NATIONAL ROADS AND MOTORISTS' ASSOCIATION LIMITED AND ITS CONTROLLED ENTITIES

Financial Report

30 June 2012

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 2012.

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 3 December 2011, having been appointed to the Board on 30 March 2005. She was elected as President on 10 December 2008 and re-elected as President on 6 December 2011, following the conclusion of the 2011 Board of Directors' Election. She is Chair of the Governance, Compensation & Nomination Committee, a member of the Finance & Investments Committee, the Audit & Risk Management Committee and the Policy & Advocacy Committee. She is also a Director of the Australian Automobile Association, Destination NSW, the National Occupational Licensing Authority and a member of the ANZ Stadium Advisory Committee.

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 3 December 2011, having served on the Board since 18 January 2003. He was originally elected as Deputy President on 27 January 2005 and, following the 2011 Board Election, was re-elected as Deputy President. Mr Tynan is the Deputy Chair of both the Finance & Investments Committee and the Governance, Compensation & Nomination Committee and is the Board-appointed representative on the Vehicle Rental Industry Advisory Panel.

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 a large number of private companies and charities, including the Honda Foundation. He is a Councillor and Life Member of the Motor Traders Association.

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

DIRECTORS' REPORT

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

Mr Bentham was re-elected to the Board as a non-executive Director on 3 December 2011, having served on the Board since 6 December 2008. He is the Chair of the Audit & Risk Management Committee and is a member of the Policy & Advocacy 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.

David is very interested in community health and safety. He fully supports the International Decade of Road Safety, hoping this will result in a refocusing on how NSW and Australia develop and manage our road network and systems.

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

Mr Blight was re-elected as a non-executive Director on 3 December 2011, having served on the Board since 18 January 2003. He is a member of the Policy & Advocacy Committee and the Finance & Investments Committee. He is the Board-appointed representative on the Holiday Parks Industry Advisory Panel and is the NRMA Ambassador for Alternative Fuels and Technologies.

Mr Blight is involved in agriculture and agricultural businesses 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. 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 3 December 2011, having served on the Board since 5 December 2005. He is the Chair of the Finance & Investments Committee, a member of the Governance, Compensation & Nomination Committee and and is the Board-appointed representative on the Travel Industry Advisory Panel.

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

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

DIRECTORS' REPORT

Mr G (Geoff) Toovey BBus, CA, MAICD

Mr Toovey was re-elected as a non-executive Director on 3 December 2011, having served on the Board since 1 December 2001.

Mr Toovey is a chartered accountant with over 15 years experience. He is the head coach of the Manly Sea Eagles Rugby League team and is a former Director of Manly Warringah Rugby League Football Club Limited and Manly-Warringah Rugby League Club. He was also the former Treasurer of the Warringah Junior Touch Association. 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.

Mr AH (Alan) Evans GAICD

Mr Evans was re-elected to the Board as a non-executive Director on 3 December 2011, 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 Committee and the Policy & Advocacy Committee and is the Board-appointed representative on the Vehicle Servicing and Repair Industry Advisory Panel.

Mr Evans is a past President of the Australian Automobile Association. He is also Executive Chairman and owner of Dyno Dynamics (Aust) Pty Ltd, Strategic Consulting Services Pty Ltd and a Director of Citywide Service Solutions Pty Ltd. He is a Director of Eco-Motive, an Australian company developing alternative fuel technologies for motorists. He has also held senior executive positions in the public and private sectors, including 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 currently a Director of CAMS Pty Ltd (Confederation of Australian Motor Sports). He drives extensively throughout Australia, particularly in NSW, Victoria and the ACT.

Ms D (Dawn) Fraser AO MBE

Ms Fraser was re-elected to the Board as a non-executive Director on 3 December 2011, having served on the Board since 5 December 2005. She is Deputy Chair of the Policy & Advocacy Committee and a member of the Audit & Risk Management Committee. She is the Board-appointed Face of Members' Group Escorted Tours.

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. In addition, Ms Fraser is Patron of Australian Ladies Professional Golf, the Cerebral Palsy Foundation, the Noosa Triathlon and the Volunteer Lifeguard. Ms Fraser is also an Ambassador Live Life Villages.

DIRECTORS' REPORT

Ms C (Coral) Taylor GAICD

Ms Taylor was re-elected to the Board as a non-executive Director on 3 December 2011, having served on the Board since her appointment on 12 February 2008. She is the Chair of the Policy & Advocacy Committee and is a member of the Governance, Compensation & Nomination Committee. 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 the 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.

COMPANY SECRETARIES

Ms H (Helen) Burgess BA, LLB (Hons), FCSA, FCIS, FAICD

Ms Helen Burgess is the Executive General Manager, Corporate Relations and Governance. She is the Group General Counsel and Group Secretary and oversees all corporate relations, governance, company secretarial, legal, risk and corporate social responsibility matters. 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 Chartered Secretaries Australia, the Chartered Institute of Secretaries and Administrators (UK) and a Fellow of the Australian Institute of Company Directors.

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

The Company Secretary is Mr Nick Mowat. He has had experience in company secretarial roles over a period of more than 16 years. Mr Mowat is also a management-appointed Director of a number of the Group's subsidiary companies, the IAG & NRMA Superannuation Fund Pty Ltd and is the Chair of the Fund's Risk Management and Compliance Committee. He is a Fellow of Company Secretaries Australia and the Institute of Company Secretaries and Administrators (UK), 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.

DIRECTORS' REPORT

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 and commercial vehicle rental services;
- 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.

