NATIONAL ROADS AND MOTORISTS' ASSOCIATION LIMITED AND ITS CONTROLLED ENTITIES

Financial Report

30 June 2010

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.

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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 2010.

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 is 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 and is Councillor and life member of the Motor Trader Association.

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

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 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.

DIRECTORS' REPORT

The geographical area 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 strongly represents the interests of NRMA members locally.

Mr GJ (Graham) Blight MAICD

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 currently a Director of several private and family company businesses.

Mr K (Kyle) Loades FAICD

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 Pty Ltd, an independent motor vehiclebuying/advisory service that delivers vehicles to clients Australia widefrom its Hunter and Central Coast base.

Mr Loades is a Director of The Westpac Helicopter Rescue Service, a member of the Salvation Army Red Shield Appeal Committee and supports other local charities. He is a former Director and President of Hunter Business Chamber, a former Board Member of Hunter Tourism, a Life 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. 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 the Chair of Eco-Motive, an Australian company developing alternative fuel technologies for motorists. He is also a Director and owner of Dyno Dynamics (Aust)Pty Ltd, Strategic Consulting Services Pty Ltd and a Director of Citywide Service Solutions Pty Ltd. He has also held senior executive positions in the public and private sectors, including as CEO of Medicines Australia, Head of the Commonwealth 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 active motor sport participant and is a Director of CAMS and Chair of Rally Australia Pty Ltd. He drives extensively throughout NSW and the ACT as well as spending time driving on interstate and international roads giving him first hand knowledge of comparable road standards.

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, Live Life Villages and is a former member of the NSW Sports Advisory Board.

Ms C (Coral) Taylor GAICD

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, MAICD

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. Mr Mowat is a Senior Associate of the Financial Services Institute of Australasia, an Associate of the Australian Institute of Superannuation Trustees 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;
- driver training;
- 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.

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

DIRECTORS' REPORT

STRATEGIC ACTIVITIES

June 2010 brought us to the end of our three year corporate strategic plan. Under this plan the group had focussed on SEEK – strengthen the core, expand the business, enhance communication to our Members and keep improving our business. The long term objective of this plan was to diversify the businesses anchored around motoring.

Due to the poor economic outlook coming into the final year of the corporate strategic plan, the business focussed on 'consolidate, turnaround and innovate' to meet these tougher economic conditions. The objectives of this year were to consolidate the core business, turnaround subsidiary performance and innovate to position us for sustainable growth.

Consolidating the core business was focussed on realising synergies from the recent acquisitions of Thrifty and Travel, thereby increasing efficiency and reducing costs across the organisation.

The focus on cost reduction resulted in exceeding the Boards cost reduction targets which assisted in the Group returning to profitability. Continued focus on our core businesses of roadside assistance and advocacy while the new acquisitions were being integrated ensured Members remained engaged with the organisation and the Group was able to protect and support the NRMA brand by maintaining its high standards of customer service. This was recognised when NRMA won the Australian Business Award for Customer Service for a second time.

NRMA measures its performance across a number of parameters, the most significant ones being Member engagement, financial performance and staff engagement. There are specific key performance indicators for each of these parameters and for the financial year to 30 June 2010, these indicators have been met or exceeded. A summary is provided in the table below:

Parameter	KPI
Member Engagement	Positive Membership growth
Member Engagement	Increased retention rate
Financial Performance	Positive Operating Profit
Staff Engagement	Increase in Staff engagement

DIRECTORS' REPORT

RESULTS AND REVIEW OF OPERATIONS

The consolidated net profit for the financial year was:

	2010 $(m)	2009 $(m)
Operating profit/(loss) before change in fair value of investments and profit share from Joint Ventures and Associates	**2.4**	(33.0)
Profit share from Joint Ventures and Associates	**13.3**	4.7
Operating profit/(loss) before change in fair value of investments	**15.7**	(28.3)
Change in net fair value of investments	**10.2**	(50.4)
Profit/(loss) from ordinary activities before income tax	**25.9**	(78.7)
Income tax (expense)/benefit relating to ordinary activities	**(6.6)**	16.9
Net profit/(loss) attributable to Members of the parent entity	**19.3**	(61.8)

The operating profit of the Consolidated Entity before change in fair value of investments for the year was $15.7 million (2009: loss of $28.3 million). The Consolidated Entity's net profit attributed to Members for the year was $19.3 million (2009: loss of $61.8 million) including a $10.2 million increase in the net fair value of investments (2009: decrease in net fair value of investments $50.4 million).

For information on the result and review of operations refer to the Review of Operations and Financial Condition on pages 24 to 29.

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 24 to 29. 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 24 to 29, 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 2010 up to the date of this report that would significantly affect:

- the operations of the Consolidated Entity;
- the results of those operations; and
- 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 method 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 (2009: $55,000) per annum in Board fees. The Deputy President and the President receive $110,000 (2009: $110,000) per annum and $165,000 (2009: $165,000) per annum respectively.

The Chair of the Audit, Risk Management & Compliance Committee receives $25,665 (2009: $25,665) and the Chairs of the other Committees receive $18,585 (2009: $18,585). 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.

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).

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

No fees are payable for subsidiary Board appointments.

WRITTEN RESOLUTIONS OF THE BOARD

During the year there were no meetings of the Board held by written resolution.

BOARD SUB-COMMITTEE MEETINGS

During the year there were 5 meetings 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 strategy for the period from 2010-2013 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	9		9				4		4	4		4			
Mr G J Blight	9	1L	8	5	1L	4				4	1T	4			
Mr A H Evans	9		9				4	1L & 1T	3	4	1T	4			
Ms D Fraser	9		9				4	1T	4	4	1L	3			
Mr K Loades	9		9	5		5							4		4
Ms W S Machin	9		9	5	4X	5	4	4X	4	4	4X	4	4		4
Ms C Taylor	9		9	-	1V	1				4		4	4		4
Mr G Toovey	9	1L	8	5		5	4		4						
Mr M T Tynan	9		9	5		5	4	1L & 3X	3	4	1L	3	4	4X	4

(V) Visitor
(T) Attended meeting by phone
(L) Leave of absence granted by Board
(X) Ex-Officio Member

In addition to the above, a sub-Committee of the Finance and Investments Committee met once 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	
	2010 $	2009 $
Short-term employment benefits	**5,225,230**	4,769,905
Post-employment benefits	**502,455**	384,657
Other long-term employment benefits	**424,335**	339,367
Termination benefits	**225,000**	-
	6,377,020	5,493,929

Key Management Personnel includes subsidiary executives. The increase in compensation reflects the full year impact of including 4 subsidiary executives, partially offset by a decrease in Directors' fees as a result of a change in Corporate Governance structure in March 2009.

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	
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	Ceased
Ms H Burgess	Group General Counsel and Secretary		
Ms D Day	General Manager, NRMA Holiday Parks		
Mr C Frier	CEO, Tourism & Leisure Holdings		07-May-10
Mr O Gilbert	CEO, NRMA MotorServe		
Mr M Kaye	Executive General Manager, Strategy & Capability		27-Nov-09
Mr D Lumb	Executive General Manager, Corporate Communications		
Mr B McGoldrick	CEO, Thrifty Car Rental		
Mr J Simmons	Executive General Manager, Motoring & Member Services		
Mr K Stanley	Acting CEO, Tourism & Leisure Holdings	10-May-10	
Mr T Stuart	Group Chief Executive Officer		
Mr A Tilley	Group Chief Financial Officer		
Ms M Willis	Executive General Manager, Strategy & Investments	01-Dec-09	

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 2010 to 30 June 2011. The policy prohibits disclosure of the nature of the liabilities and the amount of the premium in respect of that insurance.

GOVERNANCE LITIGATION

There were no governance litigation matters during the period.

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.

The Company is proposing a resolution to amend the Constitution on which Members will be asked to vote at the 2010 AGM, one of the effects of which, if approved, would be for Board elections to take place every four years and for directors to serve a maximum aggregate term of 12 years from the date of first election to the Board. Members should refer to the Notice of Meeting for full details.

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, and it is not therefore 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.

DIRECTORS' REPORT

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 or entering contracts without Board approval;
- Approving significant changes to 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 social 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 and reviewing the ongoing 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 that they present a true and fair view.

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.

DIRECTORS' REPORT

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;
- 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, equal opportunity, fair dealing, NRMA assets and compliance.

DIRECTORS' REPORT

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 and briefing sessions designed to provide all relevant information about the Group to 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 pages 10 and 11.

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. At the 2010 AGM, the Company is proposing a resolution to be put to Members to approve a new Consitution. One of the proposed changes introduced by the new Constitution is an amendment to increase Directors' fees automatically each year on 1 January by no more than the amount of the Consumer Price Index.

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.

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 external expert.

Performance review

In accordance with the Board Charter, a review of the Board's performance is undertaken every two years. During the period, an independent review of Board Performance was undertaken with the assistance of KPMG Advisory Services. The next review is due to be undertaken in 2012.

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 9 times a year. In addition, it meets whenever necessary to deal with specific matters needing attention between the scheduled meetings. During the 2010 financial year, the Board met 9 times.

Papers 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.

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.

DIRECTORS' REPORT

Board meetings have been held in various locations during the financial year, including at the Company's Head Office in York Street, Sydney and at Mascot, North Sydney, Newcastle 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 11.

Meetings with the Group Chief Executive Officer

During the 2010 financial year, the Board continued the practice of meeting on its own or 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 4 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 particular 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 or strategic business opportunities; and
- the 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 the 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;
- 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.

DIRECTORS' REPORT

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.

To assist with its duties and to contribute to its discussions and deliberations, during the period, the Committee appointed a non-voting independent consultant, Mr Peter Merrett, a former partner of PricewaterhouseCoopers. Mr Merrett was appointed to provide both advice and an external perspective to the Committee's work, without the duties imposed on a Director. He also acted as an advisor/sounding board to the Chair of the Committee, as required.

