-current	26	**1,488**	2,106	**-**	-
Aggregate employee benefit liability		**20,222**	20,083	**-**	-
Movement in provision for employee entitlements					
Carrying amount at the beginning of the financial year		**20,083**	17,505	**-**	-
Business acquisition	39	**1,324**	140	**-**	-
Additional provision raised		**13,273**	9,049	**-**	-
Amounts utilised during the year		**(14,458)**	(6,611)	**-**	-
Carrying amount at the end of the financial year		**20,222**	20,083	**-**	-
(ii) Restructure – employee related					
Current		**452**	511	**-**	126
Movement in provision for restructure					
Carrying amount at the beginning of the financial year		**511**	2,382	**126**	1,030
Additional provision raised		**452**	511	**-**	126
Amounts utilised during the year		**(511)**	(2,382)	**(126)**	(1,030)
Carrying amount at the end of the financial year		**452**	511	**-**	126

The provision for restructure represents the present value of the Directors' best estimate of the costs directly and necessarily caused by the restructuring that are not associated with the ongoing activities of the Consolidated Entity.

41. Roadside assistance business

Overview of product

Service Members pay a membership subscription to access a range of benefits which include roadside assistance services. The Membership subscriptions are not risk rated on the likelihood of a request for roadside assistance services but are based on the total cost of providing all the product benefits. These include NRMA product discounts, the Open Road magazine, online maps, advocacy, the Show your Card and Save program, motoring advice and assistance.

Roadside assistance services are generally limited to getting the Member's vehicle going or having the vehicle towed to a place where repairs can be carried out at the Members' expense. Total Classic and Premium Care however provide extended benefits although these are subject to annual limits. As no significant additional benefits are payable when the service is provided and no material assumptions are required to measure amounts recognised in relation to this business, there is little uncertainty involved in determining the nature, amount and timing of future cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

41. Roadside assistance business continued

Profit/(loss) after income tax

	Consolidated		Parent	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Roadside assistance revenue and expenses included in the revenue statement:				
Subscription income attributed to roadside assistance services	**181,845**	180,300	**32,675**	31,552
Direct costs of roadside assistance service	**(177,391)**	(178,824)	**(5,872)**	(5,365)
	4,454	1,476	**26,803**	26,187

The direct costs of roadside assistance service reflect the expenditure related to the cost of acquisition of Service Members, answering 2,082,862 (2008: 2,080,977) service calls and attending more than 1,502,476 (2008: 1,539,187) roadside assistance jobs.

Assets and liabilities

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2009 $000	Parent 2008 $000
Roadside assistance assets and liabilities included in the balance sheet:				
Deferred distribution costs	**1,969**	2,551	**-**	-
Unearned income	**(105,132)**	(100,932)	**(15,515)**	(14,895)
	(103,163)	(98,381)	**(15,515)**	(14,895)

42. Matters subsequent to the end of the financial year

There have been no matters or circumstances that have arisen since 30 June 2009 up to the date of this report that would significantly affect:

(i) the operations of the Consolidated Entity;
(ii) the results of those operations; and
(iii) the state of affairs of the Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

43. Closed group class order disclosures

The Closed Group financial statements include the financial statements of National Roads and Motorists' Association Limited and the subsidiaries listed in the following table:

		Percentage of Shares Held		Share Capital	
Name of Entity	Place of Incorporation	2009 %	2008 %	2009 $000	2008 $000
National Roads & Motorists' Assoc. (N.S.W.) Limited *	Australia	100	100	-	-
NRMA Consolidated Limited *	Australia	100	100	400,000	400,000
NRMA Holdings Limited *	Australia	100	100	-	-
NRMA Limited *	Australia	100	100	-	-
NRMA Enterprise Pty Limited *	Australia	100	100	-	-
NRMA Motoring Limited *	Australia	100	100	42,700	42,700
NRMA Mutual Group Limited *	Australia	100	100	-	-
NRMA Open Road Pty Limited *	Australia	100	100	3,300	3,300
NRMA Treasury Limited *	Australia	100	100	800	800
NRMA Tourist Parks Pty Limited *	Australia	100	100	-	-
MotorServe Pty Limited *	Australia	100	100	-	-
NRMA Safer Driving Schools Pty Limited *	Australia	100	100	-	-
NRMA Holiday Parks Pty Limited **	Australia	100	100	-	-
NRMA Tourist Park No.1 Pty Limited **	Australia	100	100	-	-
NRMA Tourist Park No.2 Pty Limited **	Australia	100	100	-	-
NRMA Tourist Park No.3 Pty Limited **	Australia	100	100	-	-
NRMA Tourist Park No.4 Pty Limited **	Australia	100	100	-	-
NRMA Tourist Park No.5 Pty Limited ***	Australia	100	100	-	-
Tourism and Leisure Holdings Pty Limited ***	Australia	100	100	-	-
NRMA Travel Technology Pty Limited ***	Australia	100	100	-	-
T R Australia Holdings Pty Limited ****	Australia	100	-	9,800	-
Kingmill Pty Ltd ****	Australia	100	-	11,852	-
Adventure World Travel Pty Limited *****	Australia	100	-	10,500	-
Adventure World Travel Limited *****	New Zealand	100	-	1,500	-
NRMA Travel Pty Limited *****	Australia	100	-	4,500	-
AFG Investments Pty Ltd *****	Australia	100	-	70	-
Creative Cruising Group Pty Ltd *****	Australia	100	-	-	-
Value Tours (Aust) Pty Ltd *****	Australia	100	-	40	-
Value Tours Methven Ltd *****	New Zealand	100	-	-	-