STRATEGIC ACTIVITIES

The last 12 months was the second year of our strategic plan to 'Deliver for Today and Develop for Tomorrow' supporting our vision 'to be the most trusted Member organisation, through our great people excelling at delivering highly relevant services and legendary roadside assistance'.

Strengthening our Membership proposition is an important element of this vision and we have made significant progress by building our on-line channels including providing Members the ability to sign-up and renew subscriptions, relaunching of the on-line shop with a significantly expanded product range and launching an iPad Open Road application allowing Members to receive the magazine electronically.

The introduction of Mobile Data Terminals in our road service vehicles allows the patrols to receive real time information enhancing their ability to more efficiently respond to roadside calls and in doing so, improve the Member experience. This is closely aligned to Member and staff safety as we work to create a safer environment including the introduction of new manual handling procedures for our patrols reducing the potential for injury.

The Group has also made significant progress in the current year in the "Group Operating Environment" which will provide a consistent and common Member and Finance platform across the Group to enable our future growth aspirations and provide improved services to Members and customers.

The activities align with our key performance measures of growth in our membership base through acquisition and retention, meeting our targeted operating profit and increasing staff engagement.

DIRECTORS' REPORT

RESULTS AND REVIEW OF OPERATIONS

The consolidated net profit for the financial year was:

	2012 $m	2011 $m
Operating profit before depreciation, amortisation & impairment, change in fair value of investments and profit share from Joint Ventures and Associates	**64.5**	45.8
Depreciation, amortisation and impairment	**(60.5)**	(61.1)
Share of operating profit from Joint Ventures and Associates	**9.5**	16.1
Share of unrealised gains from Joint Ventures and Associates	**1.3**	18.2
Operating profit before change in fair value of investments	**14.8**	19.0
Change in net fair value of investments	**(5.6)**	8.3
Profit from ordinary activities before income tax	**9.2**	27.3
Income tax (expense) relating to ordinary activities	**(5.1)**	(9.3)
Net profit attributable to Members of the Parent entity	**4.1**	18.0

The operating profit of the Consolidated Entity before change in fair value of investments for the year was $14.8 million (2011: $19.0 million). The Consolidated Entity's net profit attributed to Members for the year was $4.1 million (2011: profit of $18.0 million) including $5.6 million (2011: $8.3 million increase) decrease in the net fair value of investments.

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 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 2012 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 good 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 $58,519 (2011:$56,540) per annum in Board fees. The Deputy President and the President receive $117,038 (2011: $113,080) per annum and $175,557 (2011: $169,620) per annum respectively.

The Chair of the Audit & Risk Management Committee receives $25,665 (2011:$25,665) and the Chairs of the other Committees receive $18,585 (2011: $18,565). 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.

From 1 January 2011, under the company's Constitution, the Directors' fee pool is subject to an annual CPI review in the year following any year in which no fee increase has been approved by Members at a general meeting. As no fee increase was proposed to Members at the AGM in 2011, on 1 January 2012, Directors' fees increased by 3.5% (calculated in accordance with the Australian Bureau of Statistics' all groups weighted average consumer price index for eight capital cities for the year from September 2010 to September 2011).

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

By convention, the Deputy President and the President do not receive additional fees for participation in Board Committees.

WRITTEN RESOLUTIONS OF THE BOARD

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

BOARD SUB-COMMITTEE MEETINGS

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

BOARD STRATEGY DAYS

During the year there were two sessions of the Board (held over three and a half 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 and Risk Management Committee			Policy & Advocacy Committee			Governance, Compensation & Nomination Committee		
	Held		Attend	Held		Attend	Held		Attend	Held		Attend	Held		Attend
Mr D Bentham	8		8		1V	1	5		5	3		3			
Mr G J Blight	8		8	6	1T	6				3		3			
Mr A H Evans	8	1T	8		1V	1	5	1L&1T	4	3		3			
Ms D Fraser	8	1T	8				5		5	3		3			
Mr K Loades	8	1T	8	6		6							4		4
Ms W S Machin	8		8	4	2V	6	2	2V&1L	3	1	2V&1L	2	4		4
Ms C Taylor	8	1L	7		1V	1				3		3	4	1L	3
Mr G Toovey	8	2T	8	3	1L	2	3	1L	2						
Mr M T Tynan	8	1L	7	6	1L	5					1V	1	4	1T	4

(V) Visitor
(T) Attended meeting by phone
(L) Leave of absence granted by Board

In addition to the above, a sub-committee of the Finance & 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	
	2012 $	2011 $
Short-term employment benefits	**5,208,889**	4,697,817
Post-employment benefits	**324,885**	317,575
Other long-term employment benefits	**267,125**	278,396
Termination benefits	**468,482**	-
	6,269,381	5,293,788

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 2008	
Mr G J Blight	18 Jan 2003	
Mr A H Evans	18 Jan 2003	
Ms D Fraser	5 Dec 2005	
Mr K Loades	5 Dec 2005	
Ms W S Machin	30 Mar 2005	
Ms C Taylor	12 Feb 2008	
Mr G Toovey	1 Dec 2001	
Mr M T Tynan	18 Jan 2003	

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
Mr A Boyd	Acting Executive General Manager - Human Resources		3 Feb 2012
Ms H Burgess	Executive General Manager - Corporate Relations & Governance		
Mr O Gilbert	Executive General Manager – Motoring Assistance		
Mr P Griffiths	Enterprise Program Director	14 May 2012	
Mr D Lumb	Executive General Manager – Membership & Brand		
Ms E McFadzean	Executive General Manager – People & Organisational Capability	1 Feb 2012	
Mr J Simmons	Transformation Program Director		4 May 2012
Mr T Stuart	Group Chief Executive Officer		
Mr A Tilley	Group Chief Financial Officer		
Ms M Willis	Chief Executive Officer NRMA Investments		

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. 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 2012 to 30 June 2013. 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

Class of Members

The Constitution of the Company allows for two classes of Members:

(a) Ordinary Members; and
(b) Affiliate Members.