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

Membership: Mr G Toovey (Chair), Mr D Bentham, Mr A Evans, Ms D Fraser, Ms W Machin (ex officio) and Mr M Tynan (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 assessing the governance practices of both the Board and the Group.

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

Industry Advisory Panels

As a result of a change in the Corporate Governance structure of the Group in March 2009, 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 may 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 that 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.

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 work with NRMA as a champion in the following roles:

- Alternative Fuels & Technologies Ambassador (Mr A Evans);
- Driver Safety Ambassador (Ms C Taylor); and
- Youth Ambassador.

The Company has yet to appoint a 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

DIRECTORS' REPORT

RISK MANAGEMENT

The Company has established a structured 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)

Being a good corporate citizen has always been a part of what NRMA does, as reflected in its Constitution and in the Company's corporate values of Community, Help, Integrity, Quality and Speaking out.

In 2009, the Company outlined a series of commitments and updated Members on activities which supported its approach to corporate responsibility. Key areas included Community, Governance, Environment, Advocacy, Members (including stakeholder management and Member satisfaction), People and Safety. A progress report for 2009/10 is available at www.mynrma.com.au.

The Company have also made good progress in developing a Group Environmental Management System and has developed a Group Environment Policy outlining NRMA's commitment to environmental performance and, at a minimum, environmental compliance across the Group.

NRMA is continuing to advocate for action on the need to reduce Australia's oil dependence through a Sustainable Transport Policy. A highlight of the 2010 year was the release of the latest Jamison Group report *Fuelling future passenger vehicle use in Australia,* and culminating in the NRMA Alternative Fuels and Technology Summit in March 2010.

The aim of the Summit was to bring together industry, government and research groups to foster a call for action. The Summit was oversubscribed and the feedback has been highly positive. Coming out of the Summit was the development of a coalition for action with NSW Farmers, Australian Conservation Foundation, Environment Business Australia and Jamison Group. This coalition is calling for a Government commitment to reduce oil dependence by 75% by 2030.

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 and regularly updates 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 23 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
President

G Toovey
Director

Sydney, 25 August 2010

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

In relation to our audit of the financial report of National Roads and Motorists' Association Limited and Controlled Entities for the financial year ended 30 June 2010, 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
25 August 2010

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

FINANCIAL HIGHLIGHTS

The Consolidated Entity's operating profit for the year before change in fair value of investments was $15.7 million (2009: loss of $28.3 million).

The improved performance of the share markets saw NRMA's net assets increase by $22.7 million (positive 3.6%) to $646.7 million (2009: decrease $63.6 million (negative 9.2%) to $624.0 million). The Consolidated Entity recorded a net profit attributable to Members of $19.3 million compared to a $61.8 million net loss in 2009.

The Major Components of the Financial Results were:

- Revenue from operations increased by 12.9% to $430.3 million;
- NRMA's investment portfolio produced a positive return of 12.3% (2009 : negative 4.2%) for the year, excluding IAG;
- Investment Income of $25.8 million is 25.9% down on prior year reflecting the lag impact of the GFC on dividend yields plus lower interest rates;
- The increase in net fair value of investments of $10.2 million reflects the modest improvement in Australian and International share markets;
- NRMA's share in jointly controlled ventures and associated companies generated profits of $13.3 million, up from $4.7 million in 2009;
- Income tax expense of $6.6 million compared to $16.9 million benefit in 2009 reflecting the improved result.

Operations

The increase of $44.0 million in operating profit before change in fair value of investments from a loss of $28.3 million to a profit of $15.7 million is mainly due to :

- A $5.5 million increase in revenue from operations;
- Focus on cost management whilst maintaining service levels resulting in a decrease of $35.6 million (7.3%) in expenses from operations;
- A reduction in financing costs of $3.5 million (37%);
- Improved returns from associates and joint ventures (primarily Travelodge) totalling $8.5 million;
- A decrease in Governance costs including election and Annual General Meeting of $4.0 million; and partially offset by
- A decrease in investment income of $9.0 million (25.9%) as noted above.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

Operational Highlights

- Despite the continuing economic uncertainty and the resulting lack of consumer confidence, NRMA membership subscriptions continued to increase with a net paid growth in 2010 of 0.7%;
- For the second year in a row, NRMA was the winner of the Australian Business Award for Service Excellence;
- NRMA also won the Australian Business Award for innovation, with the launch of the iPhone application that was downloaded 19,685 times;
- NRMA also won the Australian Business Award for community contribution, which recognises organisations that implement projects that positively impact on the community;
- NRMA successfully advocated for changes to learner driving laws to reduce the burden on parents in teaching their children to drive;
- 2010 saw the development of an online booking system for Members and Safer Driving School customers;
- Our Motoring Advice team answered almost 35,000 technical advice telephone calls and responded to approximately 1,800 emails from Members seeking advice;
- Member Legal team took almost 3,400 telephone calls and responded to 400 emails from members seeking legal advice;
- Patrol communications VH2am was awarded the Golden Quill Merit Award in the audio visual category from the International Association of Business Communicators. Being an international award, it is a most prestigious award in the field of internal communications;
- Thrifty achieved a marked turnaround in the results for the year with improved rental days and overall improvement in the gross average daily rate achieved. A lower interest rate regime, better fleet management and tighter cost controls also delivered significant cost savings. During the year Thrifty also franchised 41 of 52 corporate locations (mainly regional) identified for transition to the franchise network;
- NRMA Holiday Park Ocean Beach won first place in the Holidays with Kids awards and NRMA Holiday Parks Treasure Island and Darlington Beach were both in the top 10; and
- Adventure World Travel was appointed the official travel agent for the Rugby World Cup 2011 to be held in New Zealand.

Operational Achievements

Advocacy

NRMA spent over $8 million on advocacy and community activities over the 2010 financial year. This includes our government relations work that seeks to ensure sound policy solutions in the interests of our Members to all levels of government, as well as our work in the community.

In the past year we have secured NSW Government agreements to replace their existing school zone signs with Australian Standard high-visibility fluorescent signage and their installation at locations identified by NRMA.

NRMA has continued to monitor and comment on unfair fuel prices and campaigned against Caltex's attempt to acquire Mobil retails sites as it would have resulted in less competition in the fuel industry. As a result, the ACCC blocked the acquisition. NRMA views this as a major win for motorists.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

NRMA successfully secured less onerous requirements for learner drivers and their families. The NSW Government implemented a system where by 1 hour of structured driving tuition by a professional driving instructor now counts for 3 hours in a learner driver's logbook, capped at a maximum of 10 professional driving tuition hours to be recorded as 30 hours in the logbook (out of the total of 120 hours).

Our highly successful Years Ahead programme continued with 200 presentations attended by close to 10,000 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 41 community based organisations in NSW and the ACT to develop and deliver road safety education projects.

We continue to support 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 increased slightly compared to prior years. We attended to 1,517,656 jobs during the year (2009: 1,502,476) that included 1,714 jobs (2009: 1,857 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' was 84% (2009: 85%). Across the NSW network, our patrols reached a Member in need within 60 minutes 90% of the time (2009: 91%). The average time taken to reach a Member translated to 30 minutes (2009: 29 minutes).

Our Call Centres answered 2.1 million (2009: 2.1 million) Roadside Calls through the year. From a service level perspective, 73% (2009: 72%) of these calls were answered within 20 seconds.

Investments

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. The start of the 2010 financial year saw historically low yields (e.g. RBA cash rate of 3.0%) and measures of market volatility such as the Chicago Board Options Exchange (CBOE) Volatility Index 50% above its long-term average measure of 20. Additionally, certain alternative assets such as hedge funds weren't producing positive returns in a falling market per their mandate and others weren't providing income.

As a result NRMA revisited the Investment Policy, strategic asset allocation and fund managers with a view to increasing distribution yields and reducing volatility. In consultation with NRMA's asset consultant JANA and the members of the Finance and Investment Committee (FIC) a number of key changes were initiated. These changes resulted in an increase in diversified credit holdings and a reduction in funds invested in under performing non listed assets such as infrastructure and hedge funds.

With volatility high and deposit rates climbing throughout the year from just above 3% to around 5.5%, we allowed income to accumulate as cash rather than allocating it across the portfolio per investment policy benchmarks. This tilt to cash saw it climb from $42.5 million to $59.4 million during 2010. As a result cash has moved above its benchmark target of 10% to 14%.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

A Challenging Year

2009/10 unfolded in two pronounced stages with six months of strong gains in equities and credit followed by six difficult months weighed down by concerns around debt burdened countries such as Greece, Spain and Portugal defaulting and the Australian government's proposed resource super profits tax (RSPT). Despite the second half weakness, the ASX200 index finished the year up 9.5%, the Citigroup WGBI bond index finished ahead 9.0% and the Australian UBS benchmark for credit ended up 11.3%. On a relative basis, NRMA's portfolio performed fairly well with Australian equities up 8.4% and our combined credit funds up a total of 12.8%.

International equities had a positive year with the Dow Jones Industrial Average up 17% and the global MSCI index returning 8.0%. NRMA's international equity funds performed equally well on a relative basis returning 12.6% in 2010.

Asset Class	Return %
Cash	3.9
Australian Equities (excluding IAG)	8.4
International Equities	12.6
Growth Alternatives	11.6
Australian & International Fixed Interest	12.8
Tucker Box Hotel Trust	12.6
Total Portfolio – asset weighted including Tucker Box	12.3

Continued focus on Income & Diversification

The 2010 results reflect our further focus on lower risk and, in particular, regular sustainable income. Investment income for the 2010 financial year was $31.9 million (2009: $39.4 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, although they were increased during the year, remain well below levels of two years ago. 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 as expenses were also reduced.

In addition to the above income, the portfolio realised a loss of $3.6 million (2009: realised loss of $18.9 million) for the year, offset by an unrealised gain of $13.8 million (2009: unreliased loss of $32.3 million). The level of gain or loss will fluctuate from year to year, and to a greater degree than income, reflecting the cyclical nature of share markets particularly over the last three years where volatility has been very high.