* Deed of Cross Guarantee 7 December 2006
** Assumption Deed 22 June 2007
*** Assumption Deed 25 June 2008
**** Assumption Deed 2 March 2009
***** Assumption Deed 29 June 2009

Entities subject to class order relief

Pursuant to Class Order 98/1418, 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 Order, 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 and 29 June 2009, as indicated above. The effect of the deed is that National Roads and Motorists' Association Limited has guaranteed to pay any deficiency in the event of winding up any Closed Group Entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

43. Closed group class order disclosures continued

The Closed Group Entities have also given a similar guarantee in the event that NRMA is wound up or, if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The consolidated income statement and balance sheet of the Closed Group are as follows:

	Closed Group	
Consolidated Income Statement	**2009 $000**	2008 $000
(Loss)/profit from operations before income tax	**(74,947)**	(2,700)
Income tax	**16,660**	(782)
(Loss)/profit after income tax	**(58,287)**	(3,482)
Addition of new members to the Closed Group	**2,866**	-
Actuarial loss	**(1,243)**	(3,642)
Retained earnings at the beginning of the year	**686,600**	693,724
Retained earnings at the end of the year	**629,936**	686,600
Consolidated Balance Sheet		
Cash and cash equivalents	**43,806**	20,999
Trade and other receivables	**31,117**	24,748
Inventories	**1,212**	505
Deferred distribution costs	**1,869**	2,456
Current assets	**78,004**	48,708
Other financial investments and investments in subsidiaries	**297,464**	404,294
Investments in associates and joint ventures	**106,040**	111,019
Available for sale financial assets	**101,964**	101,671
Property, plant and equipment	**210,729**	147,187
Investment property	**1,216**	1,216
Deferred distribution costs	**100**	93
Intangible assets and goodwill	**119,230**	72,820
Non current assets	**836,743**	838,300
Total assets	**914,747**	887,008
Trade and other payables	**39,842**	39,827
Income tax payable	**321**	10,900
Provisions	**18,841**	16,081
Interest bearing loans and liabilities	**58,210**	-
Unearned income	**100,000**	94,421
Client deposits	**20,917**	1,831
Current liabilities	**238,131**	163,060
Provisions	**2,991**	2,577
Interest bearing loans and liabilities	**17,717**	-
Deferred tax liabilities	**11,278**	20,684
Unearned income	**5,133**	6,511
Deposits	**7,227**	5,961
Defined benefit plan liability	**1,355**	938
Non current liabilities	**45,701**	36,671
Total liabilities	**283,832**	199,731
Net assets	**630,915**	687,277
Reserves	**979**	677
Retained earnings	**688,223**	690,082
Current year (loss)/profit	**(58,287)**	(3,482)
Total equity	**630,915**	687,277

DIRECTOR'S DECLARATION

In accordance with a resolution of the Directors of National Roads and Motorists' Association Limited ('the Company'), we state that:

1. In the opinion of the Directors:

   a) the financial statements and notes of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2009 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 will be able to pay its' debts as and when they become due and payable.

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 2009.

3. In the opinion 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 42 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

W S Machin	**M T Tynan**
President	**Deputy President**

Sydney, 26 August 2009

INDEPENDENT AUDITOR'S REPORT

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Independent auditor's report to the members of National Roads and Motorists' Association Limited

We have audited the accompanying financial report of National Roads and Motorists' Association Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

INDEPENDENT AUDITOR'S REPORT

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of National Roads and Motorists' Association Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of National Roads and Motorists' Association Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and

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

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Ernst & Young

David Simmonds
Partner
Sydney
26 August 2009

SEGMENT REPORTING

This disclosure is unaudited and is presented to the Members separate to the financial report.

The Consolidated Entity operates predominantly in one geographical area, Australia.

The Consolidated Entity operates predominantly in one business segment, being the provision of road and other services to its Members and customers. The other main sources of revenue for the Consolidated Entity are investment income, which is generated from a significant base of Investments and Travel & Touring, the result of which is mainly due to the acquisitions made during the current and previous financial years. Therefore, Investment and Travel & Touring related activities are reported below as separate business segments.

	Consolidated							
	Member Services		Investments		Travel & Touring		Total	
	2009 $000	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000
Revenue								
External segment revenue	**227,296**	218,190	**40,984**	50,103	**359,072**	309,739	**627,352**	578,032
Total segment revenue	**227,296**	218,190	**40,984**	50,103	**359,072**	309,739	**627,352**	578,032
Result								
Segment result before Members special projects	**(22,945)**	(13,118)	**(11,618)**	(2,995)	**(34,750)**	7,557	**(69,313)**	(8,556)
Expenses from Member special projects	**(9,421)**	(7,143)		-		-	**(9,421)**	(7,143)
Segment Result	**(32,366)**	(20,261)	**(11,618)**	(2,995)	**(34,750)**	7,557	**(78,734)**	(15,699)
Income tax benefit relating to ordinary activities							**16,942**	2,162
Net (loss)/profit attributable to the members of the parent entity							**(61,792)**	(13,537)
Assets								
Segment assets	**71,490**	48,803	**431,852**	550,583	**308,716**	320,277	**812,058**	919,663
Equity accounted investments	**-**	-	**11,185**	10,553	**94,855**	100,466	**106,040**	111,019
Consolidated total assets							**918,098**	1,030,682
Liabilities								
Segment liabilities	**145,274**	152,565	**15,829**	28,210	**132,993**	162,323	**294,096**	343,098
Consolidated total liabilities							**294,096**	343,098