Ordinary Members have full voting rights, are eligible to stand for election as a Director and have access to roadside assistance, as well as to other services and benefits applicable to their membership category or package.

Affiliate Members have access to a range of services and benefits applicable to their particular membership category or package. They may attend and speak at General Meetings of Members but not vote or stand for election as a Director.

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 Group by electing Directors to office every four years. All Directors, including the President and Deputy President, are subject to re-election no later than every four years.

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 therefore, it is not 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 7 of this report.

DIRECTORS' 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.

If the number of Directors is less than nine because the office of a Director elected for a Region in the Greater Sydney Metropolitan Area becomes vacant, then the Board may appoint a person who is eligible to be a Director. That Director is known as the "Appointed Director". Only one Appointed Director may be appointed to the Board at any time.

The Directors elected in the 2011 Board of Directors' Elections will hold office for four years, commencing on 3 December 2011, 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 NRMA 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 by:

- guiding and monitoring its businesses and affairs. It does so by collectively overseeing and appraising the strategies, major policies, processes and performance of the NRMA Group using due care and diligence and ensuring that its long term reputation and sustainability is assured;
- undertaking to serve the interests of Members, employees, customers and the broader community with honesty and integrity;
- acting in good faith and in the best interests of the NRMA Group as a whole, irrespective of the Region for which each Director is elected;
- committing to collective decision making processes of the Board. Individual Directors will always respect the contributions of other Directors and strive to understand their perspectives and contributions to Board debate. Directors will debate issues openly and constructively and be free to question or challenge the opinions presented at meetings. Directors will bring to bear their relevant skills, knowledge, experience and perspective on all discussions relating to the NRMA Group;
- ensuring that each Director's independence is paramount. Directors will not misuse their position on the Board or use information available to them as Board members to advance their personal interests or represent particular constituencies; and
- requiring Directors to inform the Board of any conflicts or potential conflicts of interest that they may have in relation to particular items of business. Directors must absent themselves from any discussion or decision on such matters. Where a conflict of interest or potential conflict is not identified by the Director, the Chair of the Board or Board Committee (or other Directors) must call the matter to the attention of the Director.

DIRECTORS' REPORT

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

- appointing and removing the Group Chief Executive Officer (Group CEO), approving the Group CEO's Service Agreement, monitoring the Group CEO's performance objectives and any termination payments made to the Group CEO which are in excess of those set out in his or her Service Agreement;
- appointing and removing the Company Secretary;
- reviewing the short list of acceptable candidates for the position of Group CEO, Appointed Director or casual vacancy on the Board, and approving the appointment;
- with the input of management and the Group CEO, setting the NRMA Group's strategic direction, monitoring management's implementation of that strategy and reviewing management's performance against the strategic goals set;
- monitoring the integrity of and approving the NRMA Group's annual statutory financial reports and statements, annual budgets, long term strategic goals, business plans, annual advocacy plans, and any significant changes to key policies;
- reviewing any matters pertaining to the appointment, termination or replacement of the external auditors, for approval by Members;
- setting specific limits of authority for the Group CEO to commit to new expenditure, entering contracts or acquiring businesses without Board approval;
- approving acquisitions and disposals of businesses and investments above delegated limits of authority;
- approving the Investment Policy Statement on a triennial basis;
- reviewing any amendments to the NRMA Constitution, for approval by Members;
- recommending any increases to the Maximum Base Remuneration of the Directors (other than CPI increases provided for in the Constitution) for approval by Members;
- approving rules that are consistent with the Constitution for, or about, the conduct of the election of Directors and any dates relating to the election of Directors, as required by the Constitution;
- determining the dates that the Register of Members is closed for the purposes of the annual general meeting and the election of Directors;
- reviewing any proposals by management that have significant implications for the NRMA Group or have significantly different direction than previously approved advocacy positions; and
- appointing such Committees of the Board as may be appropriate to assist in the discharge of its responsibilities, determining their scope, objectives and membership.

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 appointee. 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 2011.

DIRECTORS' REPORT

Relationship with Management

The management of the business of the NRMA 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 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 comprises 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 and online versions of *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 if applicable, and through the release of other relevant significant announcements to the media and on NRMA's website.

Copies of all public releases are posted on NRMA's 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. A copy of the full financial report is also lodged with ASIC.

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/about/code-of-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. Under the Constitution, all Directors must attend the Australian Institute of Company Directors' (AICD) Company Directors' course (or another equivalent director development course approved by the Board). They must attend within two years of the date of their election or appointment in order to continue as a Director. During the period, the Directors attended a finance module provided in-house by the Australian Graduate School of Management. Additional modules on developing strategy and Board effectiveness are planned for July and August 2012. 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.

In years where no increase in Directors' remuneration is approved by the Members, the maximum aggregate annual remuneration payable to Directors' for their "ordinary services" as Directors will be increased by Consumer Price Index (CPI) on 1 January 2012 and on each anniversary of that date.

Directors are entitled to be paid reasonable travel and other expenses incurred in connection with attendances at Board and Committee meetings or otherwise in connection with the business of the NRMA Group.

Under NRMA's *Director's Expenditure Policy*, Directors are able to seek appropriate independent legal advice at NRMA's expense with the prior approval of the President.