Expenses relating to managing the portfolio were $1.8 million (2009: $2.3 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 gain from investments, including income and losses plus equity accounted investments, and after deducting expenses was $50.1 million (2009: net loss $12.9 million).

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) was valued at $428.9 million as at 30 June 2010 (2009: $389.1 million), and was invested across a diversified range of asset classes and investment managers. The portfolio mix as at 30 June 2010 (excluding IAG) is shown in the following table.

Asset Class	Weight %	$ Million
Cash	14	59.4
Australian Equities (excl. IAG)	18	77.5
International Equities	9	41.2
Growth Alternatives	15	62.7
Australian & International Fixed Interest	21	89.1
Tucker Box Hotel Trust	23	99.0
Total	100	428.9

IAG Limited

The return of NRMA's strategic holding in IAG Limited was 2.2% (2009: 4.7%) for the year, including both capital growth and dividends.

During a year of modest recovery IAG was disappointing. Whilst the market as a whole was up by 8.7% (2009: negative 24.2%), NRMA's IAG holding decreased by $2.1 million to $99.9 million.

IAG initially made good progress by increasing premiums, cutting costs and exiting unprofitable business. An unexpected $451.0 million write-down related to its UK business hurt the share price despite management raising expectations for 2011 insurance margins. Of the write-down, $356.0 million had a cash impact and the market is concerned about the impact this will have on its next dividend distribution.

NRMA's substantial investment in a single company involves much higher risk than our more broadly diversified portfolio. As at 30 June 2010 this holding represented 18.0% (2009: 20.9%) of our total portfolio. The IAG holding is treated as a 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) Travelodge Hotels

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

NRMA holds a 50% shareholding of the Travelodge Hotel group (Tucker Box Hotel Trust), 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 2010, this joint venture with Mirvac Real Estate Investment Trust had total assets of approximately $377.3 million and NRMA's net asset holding is carried at $99.0 million (2009: $94.9 million). Our investment in Travelodge enables us to provide Members and staff with accommodation discounts and special offers. We are pleased to report that occupancy rates recovered during 2010 and Travelodge provided a cash yield of 6.0%.

(c) 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.

THE YEAR AHEAD

Areas of uncertainty are concerns of a 'double-dip" into recession by the US and the impact the Chinese government's actions to slow the growth of their economy will have on global growth.

However we believe economic fundamentals continue to point to an ongoing recovery. In July the International Monetary Fund (IMF) raised its growth forecast for Australia to 3.0% for this year and 3.5% for 2011. It also lifted its world growth forecast to 4.6% from 4.2%.

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 2010

		Consolidated	
	Notes	**2010 $000**	2009 $000
Revenue from Operations	6 (a) (i)	**430,281**	424,791
Investment Income	6 (a) (ii)	**25,794**	34,805
Total Revenue from Operating Activities		**456,075**	459,596
Annual General Meeting, Special General Meetings & Election Expenses		**(2,482)**	(5,319)
Expenses from investment management		**(1,773)**	(2,289)
Other expenses from Operations	7	**(449,435)**	(485,047)
Total expenses from Operating Activities		**(453,690)**	(492,655)
Share of net profits of associates and jointly controlled entities accounted for using the equity method	30	**13,263**	4,739
Operating profit/(loss) before change in fair value of investment		**15,648**	(28,320)
Change in net fair value of investments	6 (b)	**10,229**	(50,414)
Profit/(loss) before income tax		**25,877**	(78,734)
Income tax (expense)/ benefit	8 (a)	**(6,562)**	16,942
Net profit/(loss) for the year	32 (d)	**19,315**	(61,792)

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Notes	**2010 $000**	2009 $000
Net profit/(loss) for the year	32 (d)	**19,315**	(61,792)
Other comprehensive income:			
Net fair value (loss)/gain on available-for-sale financial assets	32 (a)	**(1,742)**	293
Foreign currency translation	32 (c)	**(68)**	161
Actuarial gain/(loss) on defined benefit plan	32 (d)	**4,277**	(1,193)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	32 (b)	**505**	-
Income tax on items of other comprehensive income	8 (b)	**459**	(138)
Other comprehensive income for the period, net of tax		**3,431**	(877)
Total comprehensive income for the period		**22,746**	(62,689)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

		Consolidated	
	Notes	**2010 $000**	2009 $000
Current Assets			
Cash and cash equivalents	12	**49,444**	45,474
Trade and other receivables	13	**39,217**	30,153
Inventories	14	**1,149**	1,213
Income tax receivable	8 (c)	**2,279**	-
Deferred distribution costs	15	**1,904**	1,869
Other financial assets	16	**4,987**	2,613
		98,980	81,322
Non-current assets classified as held for sale	22	**5,565**	8,925
Total current assets		**104,545**	90,247
Non-current Assets			
Other financial assets	17	**262,291**	294,206
Investments in associates and joint ventures	30	**112,283**	106,040
Available for sale financial assets	18	**167,481**	101,964
Property, plant and equipment	20	**219,501**	211,002
Investment property	21	**1,216**	1,216
Deferred distribution costs	19	**118**	100
Pension asset	31 (d)	**4,360**	-
Intangible assets and goodwill	22	**106,412**	113,323
Total non-current assets		**873,662**	827,851
Total assets		**978,207**	918,098
Current Liabilities			
Trade and other payables	23	**55,997**	48,452
Income tax payable	8 (c)	**-**	257
Provisions	24	**17,890**	19,186
Interest bearing loans and borrowings	29	**75,930**	58,498
Unearned income	25	**104,655**	100,000
Deposits held	28	**26,393**	22,206
Total current liabilities		**280,865**	248,599
Non-current Liabilities			
Pension deficit	31 (d)	**-**	1,355
Provisions	26	**4,031**	3,005
Interest bearing loans and borrowings	29	**13,889**	17,717
Deferred tax liabilities	8 (d)	**19,143**	11,060
Unearned income	27	**6,151**	5,133
Deposits held	28	**7,380**	7,227
Total non-current liabilities		**50,594**	45,497
Total liabilities		**331,459**	294,096
Net assets		**646,748**	624,002
Equity			
Reserves	32 (a)/(b)/(c)	**192**	974
Retained earnings	32 (d)	**646,556**	623,028
Total Equity		**646,748**	624,002

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated				
	Available for sale reserve	Equity accounted reserve	Foreign currency reserve	Retained profits	Total
At 1 July 2009	**1,466**	**(505)**	**13**	**623,028**	**624,002**
Profit for the period	**-**	**-**	**-**	**19,315**	**19,315**
Other comprehensive income	**(1,219)**	**505**	**(68)**	**4,213**	**3,431**
Total comprehensive income for the period	**(1,219)**	**505**	**(68)**	**23,528**	**22,746**
At 30 June 2010	**247**	**-**	**(55)**	**646,556**	**646,748**

	Consolidated				
	Available for sale reserve	Equity accounted reserve	Foreign currency reserve	Retained profits	Total
At 1 July 2008	1,261	(505)	(148)	686,976	687,584
Profit for the period	-	-	-	(61,792)	(61,792)
Other comprehensive income	205	-	161	(1,243)	(877)
Total comprehensive income for the period	205	-	161	(63,035)	(62,669)
At 30 June 2009	1,466	(505)	13	623,028	624,002

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Notes	**2010 $000**	2009 $000
Cash flows from operating activities			
Receipts from Members and customers		**472,461**	450,703
Payments to suppliers and employees		**(421,851)**	(449,511)
Dividends paid		**-**	(913)
Dividends received		**18,743**	30,679
Interest received		**3,183**	2,842
GST paid		**(11,245)**	(7,983)
Interest paid		**(4,278)**	(9,479)
Net income taxes paid		**(644)**	(10,191)
Net cash flows from operating activities	33	**56,369**	6,147
Cash flows used in investing activities			
Proceeds from disposal of investments		**120,979**	187,362
Proceeds from disposal of fixed assets		**28,202**	29,459
Equity accounted distributions		**7,060**	9,718
Proceeds from disposal of franchise assets		**2,160**	-
Outlays for business combinations	38	**-**	(13,387)
Outlays for investments acquired		**(145,741)**	(143,722)
Outlays for fixed assets acquired		**(9,697)**	(22,680)
Net cash flows from investing activities		**2,963**	46,750
Cash flows used in financing activities			
Manufacturer buy-back		**1,197**	(514)
Finance lease payments		**(55,821)**	(57,102)
Repayment of bank loans		**(6,959)**	-
Net cash flows used in financing activities		**(61,583)**	(57,616)
Net (decrease) in cash and cash equivalents		**(2,251)**	(4,719)
Cash and cash equivalents at the beginning of the financial year		**38,868**	43,587
Cash and cash equivalents at the end of the financial year	12	**36,617**	38,868

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 2010 was authorised for issue in accordance with a resolution of the Directors on 25 August 2010.

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 1,974,619 Members (2009: 1,925,093).

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.

As the Group is not a listed entity, we are not required to adopt AASB 8: *Operating Segments*. AASB 8 is a disclosure standard only, so it would not have had a direct impact on the amounts included in the Group's financial statements. 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 2010

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Future impact on the Group	Application date for Group
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	While some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting, the amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, as follows: The amendment to AASB 117 removes 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. The amendment to AASB 101 stipulates that the terms of a liability that could result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as principal or agent. An entity is the principal when it: Is responsible for supplying goods or services Has inventory risk Has pricing discretion Bears the credit risk The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment.	1 January 2010	The future impact on the Group will be assessed when, and if, the relevant transactions occur.	1 July 2010
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are 'consideration paid' in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instrument issued, if this can be determined reliably. If the fair value of the equity instrument issued is not reliably determinable, the equity instrument should be measured by reference to the fair value of the financial liability extinguished as at the date of extinguishment.	1 July 2010	The future impact on the Group will be assessed when, and if, the relevant transactions occur.	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Future impact on the Group	Application date for Group
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5,8,108,110,112,119,124,133,137,139, 1023 & 1031 and Interpretations 2,4,16,1039 & 1052]	This amendment makes numerous changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party	1 January 2011	The Group has not yet determined the future impact of the amendments, if any.	1 July 2011
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1,3,4,5,7,101,102,108,112,118,121,127,128,131,132,136,139,1023 & 1038 and Interpretations 10 & 12]	The revised standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: Two categories for financial assets, being amortised cost or fair value; Removal of the requirement to separate embedded derivatives in financial assets; Strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the purpose for holding the instrument is to collect the contractual cash flows; An option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through the income statement on de-recognition; Reclassifications between amortised cost and fair value no longer permitted unless the business model for holding the asset changes; Changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.	1 January 2013	The Group has not yet determined the future impact of the amendments, if any.	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 36) as at and for the period ended 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.