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

A benefit in connection with a Director's retirement from office may only be given in accordance with the *Corporations Act*.

Performance review

In accordance with the Board Charter, a review of the Board's performance is undertaken on a regular basis. An independent review of Board Performance was undertaken with the assistance of KPMG Advisory Services in 2011. The performance review for the Group CEO is conducted by the Governance, Compensation & Nomination Committee, which then makes recommendations to the Board. The performance review for the Group CEO is carried out annually.

BOARD MEETINGS

The Board holds face to face meetings at least six times a year. In addition, it meets by telephone to deal with specific matters needing attention between the scheduled meetings. During the 2012 financial year, the Board met eight 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 the 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 the Group's head office in York Street, Sydney as well as Canberra, Mascot and North Strathfield. The Board has a program to meet at other sites and regions where the Group does business in 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 2012 financial year, the Board and Committees continued the practice of meeting on their own or with the Group CEO at the commencement of most scheduled meetings.

BOARD COMMITTEES

The Board has four permanent Committees that have delegated authority to assist the Board to perform its functions. 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) and which the Board approves and reviews 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

The objective of the Finance & Investments Committee (FIC) is to consider, or to assist the Board in considering, the NRMA Group's budgets, its corporate and business plans, the management and performance of its investment portfolio (including current and proposed investment and financing activities) and investment portfolio policy and strategy.

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

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

Audit & Risk Management Committee

The objective of the Audit & Risk Management Committee (ARMC) is to assist the Board in considering the integrity of the NRMA Group's financial reports and statements, the adequacy and integrity of financial and operational systems, the effectiveness of internal controls over those systems, the adequacy and integrity of the risk management framework and the performance and independence of the external auditors and internal auditors.

To assist with its duties and to contribute to its discussions and deliberations, the Committee has appointed a non-voting, independent consultant, Mr Peter Merrett, a former partner of PricewaterhouseCoopers. Mr Merrett provides both advice and an external perspective to the Committee's work, without the duties imposed on a Director. He also acts 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 D Bentham (Chair), Mr A Evans, Ms D Fraser and Ms W Machin.

DIRECTORS' REPORT

Policy & Advocacy Committee

The objective of the Policy & Advocacy Committee (PAC) is to consider, or to assist the Board in considering, the strategic direction of NRMA Group's public policy priorities for advocacy purposes, determining specific positions on key matters of public policy and assessing the effectiveness of its lobbying and advocacy activities.

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

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

Governance, Compensation and Nomination Committee

The objective of the Governance, Compensation & Nomination Committee (GCNC) is to assist the Board in considering matters in relation to the remuneration, succession planning and superannuation arrangements for the NRMA Group's Directors, Group Executive Committee (GEC) and, where applicable, employees.

The GCNC is also responsible for overseeing and making recommendations to the Board on the nomination of candidates to the Board of NRMA, the structure of the regional boundaries used for the purposes of Board Elections and the corporate governance, reputation and future sustainability of the NRMA 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.

Industry Advisory Panels

As a result of a change in the corporate governance structure of the Group in March 2009, the Board approved the establishment of four Industry Advisory Panels, with one covering each of the following business areas:

- Motor vehicle servicing/repairs;
- Travel;
- Holiday Parks/Accommodation; and
- Vehicle 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 two relevant industry experts, and one NRMA Board member with relevant business experience. The purpose of the Industry Advisory Panels is to advise the Group CEO (and from time-to-time the 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 advise the NRMA Board/Group CEO on key deliverables and benchmarks to be set for that business.

Industry Advisory Panels meet four to five times a year. A representative from each Panel may be asked to 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 representative experts 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 NRMA. The advantage to NRMA of the revised panel structure is that it is able to attract high-calibre external individuals to an Industry Advisory Panel as they can bring industry expertise, without the responsibilities and liabilities of a director.

DIRECTORS' REPORT

The NRMA Board member on an Industry Advisory Panel is appointed by the NRMA Board and is selected having regard to their interest 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.

The members of each Industry Advisory Panel consist of the CEO NRMA Investments, between two to three industry experts, one NRMA Board member and the relevant subsidiary CEO/GM. The Group CEO is a standing invitee.

Ambassadorial Roles

These roles do not relate to a particular NRMA business but are to assist in championing or representing a critical activity of 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 previously 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 G Blight);
- Driver Safety Ambassador; and
- Youth Ambassador.

The work of the Driver Safety Ambassador was subsumed by the Policy & Advocacy Committee during the period following the appointment of the former Ambassador, Ms Coral Taylor, as Chair of the Policy & Advocacy Committee. 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/images/About-PDF/Directors-Fees-2012.pdf.

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 ISO 31000:2009. 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 Committee oversees this framework with respect to both financial and non-financial risk. Quarterly Risk Management Reports are provided to the Audit & Risk Management 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.

DIRECTORS' REPORT

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 Group's corporate values of Community, Help, Integrity, Quality and Speaking out. The NRMA Corporate Responsibility Review provides an annual progress report against commitments and highlights key achievements across the Group. Key activity areas include Community, Governance, Environment, Advocacy, Members (including stakeholder management and Member satisfaction), Innovation, People and Safety. The Review is available at http://www.mynrma.com.au/about/corporate-responsibility.htm

Safety continues to be a priority for the Group. New integrated Group Health, Safety and Environmental (HSE) Standards have been developed to set common standards and a commitment to continuous improvement in health, safety and environmental performance. NRMA is also working towards a low carbon vision for 2020 and focussed on energy efficiency actions across the Group.

NRMA is continuing to advocate for action on the need to reduce Australia's oil dependence. Since the release of second Jamison Group report Fuelling future passenger vehicle use in Australia in 2010, NRMA continues to work with the Jamison Group and others to understand Australia's driving future beyond oil. In the next decade Australia will be importing over 80% of its oil needs and developing local options is important for the economy and Australia's transport fuel security. NRMA is calling on the Australian Government to develop a national strategy to reduce Australia's demand for imported oil by 75 per cent by 2030. To help achieve this NRMA are exploring fuel alternatives and new technologies, providing information to Members on alternatives and helping to shape government policy for a sustainable transport future. In the coming year NRMA will be further exploring transport fuel security issues and implications for Members.

ETHICAL STANDARDS

NRMA 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 employees of the NRMA Group are expected to comply in the performance of their respective functions.

MANAGEMENT REPRESENTATION TO BOARD

In accordance with s295A of the *Corporations Act 2001 (Cth)* (the Act), the Group Chief Executive Officer and the Group Chief Financial Officer have provided a formal written representation stating to the Board that in their opinion:

- the financial records of NRMA and its subsidiaries have been properly maintained in accordance with s286 of the Act;
- the Financial Statements and the notes referred to in paragraph 295(3)(b) of the Act for the financial year, comply with the Accounting Standards;
- the Financial Statements and notes for the financial year gives a true and fair view; and
- any other matters that are prescribed by the *Corporations Regulations* in relation to the Financial Statements and the notes for the financial year are satisfied.

WEBSITE

Information about the Board, executive management, the Constitution and copies of Board and Board Committee Charters can be found on NRMA's 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 9 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

M T Tynan
Deputy President

Sydney, 29 August 2012

Ernst & Young

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

In relation to our audit of the financial report of National Roads & Motorists' Association Limited for the financial year ended 30 June 2012, 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
29 August 2012

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

FINANCIAL HIGHLIGHTS

The Group's operating profit for the year before change in fair value of investments was $14.8 million (2011: profit of $19.0 million) whilst the Group's net assets decreased by $6.5 million, being 1.0%, to $653.0 million.

The Consoldiated Entity recorded net profit attributable to Members of $4.1 million compared to $18.0 million in 2011.

The primary components of the financial results were:

- Revenue from operations increased by a modest 1.4% to $440.7 million (2011: $434.7 million) reflecting growth in the Membership base and vehicle servicing (MotorServe) business offset by a reduction in accommodation revenue following the sale of Sydney Gateway Holiday Park and lower Travel commissions attributable to a focus on a narrower range of more profitable products;
- Operating profit before depreciation, amortisation and impairment, change in fair value of investments and profit share from Joint Ventures and Associates has increased by $18.7m to $64.5m. This improvement represents strong improvements in underlying cash profits across all business units and in particular Membership, Travel and Thrifty;
- Investment Income of $33.2 million is 2.1% higher than the prior year due largely to an increase in rental income and increase in interest received;
- Cost reductions of 2.6% or $12.6m were achieved despite wages increasing in line with inflation through reduced costs of buying and financing fleet, more targeted marketing spend and reduced cost of sales;
- Interests in jointly controlled ventures (primarily Travelodge) and associate companies generated $10.8 million of the Group's share of profit, down from $34.3 million in 2011. Property revaluation losses of $0.4million in 2012 compared to gains of $17.4million in 2011 was the main contributor to this decrease;
- The decrease in net fair value of the investment portfolio of $5.6 million (2011 $8.3 million gain) reflects a disappointing year on world share markets;
- The Group recorded a profit before tax of $9.2 million compared to the prior year's profit before tax of $27.3 million.

OPERATIONAL HIGHLIGHTS

- Despite competition increasing in the market place, NRMA Membership subscriptions continued to increase with a net paid growth (Consumer & BusinessWise) in 2012 of 1.43%;
- Total Members increased to 2.382 million (2011: 2.337 million);
- Overall job volumes decreased slightly by 2.4% whilst call volumes increased by 14.3%. Service levels were maintained even though Roadside experienced challenges from extreme weather conditions and resourcing constraints;
- Downloads for the Roadside iPhone application have now exceeded 135,000 and over 5,000 jobs have been completed using this channel for service;
- Further improvements were made to the NRMA towing service that enabled real time monitoring of service to Members and to our CAD system to enable more Country Service Centres to be online;
- Rolled out new technology and equipment in Patrol vehicles including Mobile Data Terminal (MDT) units and handheld devices to improve service to members;
- NRMA's Motoring Advice team answered over 36,300 technical advice telephone calls and responded to approximately 1,300 emails from Members seeking advice whilst the Member Legal team took almost 2,700 telephone calls and responded to over 172 emails from Members seeking legal advice;

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

- Our vehicle servicing business, MotorServe continued to grow opening a new site in Wollongong in April and now operating at 12 sites across NSW/ACT;
- Thrifty won the Whole of Federal Government car rental contract in Australia and the AANZ Member car rental contract in New Zealand;
- Created independent distribution channels through the Online Shop;
- On line membership renewals increased by 18 %;
- Collected over 800,000 Member emails to allow us to communicate with Members using email;
- Launched Open Road iPad application in May 2012 achieving over 10,600 downloads;
- For the third year running NRMA has been recognised for its exceptional service and professionalism, receiving the Service Excellence Award in the 2011 Australian Business Awards;
- Successfully lobbied for a Demerit Point increase for NSW motorists;
- Ran the second Seeing Red on Roads advocacy campaign;
- The Transformation Program, NRMA's strategy of transforming our membership proposition in order to remain relevant to Members continues to achieve all key milestones, recently appointing Capgemini to help design and build a new Membership and Finance system. These tools will provide the platform for a deeper, richer and more meaningful relationship plus improved services for our Members.