Investments in subsidiaries held by the Company are accounted for at cost in the separate financial statements of the parent entity less any impaired charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators do exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised

The acquisition of subsidiries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see Note 2(d)).

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

(d) Business combinations

Prior to 1 July 2009

The purchase method of accounting was used to account for all business combinations regardless of whether equity instruments or other assets were acquired. Cost was 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 were issued in a business combination, the fair value of the instruments was 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 were 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 was recognised as goodwill. Where required, provisional acquisition accounting entries were reported in relation to business combinations and relevant adjustments were made on the finalisation of the required accounting entries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. Summary of significant accounting policies (continued)

Where settlement of any part of the consideration was deferred, the amounts payable in the future were discounted to their present value as at the date of exchange. The discount rate used was 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.

Subsequent to 1 July 2009

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(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.

(ii) Transactions and 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 reporting 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 in equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

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

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities on the statement of financial position.

(g) Trade and other receivables

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

Recoverability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt. Financial difficulties of the debtor, default payments or debts more than 120 days overdue are considered objective evidence of impairment. The amount of impairment loss is the receivable carrying amount.

(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 Group 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.

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 instead of use. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. Summary of significant accounting policies (continued)

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 or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. 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, but there are restrictions on reclassifying to other categories.

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

The Consolidated Entity has classified certain 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 Group's key management personnel.

(ii) 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 the preceding category 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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. Summary of significant accounting policies (continued)

Under the equity method, investments in the associates are carried in the consolidated statement of financial position 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 statement of comprehensive income, 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 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 Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(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
- 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 reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. Summary of significant accounting policies (continued)

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.

(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 reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

(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 statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. Summary of significant accounting policies (continued)

(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 and indefinite life intangibles

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

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 the 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 seperately identifiable cash inflows that are largely independent of the cash inflows from other assets or group of assets (cash-generating units.) Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(s) Goodwill and 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 Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If this consideration is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in the profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. Summary of significant accounting policies (continued)

(ii) Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, 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 intangible assets are assessed to be either finite or indefinite. 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 intangible asset 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 intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with an indefinite useful life are 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.

Research and Development Costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Gains or losses arising from de-recognition of an intangible asset 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.

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

- Licence agreement - over the life of the licence
- Land use rights - over the expected life of the lease
- Developed software - over 2.5 to 9 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. Summary of significant accounting policies (continued)

(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 statement of financial position 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 and due to their short term nature they are not discounted. 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 reporting date.

(w) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(x) Provisions and employee benefits

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

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 of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. Summary of significant accounting policies (continued)

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. Expenses 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.

(y) 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 reporting 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.

(v) Revenue from shares in associates and joint ventures

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. Summary of significant accounting policies (continued)

(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.

(z) 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 2010

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 statement of financial position.

Cash flows are included in the statement of cash flows 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 2010

2. Summary of significant accounting policies (continued)

(aa) 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.

(bb) 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: market risk (Including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall financial 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 Chief Financial Office (CFO) team under policies approved by the Board of Directors (the Board). The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

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

The parent 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. Financial risk management objectives and policies (continued)

(a) Market risk

(i) Interest rate risk

The Group's main interest rate risk arises from floating rate borrowings and capped bank loan facilities. The Group only had floating rate Australian dollar denominated borrowings during 2010 (2009: floating rate Australian dollar denominated borrowings only).

The Group also has 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.

An analysis by maturity is provided in Note 3(c).

Group sensitivity

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

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 2009.

(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 from future commercial transactions and recognised assets and liabilities 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 hedging 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 Group does not apply hedge accounting.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. Financial risk management objectives and policies (continued)

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 reporting 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
2010				
AUD/USD	**0.86**	**2,457**	**-**	**40**
AUD/CAD	**0.89**	**1,255**	**-**	**(2)**
AUD/NZD	**1.25**	**792**	**-**	**18**
AUD/FJD	**1.69**	**188**	**-**	**3**
AUD/EUR	**0.62**	**167**	**-**	**(17)**
AUD/ZAR	**6.53**	**100**	**-**	**1**
AUD/JPY	**84.85**	**79**	**-**	**10**
AUD/GBP	**0.60**	**24**	**-**	**1**
NZD/USD	**0.71**	**572**	**-**	**13**
NZD/GBP	**0.48**	**219**	**-**	**10**
NZD/ZAR	**5.43**	**119**	**-**	**2**
NZD/EUR	**0.55**	**88**	**-**	**(2)**
NZD/AUD	**0.82**	**74**	**-**	**-**
NZD/CAD	**0.74**	**54**	**-**	**1**
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

Group sensitivity

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

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 2009.

(iii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as other non-current financial assets. The investment balance is comprised of 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, Blackrock Fixed Interest and Macquarie Australian Equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. Financial risk management objectives and policies (continued)

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
2010				
Investment Category				
Australian shares	**-**	**-**	**-**	**29,583**
International shares	**-**	**-**	**-**	**41,232**
Fixed interest securities	**-**	**-**	**-**	**69,451**
Diversified unit trust	**-**	**-**	**-**	**122,025**
2009				
Investment Category				
Australian shares	-	-	-	69,001
International shares	-	-	-	41,185
Fixed interest securities	-	-	-	82,931
Diversified unit trust	-	-	-	101,089

Group sensitivity

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

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 2009.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. Financial risk management objectives and policies (continued)

		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
2010													
Financial assets													
Cash and cash equivalents	**49,444**	**494**	**-**	**(494)**	**-**	**-**	**340**	**-**	**(340)**	**-**	**-**	**-**	**-**
Trade receivables	**22,546**	**-**	**-**	**-**	**-**	**-**	**55**	**-**	**(55)**	**-**	**-**	**-**	**-**
Other financial assets	**262,291**	**1,288**	**-**	**(1,288)**	**-**	**-**	**-**	**-**	**-**	**13,249**	**-**	**(13,249)**	**-**
Investments in associates	**112,283**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Available for sale financial assets*	**167,481**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,501**	**247**	**-**	**(16,748)**
Financial liabilities													
Trade payables	**22,417**	**-**	**-**	**-**	**-**	**-**	**61**	**-**	**(61)**	**-**	**-**	**-**	**-**
Interest bearing borrowings	**89,819**	**151**	**-**	**(151)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits held	**33,773**	**264**	**-**	**(264)**	**-**	**-**	**130**	**-**	**(130)**	**-**	**-**	**-**	**-**
Total increase/ (decrease)		**2,197**	**-**	**(2,197)**	**-**	**-**	**586**	**-**	**(586)**	**29,750**	**247**	**(13,249)**	**(16,748)**

*Investment in IAG Limited, Blackrock Fixed Interest and Macquarie Australian Equity.

		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	1,254	-	(1,254)	-	-	-	-	-	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)		2,090	-	(2,090)	-	-	669	-	(669)	31,524	1,466	(22,794)	(10,196)

*Investment in IAG Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 team aims 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, financial guarantees and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

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

	Consolidated				
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Total
	$000	$000	$000	$000	$000
2010					
Trade payables	**20,048**	**2,252**	**117**	**-**	**22,417**
Interest bearing borrowings	**15,234**	**9,635**	**51,061**	**13,889**	**89,819**
Deposits held *	**11,248**	**10,872**	**4,273**	**7,380**	**33,773**
2009					
Trade payables	10,578	4,508	395	-	15,481
Interest bearing borrowings	9,576	14,605	34,317	17,717	76,215
Deposits held *	11,831	8,749	1,595	7,258	29,433

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. Financial risk management objectives and policies (continued)

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

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant, equipment and investments in working capital (e.g. inventories and trade receivables).

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

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.

(d) Fair value estimation

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

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

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

	Consolidated			
	Year ended 30 June 2010			
	Quoted market price (Level 1) $000	Valuation technique – market observable inputs (Level 2) $000	Valuation technique – non market observable inputs (Level 3) $000	Total $000
Financial assets				
Listed investments	306,747	-	-	306,747
Unlisted investments	-	-	123,025	123,025
	306,747	-	123,025	429,772
Financial liabilities				
Foreign exchange contracts	-	(6,188)	-	(6,188)
	-	(6,188)	-	(6,188)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. Financial risk management objectives and policies (continued)

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

The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included on Level 2.

4. Significant accounting judgements, estimates and assumptions

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of assumptions and conditions may be found in the relevant notes to the financial statements.

(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 and indefinite life intangibles

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.

(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, using a value in use discontinued cash flow methodology, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

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(x)(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 42, 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.