OPERATIONAL ACHIEVEMENTS

Advocacy

NRMA spent over $3.2 million on advocacy and community programs that supported local communities and charities over the 2012 financial year. This includes advocacy work that delivered sound policy solutions to all levels of government, as well as our work in the community which benefitted Members and those in need.

Through NRMA's extensive work standing up for motorists a number of considerable victories were achieved that helped make the road safety system more transparent and fairer for motorists without sacrificing safety.

NRMA undertook an extensive campaign working with our Members to encourage the NSW Government to direct all revenue from speeding fines back into road safety measures such as fixing roads, recruiting more highway patrols and education campaigns. Over 13,000 Members signed an NRMA petition, which was presented to the NSW Parliament and debated. The Government responded to the NRMA campaign by directing all fines back into safety across NSW for the first time.

Following the hard work by NRMA the NSW Government conducted a comprehensive audit of all fixed speed cameras in the state and identified 38 cameras which served little road safety benefit. The cameras were subsequently switched off. NRMA lobbying also led to larger and more visible speed camera signs being introduced across NSW and simplified speed zones on a number of major roads so that the speed limit does not change so often.

NRMA released its second report into the availability of commuter parking at train stations ("Park and Ride" report) delivering immediate results. Following the release of the report the NSW government announced it would build a further 1,200 parking spaces at nine major train stations across the rail network.

NRMA's Safer Driving School Road Safety Grants program provided $100,000 for government and not-for-profit organisations in NSW and the ACT. This year the program had a particular focus on increasing the safety of children near driveways, car parks and school kiss and drop zones. NRMA also educated NSW and ACT students about important road safety issues through its

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

strategic partnerships with Bicycle NSW and Taronga Zoo and using developed educational resources featuring NRMA Road Safety Roadbots, Norman & Norma.

NRMA continues to support our charity partners: Sunnyfield, Conservation Volunteers Australia, Starlight Children's Foundation,Father Chris Riley's Youth Off the Streets and new partners RSPCA NSW, Leukaemia Foundation and UNICEF.

In the 2012 financial year, NRMA had over 17% of our workforce volunteer as part of our Helping Hands Program and for the first time this year included staff from our Thrifty and NRMA Tourism & Leisure offices in Sydney. We have been proud to see this program more than triple its level of staff engagement in the last five years. Staff have served food to the homeless on the Youth Off The Streets Food Van, made activity packs for Starlight kids in hospital and restored animal enclosures at Taronga Zoo.

Staff proudly raised over $32,000 for charities including Pink Ribbon Day, World's Greatest Shave, Red Nose Day and the CEO Sleepout as well as showing their support for Australians in flood disaster areas around the country.

Road Service

Overall job volumes decreased slightly as compared to prior years. NRMA attended 1,488,270 (2011: 1,525,183) jobs during the year that included 2,049 (2011: 1,866) jobs in respect of children locked in cars.

The 'Go Rate' measures the success of NRMA's 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% (2011: 91%) and in line with the previous years. In the country, the average 'Go Rate' was 85% (2011: 86%). Across the NSW network, our patrols reached a Member in need within 60 minutes 90% of the time (2011: 89%). The average time taken to reach a Member translated to 33 minutes (2011: 31 minutes).

Our Call Centres answered 2.4 million (2011: 2.1 million) Roadside calls in the year which is significantly higher than prior years. From a service level perspective, 71% (2011: 70%) 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. NRMA's investment approach is akin to that of an endowment fund with an emphasis on protecting the principal and producing income to contribute to the long-term sustainability of the Group.

Investment markets started the year strongly with the ASX200 hitting its high for the year on the sixth trading day. The positive lead to the financial year slowly eroded away as the underlying concerns from the previous financial year resurfaced. The dominating themes were the European debt crisis, loss of momentum in the US economic recovery and a slowing Chinese economy. Domestically, weakness in the global economic backdrop forced the Reserve Bank of Australia to stimulate growth by cutting official cash rates by 1.25% throughout the year to 3.5%. The poor economic environment saw equities fall as investors moved to safe haven assets such as bonds and cash. The asset allocation shift combined with weakening rates helped bond prices rally.

The defensive positioning of the investment portfolio from the previous financial year continued to work in NRMA's favour. NRMA changed the asset allocation of the portfolio to an income bias by acquiring an A grade commercial property in the prior financial year which is leased to 2025 and delivered an 8.6% yield; and redeemed out of equity funds to invest in the PIMCO Global Credit fund which returned 11.0%. During the year it increased cash holdings from $24.5 million to $95.3 million on which it averaged a 5.2% return through active cash management.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

Deja Vu

It was another challenging year for financial markets with the median Australian share fund down 7.0%, the ASX 200 down 11.1% and the equivalent median balanced superannuation fund returning just 0.5% according to research house Chant West. However NRMA's allocation to bonds, cash and Travelodge property assets enabled it to deliver a pre-tax yield of 7.4%. After accounting for realised and unrealised capital losses, the total return for 2012 was 5.9%. This was a solid relative return and follows a 12.8% return in 2011 and a 12.3% return in 2010.

The strong relative performance of the Australian economy suggested domestic equities would outperform but high bank deposit rates led investors to place their capital in savings, a strong dollar depressed earnings for exporters and continued concerns over a slowing China punished the mining sector. This was reflected in NRMA's two domestic equity funds Macquarie Index Enhanced and Tyndall, down 8.0% and 1.0% respectively. Pleasingly Tyndall outperformed the ASX200 by 12.1% and delivered a 6.1% dividend yield (8.3% after accounting for franking credits).

Renewed worries in the second half of the year hurt equities but supported defensive assets. Over the year the weight of money moved out of equities and into cash and bonds. Falling credit yields, both globally and domestically, lifted prices for the Australian and International Fixed Interest asset class. The Macquarie Australian Fixed Interest fund returned 12.6% for the year, Macquarie Global Bond Fund (GBF) returned 11.5% and PIMCO Global Credit Fund delivered 11.0%.

Asset Class	Return %
Cash	5.2%
Australian Equities (excluding IAG)	(3.8%)
International Equities	6.8%
Growth Alternatives	2.5%
Australian & International Fixed Interest	7.3%
Investment Property	7.6%
Travelodge	8.3%
Total Portfolio – asset weighted	5.9%

Continued focus on Income & Diversification

The 2012 results reflect a continued focus on sustainable income. Total income from the investment portfolio for the 2012 financial year was $34.2 million (2011: $29.7 million) inclusive of IAG dividends. Cash yields started the year at historical lows globally and continued to weaken. Domestically the Reserve Bank of Australia dropped the cash rate from 4.75% to 3.50%. Dividends were low, due in part to the "two-speed" economy. Australia's best performing sector, mining, offers a lower relative dividend yield than the overall domestic equities market. Consumer exposed business, in particular, had weak to flat earnings. Whilst investment income is down for the year, the income generated for the operating needs of NRMA and its Members was sufficient.

In addition to the above income, the portfolio realised a $2.2 million loss (2011: gain of $8.3 million) for the year. Total unrealised losses were $5.7 million and were mainly attributable to Australian Equity, Growth Alternatives and Travelodge. Despite a $12.6 million share of profit from Travelodge, NRMA absorbed a $2.4 million in non cash revaluation and impairment losses. 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.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

Expenses relating to managing the portfolio were $1.8 million (2011: $1.5 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 all investments, including income and losses plus equity accounted investments, and after deducting expenses was $40.0 million (2011: net gain of $67.7 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.

The portfolio (excluding IAG shares) was valued at $558 million as at 30 June 2012 (2011: $505 million), and was invested across a diversified range of asset classes and investment managers. The portfolio mix as at 30 June 2012 (excluding IAG Limited) is shown in the following table.

Asset Class	Weight %	$ Million
Cash	17	95.3
Australian Equities (excl. IAG)	18	99.5
International Equities	8	43.8
Growth Alternatives	8	44.8
Australian & International Fixed Interest	17	93.5
Investment Property	10	57.7
Travelodge	22	123.2
Total Portfolio – asset weighted	100	557.8

IAG Limited

The return of NRMA's strategic holding of IAG Limited shares was 5.9% (2011: 3.8%). The share price of IAG increased 2.7% to $3.48 duirng the year and IAG dividends adding another 3.5%. A volatile year for Australian shares during which earnings forecasts often disappointed proved postive for defensive stocks such as IAG.

It was an active year for IAG. It moved to restructure its CGU business, began exploring a possible sale of its UK business after a significant remediation effort, announced the closure of its online brand The Buzz and completed a number of transactions in Asia. Key deals included purchasing of 20% of Chinese insurer Bohai, the acquisition of AMI NZ, buying a 30% interest in Vietnam's AAA Assurance, and the purchase of Malaysia's Kurnia by its joint venture partner AmG.

NRMA's substantial investment in a single company involves higher risk than our more broadly diversified portfolio. As at 30 June 2012 this holding represented 31% (2011: 30%) of our total equity portfolio. The IAG holding is treated as a long-term strategic investment within the context of our total investment portfolio.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

Investments in Associates and Joint Ventures

NRMA equity accounts for Investments in the following:

(a) Travelodge Hotels

NRMA holds a 50% shareholding of the Tucker Box Hotel Trust (Travelodge), 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 2012, this joint venture with Mirvac Real Estate Investment Trust had total assets of approximately $414.2 million (2011: $414.4 million) and NRMA's net asset holding is carried at $123.2 million (2011: $123.1 million). NRMA's investment in Travelodge enables us to provide Members with accommodation discounts and special offers. We are pleased occupancy rates remained strong at an average of 86% across the portfolio and above 90% in CBD locations. Travelodge provided a cash yield of 8.2%.

(b) Club Assist Pty Ltd

NRMA owns 30% of Club Assist through its shareholding in Club Assets Pty Ltd. Club Assist provides mobile battery service to motoring clubs worldwide as well as roadside assistance and windscreen repairs in select locations. NRMA Batteries is the largest retailer of motor vehicle batteries in NSW. NRMA's investment in Club Assist is carried at $13.7 million (2011: $13.5 million).

(c) 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. NRMA's share of profits was $0.3 million. 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.

The year ahead

In the near term there is little to suggest a significant departure from the themes that characterised the past 2 years. Weak US growth with little chance of fiscal support until well after the November election, periodic spikes in the European debt crises and fears of a hard landing in China despite recent monetary easing. The challenge from an investment viewpoint is that the outlook for both stocks and bonds is equally challenging. Bonds are unlikely to continue to benefit from falling rates as they are already at historically low levels. The outlook for earnings growth is not strong and continued uncertainty and volatility inclines potential equity investors to stay on the sidelines.