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:
- Residual value facility; and
- Bank bill facility.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

There is 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) before investment income and member special projects

	Consolidated	
	2010 $000	2009 $000
Revenue from Operations	**430,281**	424,791
Other expenses from Operations	**(446,066)**	(474,126)
Annual General Meeting, Special General Meetings and Election expenses	**(2,482)**	(5,319)
Operating (loss) before investment income, change in fair value of investments and expenses from Member special projects	**(18,267)**	(54,654)
Expenses from Member Special Projects	**(3,369)**	(9,421)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

6. Revenue from operations

		Consolidated	
		2010 $000	2009 $000
(a)	Revenue		
	(i) Revenue from operations consists of the following items:		
	Member Services	**239,213**	228,306
	Travel and Touring	**191,068**	196,485
		430,281	424,791
	(ii) Investment Income		
	Interest Revenue	**4,332**	4,145
	Dividends	**21,239**	30,465
	Rentals – other corporations	**223**	195
		25,794	34,805
(b)	Profit/(loss) before income tax has been arrived at after the following gains/(losses) from continuing operations:		
	Change in fair value of financial assets classified as fair value through the Income Statement	**10,229**	(50,414)
(c)	Profit/(loss) on disposal of assets	**2,864**	(361)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7. Expenses

	Notes	Consolidated 2010 $000	2009 $000
Profit/(loss) before income tax has been arrived at after charging the following expenses:			
Depreciation		**39,954**	48,146
Amortisation		**8,688**	6,690
Total depreciation and amortisation		**48,642**	54,836
Employment costs		**157,607**	168,415
Fleet, road service and towing contractors		**96,720**	96,734
General and administrative services		**39,581**	36,413
Marketing expenses		**29,783**	26,789
Commissions and cost of sales		**14,051**	25,332
Network distribution and IAG		**9,757**	11,175
The Open Road print & distribution		**7,772**	7,768
Printing		**7,640**	10,666
Repairs and maintenance		**4,878**	4,202
Governance and related costs		**2,330**	3,470
Bad & doubtful debts arising from other entities		**1,341**	2,379
Other operating costs		**23,383**	27,389
Finance Costs	(a)	**5,950**	9,479
Total other expenses from operations		**449,435**	485,047
(a) Finance costs			
Bank loan and overdraft		**664**	1,304
Defined benefit fund		**1,643**	2,135
Finance charges payable under finance leases and hire purchase contracts		**3,589**	5,959
Provision discount adjustment		**54**	81
Total finance costs		**5,950**	9,479

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

8. Income tax

	Consolidated	
	2010 $000	2009 $000
(a) Income tax recognised in the income statement		
Tax expense/(benefit) comprises:		
Current tax expense	**75**	2,604
Adjustments recognised in the current year in relation to the current tax of prior years	**(2,055)**	(1,686)
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	**8,542**	(17,860)
Total tax expense/(benefit)	**6,562**	(16,942)
The prima facie income tax expense/(benefit) on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:	**25,877**	(78,734)
Income tax expense/(benefit) calculated at 30%	**7,763**	(23,620)
Tax effect of permanent differences:		
Deferred tax asset not booked	**1,756**	9,219
Non-deductible net mutual expense	**616**	3,580
Other non-deductible items	**119**	246
Imputation credits	**(2,065)**	(1,913)
Adjustment recognised in the current year in relation to the current tax of prior years	**(2,002)**	(25)
Adjustment recognised in the current year in relation to the deferred tax of prior years	**64**	(25)
Adjustment recognised for change in tax base of mutual related deferred tax balances	**342**	844
Adjustment to deferred tax on intangibles based on change to hold for sale basis	**-**	(5,578)
Other	**(31)**	305
	6,562	(16,942)

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 2010

8. Income tax (continued)

	Consolidated	
	2010 $000	2009 $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	**523**	(88)
Actuarial movements on defined benefit plans	**(64)**	(50)
	459	(138)
(c) Current tax assets and liabilities		
Current tax (receivables)/payables:		
Income tax (receivable)/payable attributable to:		
Tax authorities	**(2,279)**	257
(d) Deferred tax balances		
Deferred tax assets comprise:		
Temporary differences	**29,789**	31,071
Deferred tax liabilities comprise:		
Temporary differences	**(48,932)**	(42,131)
Net deferred temporary differences	**(19,143)**	(11,060)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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	Closing Balance $000
2010				
Gross deferred tax liabilities:				
Trade and other receivables	**(563)**	**(1,346)**	**-**	**(1,909)**
Available for sale financial assets	**(1,143)**	**93**	**523**	**(527)**
Investments accounted for under the equity method	**(9,116)**	**(3,311)**	**-**	**(12,427)**
Property, plant and equipment	**(19,511)**	**(3,044)**	**-**	**(22,555)**
Intangibles	**(11,649)**	**260**	**-**	**(11,389)**
Investment property	**(121)**	**-**	**-**	**(121)**
Defined benefit asset	**56**	**(56)**	**-**	**-**
Other financial liabilities	**(84)**	**80**	**-**	**(4)**
	(42,131)	**(7,324)**	**523**	**(48,932)**
Gross deferred tax assets:				
Trade and other receivables	**1,032**	**(616)**	**-**	**416**
Property, plant and equipment	**1,003**	**(916)**	**-**	**87**
Inventory	**12**	**(1)**	**-**	**11**
Lease liability	**18,038**	**3,650**	**-**	**21,688**
Trade and other payables	**502**	**534**	**-**	**1,036**
Provisions	**1,568**	**(256)**	**-**	**1,313**
Other liabilities (restoration obligation)	**207**	**82**	**-**	**288**
Fair value through profit and loss financial assets	**8,709**	**(7,660)**	**-**	**1,049**
Defined benefit asset	**-**	**(1)**	**(64)**	**(65)**
Carried forward tax losses	**-**	**3,966**	**-**	**3,966**
	31,071	**(1,218)**	**(64)**	**29,789**
Total net deferred tax liability	**(11,060)**	**(8,542)**	**459**	**(19,143)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

8. Income tax (continued)

	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 2010

8. Income tax (continued)

Tax losses

The Group has income tax losses for which no deferred tax asset is recognised on the statement of financial position of $15,387,672 comprising 2009 actual of $6,440,450 and 2008 actual $8,947,222 (2009: estimated $15,845,041), 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 statement of financial position, of $23,444,676 (2009: $20,629,209). 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 36.

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.

9. Franking account balance

	Consolidated	
	2010 $000	2009 $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% (2009: 30%)	**233,649**	229,887
Franking credits that will arise from the (receipt)/ payment of tax (refundable)/ payable as at the end of the financial year	**(2,116)**	260
	231,533	230,147

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 2010

10. Auditor's remuneration

	Consolidated	
	2010 $	2009 $
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	**335,450**	317,000
– Thrifty Group	**108,368**	118,600
– Travel Group	**82,125**	76,200
	525,943	511,800
Other assurance related services by Ernst & Young:		
Company liquidation support	**4,421**	7,687
Assurance related services	**12,360**	5,768
	16,781	13,455
	542,724	525,255

The Group, 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 2010

11. Key management personnel compensation

Directors

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

Executive	Title	Commenced	Ceased
Ms H Burgess	Group General Counsel and Secretary		
Ms D Day	General Manager, NRMA Holiday Parks		
Mr C Frier	CEO, Tourism & Leisure Holdings		07-May-10
Mr O Gilbert	CEO, NRMA MotorServe		
Mr D Lumb	Executive General Manager, Corporate Communications		
Mr M Kaye	Executive General Manager, Strategy & Capability		27-Nov-09
Mr B McGoldrick	CEO, Thrifty Car Rental		
Mr J Simmons	Executive General Manager, Motoring & Member Services		
Mr K Stanley	Acting CEO, Tourism & Leisure Holdings	10-May-10	
Mr T Stuart	Group Chief Executive Officer		
Mr A Tilley	Group Chief Financial Officer		
Ms M Willis	Executive General Manager, Strategy & Investments	01-Dec-09	

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

	Consolidated	
	2010 $	2009 $
Short-term employment benefits	**5,225,230**	4,769,905
Post-employment benefits	**502,455**	384,657
Other long-term employment benefits	**424,335**	339,367
Termination benefits	**225,000**	-
	6,377,020	5,493,929

Key Management Personnel includes subsidiary executives. The increase in compensation reflects the full year impact of including 4 subsidiary executives, partially offset by a decrease in Directors' fees as a result of a change in Corporate Governance structure in March 2009.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12. Cash and cash equivalents – current assets

	Consolidated	
	2010 $000	2009 $000
Cash at bank and in hand	**36,152**	28,825
Short-term deposits	**13,292**	16,649
	49,444	45,474

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	**36,152**	28,825
Short-term deposits	**13,292**	16,649
Bank overdrafts (Note 29)	**(12,827)**	(6,606)
	36,617	38,868

13. Trade and other receivables – current assets

Trade receivables	**24,013**	17,619
Allowance for impairment loss (a)	**(1,467)**	(2,795)
	22,546	14,824
Prepayments	**8,694**	5,922
Other receivables	**7,977**	9,407
	39,217	30,153
Movements in the allowance for impairment loss were as follows:		
At 1 July	**(2,795)**	(4,595)
Charges for year	**(1,104)**	-
Foreign exchange difference	**(6)**	-
Amounts written back	**1,999**	-
Amounts written off	**439**	1,800
At 30 June	**(1,467)**	(2,795)

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

US Dollars	**3**	7
NZ Dollars	**130**	856
Australian Dollars	**23,861**	16,745
ZAR Dollars	**18**	10
Other*	**1**	1

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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
2010						
Consolidated	**24,013**	**9,546**	**9,885**	**1,696**	**643**	**2,243**
2009						
Consolidated	17,619	8,462	4,207	1,537	944	2,469

At the reporting date, trade receivables of $1,467,000 (2009: $2,795,000) were past due and considered impaired, impaired receivables being those balances in the '91+ days' category considered unrecoverable. Trade receivables of $3,115,000 (2009: $2,155,000) were past due, but not impaired. Each business unit is satisfied that payment will be received in full.

(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 37.

(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

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 3.

14. Inventories – current assets

	Consolidated	
	2010 $000	2009 $000
Finished goods – at cost	**1,217**	1,337
Allowance for impairment loss	**(68)**	(124)
	1,149	1,213

Inventory write-downs recognised as an expense totalled $134,000 (2009: $562,000) for the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

15. Deferred distribution costs – current assets

	Consolidated	
	2010 $000	2009 $000
Deferred distribution costs	**1,904**	1,869

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	**4,987**	2,613

17. Other financial assets – non-current assets

Investments designated at fair value through the profit and loss:		
Australian shares	**28,583**	68,001
International shares	**41,232**	41,185
Fixed interest securities fund	**69,451**	82,931
Diversified unit trust	**122,025**	101,089
At amortised cost:		
Investment – Optalert	**1,000**	1,000
	262,291	294,206

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

Investments held at fair value		
Available for sale investments	**167,481**	101,964

19. Deferred distribution costs – non-current assets

Deferred distribution costs	**118**	100

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 2010

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

	Consolidated					
	Land and Buildings $000	Leasehold Improvement $000	Leased Motor Vehicles $000	Motor Vehicles $000	Plant and Equipment $000	Total $000
Year ended 30 June 2010						
At 1 July 2009, net of accumulated depreciation	**103,223**	**13,535**	**60,581**	**9,844**	**23,819**	**211,002**
Additions	**258**	**712**	**72,248**	**646**	**9,095**	**82,959**
Transfers	**486**	**441**	**(5,695)**	**7,327**	**(4,013)**	**(1,454)**
Disposals	**(94)**	**(162)**	**(31,903)**	**(589)**	**(312)**	**(33,060)**
Depreciation charge for the year	**(2,071)**	**(1,414)**	**(23,423)**	**(5,810)**	**(7,236)**	**(39,954)**
Foreign exchange currency difference	**-**	**1**	**-**	**-**	**7**	**8**
At 30 June 2010, net of accumulated depreciation	**101,802**	**13,113**	**71,808**	**11,418**	**21,360**	**219,501**
At 30 June 2010						
Cost	**108,355**	**18,047**	**93,848**	**24,077**	**55,239**	**299,566**
Accumulated depreciation	**(6,553)**	**(4,934)**	**(22,040)**	**(12,659)**	**(33,879)**	**(80,065)**
Net carrying amount	**101,802**	**13,113**	**71,808**	**11,418**	**21,360**	**219,501**
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

21. Investment property – non-current assets

	Consolidated	
	2010 $000	2009 $000
Investment property	**1,216**	1,216

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

22. Intangible assets and goodwill – non-current assets

	Consolidated				
	Land Use Rights $000	**Developed Software $000**	**Goodwill $000**	**Licence Agreement* $000**	**Total $000**
Year ended 30 June 2010					
At 1 July 2009, net of accumulated amortisation and impairment	**39,141**	**16,565**	**51,691**	**5,926**	**113,323**
Additions	**-**	**278**	**16**	**-**	**294**
Disposals	**-**	**(2)**	**-**	**-**	**(2)**
Impairment	**-**	**-**	**-**	**-**	**-**
Transfers	**-**	**1,454**	**-**	**-**	**1,454**
Amortisation expense (a)	**(1,015)**	**(7,506)**	**-**	**(167)**	**(8,688)**
Foreign exchange currency difference	**-**	**1**	**30**	**-**	**31**
At 30 June 2010, net of accumulated amortisation and impairment	**38,126**	**10,790**	**51,737**	**5,759**	**106,412**
At 30 June 2010					
Gross carrying amount	**45,249**	**30,135**	**51,737**	**10,272**	**137,393**
Accumulated amortisation and impairment	**(7,123)**	**(19,345)**	**-**	**(4,513)**	**(30,981)**
Net carrying amount	**38,126**	**10,790**	**51,737**	**5,759**	**106,412**

* Amounts exclude $5,565,000 relating to 25 operational franchise sites, which the Group plans to sell in the 2011 financial year, is classified as non-current assets held for sale. No other assets or liabilities are associated with the planned sales.

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
Additions	55	248	170	315	788
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)
At 30 June 2009, net of accumulated amortisation and impairment	39,141	16,565	51,691	5,926	113,323
At 30 June 2009					
Gross carrying amount	45,249	28,401	51,691	10,272	135,613
Accumulated amortisation and impairment	(6,108)	(11,836)	-	(4,346)	(22,290)
Net carrying amount	39,141	16,565	51,691	5,926	113,323

* 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

(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 2010 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 7.75% to 12.34%
- Future revenue growth rates from 4.30% to 30.00%

Gross margins and capital spend used in the cash flow projections were consistent with those in management approved budgets. The future revenue growth rates above reflect the turnaround in Travel & Touring and continuing integration of those businesses.

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 $38,126,000 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 $5,759,000 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 $35,070,000 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

23. Trade and other payables – current liabilities

	Notes	Consolidated 2010 $000	2009 $000
Trade creditors and accruals		**55,997**	48,369
Other payable		**-**	83
		55,997	48,452

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

US Dollars	**2,953**	478
NZ Dollars	**8,039**	1,700
Australian Dollars	**41,561**	45,979
CAD Dollars	**1,591**	164
EURO	**685**	-
JAP Yen	**576**	-
Other*	**592**	131

*Other refers to a basket of currencies (Great British Pound, South African Rand, Malaysian Ringgit 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 37.

(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

Annual leave	39 (i)	**9,815**	10,479
Long service leave	39 (i)	**8,001**	8,255
Restructure – employee related	39 (ii)	**74**	452
		17,890	19,186

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	**104,655**	100,000

Refer to Note 2 (y)(i).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

26. Provisions – non-current liabilities

		Consolidated	
	Notes	**2010 $000**	2009 $000
Employee entitlements	39 (i)	**1,864**	1,488
Restoration provision: Carrying amount at the beginning of the financial year		**1,517**	1,566
Utilised provision		**-**	(93)
Release of unused provision		**(63)**	(475)
Additional provision		**659**	438
Unwinding of discount and effect of changes in discount rates		**54**	81
		2,167	1,517
		4,031	3,005

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

Unearned income	**6,151**	5,133

28. Deposits held

Current liabilities		
Client deposits	**26,393**	22,206
Non current liabilities		
Security deposit	**7,380**	7,227

29. Interest bearing loans and borrowings

Current liabilities		
Other borrowings	**103**	359
Bank overdraft	**12,827**	6,606
Bank loan	**2,281**	8,533
Obligations under finance leases	**60,719**	43,000
	75,930	58,498
Non current liabilities		
Other borrowings	**34**	352
Obligations under finance leases	**13,855**	17,365
	13,889	17,717

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

29. Interest bearing loans and borrowings (continued)

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

	Consolidated	
	2010 $000	2009 $000
Total facilities:		
Residual value facility	**10,000**	10,000
Bank bill facility	**2,281**	10,500
Bank overdraft	**-**	12,000
Leasing facility	**235,833**	212,500
Corporate card facility	**1,220**	1,600
Payroll facility	**650**	650
Bank guarantees	**11,030**	2,700
Other borrowings	**-**	711
	261,014	250,661
Facilities used at reporting date:		
Residual value facility	**131**	643
Bank bill facility	**2,281**	8,533
Bank overdraft	**-**	6,606
Leasing facility	**137,535**	110,716
Corporate card facility	**475**	525
Payroll facility	**-**	-
Bank guarantees	**8,868**	2,416
Other borrowings	**-**	711
	149,290	130,150
Facilities not used at reporting date:		
Residual value facility	**9,869**	9,357
Bank bill facility	**-**	1,967
Bank overdraft	**-**	5,394
Leasing facility	**98,299**	101,784
Corporate card facility	**745**	1,075
Payroll facility	**650**	650
Bank guarantees	**2,161**	284
Other borrowings	**-**	-
	111,724	120,511

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

	Notes	Consolidated 2010 $000	Consolidated 2009 $000
Carrying amount of investments			
Investments in associates	30 (a)	**13,237**	11,185
Investments in joint ventures	30 (c)	**99,046**	94,855
		112,283	106,040
Net profit accounted for using the equity method			
Investments in associates	30 (b)	**2,947**	1,382
Investments in joint ventures	30 (d)	**10,316**	3,357
		13,263	4,739

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

Ownership Interest – Consolidated & Parent					Investment Carrying Amount – Consolidated	
Name of Entity & Principal Activities	**Balance Date**	**2010 %**	**2009 %**		**2010 $000**	2009 $000
Club Assets Pty Ltd						
Motoring assistance services	30 June	50%	50%	Shares	**10,896**	9,272
Australian Motoring Services Pty Ltd						
Motoring and travel assistance services	30 June	35%	35%	Shares	**2,341**	1,913
Total					**13,237**	11,185

All investments in associates are incorporated in Australia and unlisted.

(b) Results of associates

	2010 $000	2009 $000
Share of profit from ordinary activities before income tax expense	**3,864**	1,790
Share of income tax expense related to ordinary activities	**(917)**	(408)
Share of associates net profit accounted for using the equity method	**2,947**	1,382
Summary financial position of associates		
The Consolidated Group's share of aggregate assets and liabilities of associates is as follows:		
Current assets	**23,526**	20,283
Non-current assets	**14,828**	11,614
Total assets	**38,354**	31,897
Current liabilities	**17,918**	13,662
Non-current liabilities	**7,199**	7,050
Total liabilities	**25,117**	20,712
Net assets	**13,237**	11,185

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

	Consolidated	
	2010 $000	2009 $000
Accumulated losses of the Consolidated Group attributable to associates		
Balance at the beginning of the year	**(2,498)**	(3,130)
Distribution received from associate	**(1,400)**	(750)
Share of associates net profits	**2,947**	1,382
Balance at the end of the financial year	**(951)**	(2,498)
Movement in carrying amount of investments		
Carrying amount of investment in associates at the start of the year	**11,185**	10,553
Associate reserve movement	**505**	-
Distribution received from associate	**(1,400)**	(750)
Shares of associates net profits	**2,947**	1,382
Carrying amount of investments in associates at end of year	**13,237**	11,185

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

Ownership Interest					Investment Carrying Amount	
Consolidated & Parent					Consolidated	
Name of Entity & Principal Activities	**Balance Date**	**2010 %**	**2009 %**		**2010 $000**	2009 $000
Tucker Box Hotel Trust **						
Accommodation	30 June	50%	50%	Shares	**99,046**	94,855

** 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

	2010 $000	2009 $000
Share of revenue from ordinary activities	**16,950**	17,322
Share of unrealised (loss)/gain for interest rate swaps	**889**	(7,409)
Share of unrealised valuation (loss)/gain for investment properties	**79**	(1,656)
Share of expenses from ordinary activities	**(6,789)**	(7,257)
Share of profit from ordinary activities before income tax benefit	**11,129**	1,000
Share of income tax (expense)/benefit related to ordinary activities	**(814)**	2,357
Share of joint venture net profit accounted for using the equity method	**10,316**	3,357
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	**4,753**	2,581
Non-current assets	**183,894**	182,939
Total assets	**188,647**	185,520
Current liabilities	**3,467**	2,543
Non-current liabilities	**86,134**	88,122
Total liabilities	**89,601**	90,665
Net assets	**99,046**	94,855

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

	Consolidated	
	2010 $000	2009 $000
Accumulated profits of the Consolidated Group attributable to joint venture		
Balance at the beginning of the year	**21,387**	26,998
Share of joint venture's net profits	**10,316**	3,357
Distributions received from joint venture	**(6,125)**	(8,968)
Balance at the end of the financial year	**25,578**	21,387
Movement in carrying amount of investments		
Carrying amount of investment in joint venture at the beginning of the year	**94,855**	100,466
Distribution received from joint venture	**(6,125)**	(8,968)
Shares of joint venture net profit	**10,316**	3,357
Carrying amount of investments in joint venture at end of year	**99,046**	94,855

31. Superannuation

Contributions are made to a number of superannuation plans. The majority of employees are defined contribution members with approximately 9% (2009: 9%) 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 Group contributed $7.4 million to the NRMA Superannuation Plan for defined contribution members during the year (2009: $7.9 million) and there were no employer contributions payable at the end of the year for those members (2009: $nil).

The Group 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 statement of financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

31. Superannuation (continued)

All employees with defined benefit superannuation arrangements are members of the NRMA Superannuation Plan. The Group has contributed to the Plan during the year in accordance with the recommendations of the actuary and has contributed $1.9 million (2009: $1.5 million) for defined benefit members. There were no employer contributions payable at the end of the year (2009: $nil). 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	
	2010 %	2009 %
Discount rate (active members)	**5.1**	5.5
Discount rate (pensioners)	**5.1**	5.5
Expected return on plan assets (pensioners)*	**8.3**	7.4
Expected return on plan assets (active members)*	**7.0**	6.9
Expected rate of salary increase	**4.0**	4.0
Rate of pension increases (child)	**0.0**	0.0

* Expected return on plan 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 statement of comprehensive income or the statement of financial position.

	The Plan	
	2010 $000	2009 $000
Amounts recognised in income in respect of the defined benefit plan are as follows:		
Current service cost	**832**	1,063
Interest cost	**1,643**	2,135
Expected return on plan assets	**(2,048)**	(2,482)
Net benefit expense	**427**	716
Actuarial (gain)/loss incurred during the year and recognised in the statement of recognised income and expense	**(4,277)**	1,193
Cumulative actuarial loss recognised in the statement of recognised income and expense	**543**	4,820

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

31. Superannuation (continued)

	The Plan	
	2010 $000	2009 $000
Movements in the present value of the defined benefit obligations in the current period were as follows:		
Opening defined benefit obligation**	**31,388**	37,451
Current service cost	**832**	1,063
Interest cost	**1,643**	2,135
Contributions from plan participants	**751**	475
Contributions to accumulation section *	**-**	(215)
Actuarial (gains)	**(598)**	(7,375)
Benefits paid	**(2,963)**	(2,146)
Closing defined benefit obligation	**31,053**	31,388

* Includes contributions to accumulation section of the Plan and defined benefit member salary sacrifice contributions funded from surplus (2010: $nil; 2009: $215,000)
** Includes contribution tax provision $203,000 (2010) and ($141,000) (2009)

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	
	2010 $000	2009 $000
Movements in the present value of the plan assets in the current period were as follows:		
Opening fair value of plan assets	**30,033**	36,513
Expected return on plan assets	**2,048**	2,482
Actuarial gains/(losses)	**3,679**	(8,568)
Employer contributions	**1,865**	1,492
Contributions from plan participants	**751**	475
Benefits paid	**(2,963)**	(2,146)
Use of surplus to fund accumulation plan	**-**	(215)
Closing fair value of plan assets	**35,413**	30,033

	The Plan			
	2010 $000	2009 $000	2008 $000	2007 $000
The amount included in the statement of financial position arising from the entity's obligations in respect of its defined benefit plans is as follows:				
Defined benefit obligation*	**(31,053)**	(31,388)	(37,451)	(38,662)
Fair value on plan assets	**35,413**	30,033	36,513	53,744
Net (liability)/asset recognised	**4,360**	(1,355)	(938)	15,082

* Includes contributions for tax provision

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

31. Superannuation (continued)

The actual return on plan assets was positive $5.7 million (2009: negative $6.1 million)

The Group expects to make a contribution of $0.9 million (2009: $1.9 million) to the defined benefit plans during the next financial year.

	Actual Allocations	
	2010 %	2009 %
The analysis of the plan assets and the expected rate of return at 30 June is as follows:		
Australian equity	**37**	38
Overseas equity	**21**	22
Property	**10**	8
Fixed income	**27**	25
Alternatives/other	**2**	4
Cash	**3**	3
	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			
	2010 $000	2009 $000	2008 $000	2007 $000	2006 $000
Present value of defined benefit obligation	**31,053**	31,388	37,451	38,662	32,897
Fair value of Plan assets	**35,413**	30,033	36,513	53,743	59,319
Deficit/(surplus) in Plan	**(4,360)**	1,355	938	(15,081)	(26,422)
Experience adjustments losses/(gains) – Plan assets	**(3,679)**	8,568	3,133	(3,521)	(3,980)
Experience adjustments (gains)/losses – Plan liabilities	**(1,096)**	(1,243)	3,261	7,614	1,945

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

32. Retained profits and reserves

	Consolidated	
	2010 $000	2009 $000
(a) Available for sale reserve		
Balance at the beginning of the financial year	**1,466**	1,261
Increment/(decrement) revaluation of investments in available for sale	**(1,742)**	293
Deferred tax arising from evaluation	**523**	(88)
Balance at the end of the financial year	**247**	1,466
Nature & Purpose of reserve		
The available for sale reserve is used to record increments and decrements in the value of available for sale and non-current assets		
(b) Equity accounted reserve movement		
Balance at the beginning of the financial year	**(505)**	(505)
(Decrement) arising from equity accounting	**505**	-
Balance at the end of the financial year	**-**	(505)
(c) Foreign currency translation reserve		
Balance at the beginning of the financial year	**13**	(148)
Increment/(Decrement) arising from translation of foreign subsidiary	**(68)**	161
Balance at the end of the financial year	**(55)**	13
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		
	192	974
(d) Retained Profits Movement in retained profits		
Restated balance at the beginning of the financial year	**623,028**	686,976
Dividends paid	**-**	(913)
Net profit/(loss) attributable to Members	**19,315**	(61,792)
Actuarial gain/(loss) (note 31)	**4,277**	(1,193)
Deferred tax recognised directly in equity	**(64)**	(50)
Balance at the end of the financial year	**646,556**	623,028

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

33. Cash flow statement reconciliation

	Consolidated	
	2010 $000	2009 $000
Reconciliation of net profit/(loss) after income tax to net cash flows from operations		
Net profit/(loss)	**19,315**	(61,792)
Non cash items		
(Profit)/loss on disposal of assets	**(2,864)**	361
Depreciation, amortisation and impairment	**48,642**	54,836
Change in net fair value of investments	**(10,229)**	50,414
Bad debts	**-**	2,379
Defined benefit plan	**(1,381)**	(545)
Share of associates and joint ventures profit	**(13,263)**	(4,739)
Net exchange differences	**(377)**	161
Finance cost	**54**	81
(Increase)/decrease in operating assets		
Receivables	**(2,417)**	2,547
Inventories	**64**	243
Distribution costs	**(53)**	582
Prepayment	**(2,979)**	1,885
Other	**389**	(237)
(Decrease)/increase in operating liabilities		
Payables	**6,434**	(9,869)
Provisions	**(929)**	(1,374)
Unearned income	**5,674**	4,200
Current tax liability	**(2,536)**	(8,954)
Client deposits	**4,187**	(7,475)
Security deposit	**153**	1,266
Net deferred tax liability	**8,485**	(17,823)
Net cash from operating activities	**56,369**	6,147

34. Contingent liabilities

Total facilities available:		
Motoka Rentals Limited (NZ) lease contingency	**642**	636

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

35. Commitments for expenditure

	Consolidated	
	2010 $000	2009 $000
(a) Estimated expenditure contracted for at reporting date, but not provided for, or payable:		
(i) Total capital commitments	**67**	998
(ii) Other expenditure commitments:		
Operational facilities	**12,002**	1,648

The Group had contractual obligations relating to operational facilities and other commercial commitments for different parts of the Group. This commitment is expected to be settled within 14 months from the balance date.

(b) Operating leases		
(i) Property		
- due within 1 year	**12,688**	14,609
- due within 1 – 5 years	**26,040**	28,374
- due after 5 years	**4,461**	7,138
	43,189	50,121
(ii) Equipment		
- due within 1 year	**205**	144
- due within 1 – 5 years	**146**	110
	351	254
(iii) Motor Vehicles		
- due within 1 year	**11,303**	14,802
- due within 1 – 5 years	**421**	4,435
- due after 5 years	**-**	219
	11,724	19,456

The Group leases property under non-cancellable operating leases expiring from one to ten years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Most contingent rental clauses are based on movements in the Consumer Price Index.

The Group has entered into commercial leases on items of office machinery. These leases have an average life of 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. 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 2010

35. Commitments for expenditure (continued)

	Consolidated			
	Minimum Lease Payments 2010 $000	**Present Value of Lease Payments 2010 $000**	Minimum Lease Payments 2009 $000	Present Values of Lease Payments 2009 $000
Within one year	**64,308**	**60,821**	46,552	43,000
After one year but not more than 5 years	**14,771**	**13,889**	19,124	17,365
Present value of minimum lease payments	**79,079**	**74,710**	65,676	60,365

36. 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:

Name of Entity	Place of Incorporation	Percentage of Shares Held		Share Capital	
		2010 %	2009 %	**2010 $000**	2009 $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**	100	**9,800**	9,800
Adventure World Travel Pty Limited	Australia	**100**	100	**10,500**	10,500
Adventure World Travel Limited	New Zealand	**100**	100	**1,500**	1,500
Coral Seas Travel Pty Ltd	Australia	**100**	100	**76**	76
Kingmill Pty Ltd	Australia	**100**	100	**11,852**	11,852
Motoka Rentals Limited	New Zealand	**100**	100	**11,591**	1,107
AFG Investments Pty Ltd	Australia	**100**	100	**70**	70
Creative Cruising Group Pty Ltd	Australia	**100**	100	**-**	-
Value Tours (Aust) Pty Ltd	Australia	**100**	100	**40**	40
Value Tours Methven Ltd	New Zealand	**100**	100	**-**	-

All subsidiaries are 100% owned and all Australian subsidiaries are members of the tax consolidated group at 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

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 38.

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 Group 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.

38. Business combinations

2010

Value Tours Earn Out

On 29 July 2008, the original acquisition date of Value Tours (Aust) Pty Limited, an earn out payment agreement for the period from 1 August 2008 to 31 March 2009 was entered into between the Tourism and Leisure Holdings Pty Limited (TLH), 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 earn out was paid in escrow in the 2009 financial year and was settled on 9 November 2009 for an agreed $2.8 million. TLH offset the payment in relation to the earn out against the financial liability from the original cost of combination reported in the 2009 financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

38. Business combinations (continued)

2009 Comparative information

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.

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	39	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)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

38. Business combinations (2009) (continued)

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.

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

		Recognised on acquisition	Carrying Value
	Notes	$000	$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	39	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)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

38. Business combinations (2009) (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

38. Business combinations (2009) (continued)

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)

39. Employee Entitlements

	Notes	Consolidated 2010 $000	2009 $000
(i) Provision for employee entitlements			
Current	24	**17,816**	18,734
Non-current	26	**1,864**	1,488
Aggregate employee benefit liability		**19,680**	20,222
Movement in provision for employee entitlements			
Carrying amount at the beginning of the financial year		**20,222**	20,083
Business acquisition	38	**-**	1,324
Additional provision raised		**12,426**	13,273
Foreign exchange difference		**5**	-
Amounts utilised during the year		**(12,973)**	(14,458)
Carrying amount at the end of the financial year		**19,680**	20,222
(ii) Restructure – employee related			
Current	24	**74**	452
Movement in provision for restructure			
Carrying amount at the beginning of the financial year		**452**	511
Additional provision raised		**40**	452
Amounts utilised during the year		**(418)**	(511)
Carrying amount at the end of the financial year		**74**	452

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

40. 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.

Profit/(loss) after income tax

	Consolidated	
	2010 $000	2009 $000
Roadside assistance revenue and expenses included in the income statement:		
Subscription income attributed to roadside assistance services	**192,962**	181,845
Direct costs of roadside assistance service	**(188,138)**	(177,391)
	4,824	4,454

The direct costs of roadside assistance service reflect the expenditure related to the cost of acquisition of Service Members, answering 2,095,946 (2009: 2,082,862) service calls and attending more than 1,517,656 (2009: 1,502,476) roadside assistance jobs.

Assets and liabilities

Roadside assistance assets and liabilities included in the statement of financial position:		
Deferred distribution costs	**2,022**	1,969
Unearned income	**(105,663)**	(105,132)
	(103,641)	(103,163)

41. Matters subsequent to the end of the financial year

There have been no matters or circumstances that have arisen since 30 June 2010 up to the date of this report that would significantly affect:

- the operations of the Consolidated Entity;
- the results of those operations; and
- the state of affairs of the Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

42. 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**	**2010 %**	2009 %	**2010 $000**	2009 $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**	100	**9,800**	9,800
Kingmill Pty Ltd ****	Australia	**100**	100	**11,852**	11,852
Adventure World Travel Pty Limited *****	Australia	**100**	100	**10,500**	10,500
Adventure World Travel Limited *****	New Zealand	**100**	100	**1,500**	1,500
NRMA Travel Pty Limited *****	Australia	**100**	100	**4,500**	4,500
AFG Investments Pty Ltd *****	Australia	**100**	100	**70**	70
Creative Cruising Group Pty Ltd *****	Australia	**100**	100	**-**	-
Value Tours (Aust) Pty Ltd *****	Australia	**100**	100	**40**	40
Value Tours Methven Ltd *****	New Zealand	**100**	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 2010

42. 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 statement of financial position of the Closed Group are as follows:

	Closed Group	
Consolidated Income Statement	**2010 $000**	2009 $000
Profit/(loss) from operations before income tax	**28,975**	(74,947)
Income tax (expense)/benefit	**(6,264)**	16,660
Profit/(loss) after income tax	**22,711**	(58,287)
Addition of new members to the Closed Group	**-**	2,866
Actuarial gain/(loss)	**4,213**	(1,243)
Retained earnings at the beginning of the year	**629,936**	686,600
Retained earnings at the end of the year	**656,860**	629,936
Consolidated Statement of Financial Position		
Cash and cash equivalents	**47,617**	43,806
Trade and other receivables	**47,687**	31,117
Inventories	**1,149**	1,212
Income tax receivable	**2,096**	-
Deferred distribution costs	**1,904**	1,869
Current assets	**100,453**	78,004
Other financial investments and investments in subsidiaries	**276,035**	297,464
Investments in associates and joint ventures	**112,283**	106,040
Available for sale financial assets	**167,481**	101,964
Property, plant and equipment	**216,286**	210,729
Investment property	**1,216**	1,216
Deferred distribution costs	**118**	100
Defined benefit plan asset	**4,360**	-
Intangible assets and goodwill	**103,392**	119,230
Non-current assets	**881,171**	836,743
Total assets	**981,624**	914,747
Trade and other payables	**54,053**	39,842
Income tax payable	**-**	321
Provisions	**17,007**	18,841
Interest bearing loans and liabilities	**75,314**	58,210
Unearned income	**104,655**	100,000
Client deposits	**24,474**	20,917
Current liabilities	**275,503**	238,131
Provisions	**4,517**	2,991
Interest bearing loans and liabilities	**12,223**	17,717
Deferred tax liabilities	**18,693**	11,278
Unearned income	**6,151**	5,133
Deposits	**7,380**	7,227
Defined benefit plan liability	**-**	1,355
Non-current liabilities	**48,964**	45,701
Total liabilities	**324,467**	283,832
Net assets	**657,157**	630,915
Reserves	**297**	979
Retained earnings	**634,149**	688,223
Current year profit/(loss)	**22,711**	(58,287)
Total equity	**657,157**	630,915

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

43. Parent Entity Information

	PARENT	
Information relating to National Roads and Motorists' Association Limited:	**2010 $000**	2009 $000
Current assets	**94,060**	78,299
Non-current assets	**603,577**	589,234
Total assets	**697,637**	667,533
Current liabilities	**23,640**	16,858
Non-current liabilities	**2,166**	2,164
Total liabilities	**25,806**	19,022
Net assets	**671,831**	648,511
Retained earnings	**671,831**	648,511
Total shareholders' equity	**671,831**	648,511
Profit or loss of the parent entity	**23,320**	39,644
Total comprehensive income of the parent entity	**23,320**	39,644

No guarantees were entered into by the parent entity in relation to the debts of its subsidiaries.

There are no contingent liabilities of the parent entity.

There are no contractual commitments for the parent entity in relation to the acquisition of property, plant or equipment.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

> (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
>
> (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2;

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

(d) 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	**G Toovey**
President	**Director**

Sydney, 25 August 2010

Ernst & Young

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

Report on the Financial Report

We have audited the accompanying financial report of National Roads and Motorists' association Limited, which comprises the statement of financial position as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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.

ERNST & YOUNG

Auditor's Opinion

In our opinion:

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

   i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its 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
25 August 2010

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	
	2010 $000	2009 $000	**2010 $000**	2009 $000	**2010 $000**	2009 $000	**2010 $000**	2009 $000
Revenue								
External segment revenue	**232,331**	227,296	**32,496**	40,984	**342,023**	359,072	**606,850**	627,352
Total segment revenue	**232,331**	227,296	**32,496**	40,984	**342,023**	359,072	**606,850**	627,352
Result								
Segment result before Members special projects	**(11,751)**	(22,945)	**39,838**	(11,618)	**1,159**	(34,750)	**29,246**	(69,313)
Expenses from Member special projects	**(3,369)**	(9,421)	**-**		**-**		**(3,369)**	(9,421)
Segment Result	**(15,120)**	(32,366)	**39,838**	(11,618)	**1,159**	(34,750)	**25,877**	(78,734)
Income tax benefit relating to ordinary activities							**(6,562)**	16,942
Net (loss)/profit attributable to the members of the parent entity							**19,315**	(61,792)
Assets								
Segment assets	**55,081**	71,490	**458,945**	431,852	**349,619**	308,716	**863,645**	812,058
Equity accounted investments	**-**	-	**13,237**	11,185	**99,046**	94,855	**112,283**	106,040
Consolidated total assets							**975,928**	918,098
Liabilities								
Segment liabilities	**171,771**	145,274	**2,121**	15,829	**155,288**	132,993	**329,180**	294,096
Consolidated total liabilities							**329,180**	294,096