A lack of clarity around how governments will work through current challenges means NRMA will continue to emphasise flexibility, income and diversification in the short-term. NRMA's investment portfolio remains positioned to continue its role in supporting the organisation's financial sustainability and funding Member enhancements. The focus continues to be on producing sustainable income over time and maintaining an appropriate risk profile over the long term. The investments are 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 2012

		Consolidated	
	Notes	**2012 $000**	2011 $000
Continuing operations			
Revenue from Operations	5 (a) (i)	**440,654**	434,729
Investment Income	5 (a) (ii)	**33,207**	32,523
Total Revenue from Operating Activities		**473,861**	467,252
Employee benefits expense		**(179,549)**	(174,828)
Fleet, road service and towing contractors expense		**(70,992)**	(82,367)
Depreciation, amortisation and impairment expense	6	**(60,462)**	(61,094)
General and administrative expense		**(46,166)**	(45,296)
Marketing expense		**(24,673)**	(29,416)
Commissions and cost of sales expense		**(15,983)**	(19,708)
Printing & postage expense		**(14,627)**	(14,803)
Network distribution expense		**(9,715)**	(10,421)
Finance expense	6	**(9,473)**	(7,351)
Annual General Meeting, Special General Meetings & Election Expense		**(3,838)**	(2,770)
Other expenses from Operations		**(34,470)**	(34,474)
Total expenses from Operating Activities		**(469,948)**	(482,528)
Share of net profits of associates and jointly controlled entities accounted for using the equity method	20	**10,829**	34,287
Operating profit before change in fair value of investment		**14,742**	19,011
Change in net fair value of investments	5 (b)	**(5,556)**	8,323
Profit before income tax from continuing operations		**9,186**	27,334
Income tax expense	7 (a)	**(5,122)**	(9,328)
Net profit for the year		**4,064**	18,006

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Consolidated 2012 $000	2011 $000
Net profit for the year		**4,064**	18,006
Other comprehensive income:			
Net fair value (loss) on available-for-sale financial assets	29 (a)	**(7,238)**	(433)
Foreign currency translation	29 (a)	**54**	(620)
Net (losses) on cash flow hedges	29 (a)	**(989)**	-
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	29 (a)	**371**	(3,626)
Actuarial gain/(loss) on defined benefit plan	29 (b)	**(5,024)**	(762)
Income tax on items of other comprehensive income	7 (b)	**2,289**	146
Other comprehensive income for the period, net of tax		**(10,537)**	(5,295)
Total comprehensive income for the period		**(6,473)**	12,711

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Notes	Consolidated 2012 $000	2011 $000
Current Assets			
Cash and cash equivalents	11	**43,470**	43,061
Trade and other receivables	12	**39,967**	44,784
Inventories	13	**1,101**	1,099
Other financial assets	14	**4,745**	10,264
		89,283	99,208
Non-current assets classified as held for sale	15	**1,271**	5,337
Total current assets		**90,554**	104,545
Non-current Assets			
Other financial assets	16	**311,618**	250,375
Available for sale financial assets	17	**128,604**	140,909
Property, plant and equipment	18	**223,504**	239,538
Investment property	19	**58,864**	58,864
Investments in associates and joint ventures	20	**139,786**	139,100
Pension asset	28	**526**	4,495
Intangible assets and goodwill	21	**94,095**	92,274
Total non-current assets		**956,997**	925,555
Total assets		**1,047,551**	1,030,100
Current Liabilities			
Trade and other payables	22	**75,711**	57,923
Income tax payable	7(c)	**2,978**	-
Provisions	23	**19,529**	19,192
Unearned income	24	**116,566**	110,634
Deposits held	25	**17,510**	27,408
Interest bearing loans and borrowings	26	**33,469**	79,361
Total current liabilities		**265,763**	294,518
Non-current Liabilities			
Provisions	23	**4,802**	3,855
Deferred tax liabilities	7 (d)	**27,351**	27,642
Derivative financial instruments	27	**1,158**	-
Unearned income	24	**9,925**	9,626
Deposits held	25	**6,399**	6,604
Interest bearing loans and borrowings	26	**79,167**	28,396
Total non-current liabilities		**128,802**	76,123
Total liabilities		**394,565**	370,641
Net assets		**652,986**	659,459
Equity			
Reserves	29 (a)	**(9,988)**	(4,357)
Retained earnings	29 (b)	**662,974**	663,816
Total Equity		**652,986**	659,459

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 2012

	Consolidated					
	Available for sale reserve	Equity accounted reserve	Foreign currency reserve	Cash flow hedge reserve	Retained profits	Total
At 1 July 2011	**(56)**	**(3,626)**	**(675)**	**-**	**663,816**	**659,459**
Profit for the year	**-**	**-**	**-**	**-**	**4,064**	**4,064**
Other comprehensive income	**(5,067)**	**371**	**54**	**(989)**	**(4,906)**	**(10,537)**
Total comprehensive income for the year	**(5,067)**	**371**	**54**	**(989)**	**(842)**	**(6,473)**
At 30 June 2012	**(5,123)**	**(3,255)**	**(621)**	**(989)**	**662,974**	**652,986**

	Consolidated					
	Available for sale reserve	Equity accounted reserve	Foreign currency reserve	Cash flow hedge reserve	Retained profits	Total
At 1 July 2010	247	-	(55)	-	646,556	646,748
Profit for the year	-	-	-	-	18,006	18,006
Other comprehensive income	(303)	(3,626)	(620)	-	(746)	(5,295)
Total comprehensive income for the year	(303)	(3,626)	(620)	-	17,260	12,711
At 30 June 2011	(56)	(3,626)	(675)	-	663,816	659,459

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 2012

	Notes	Consolidated 2012 $000	2011 $000
Cash flows from operating activities			
Receipts from Members and customers		**494,109**	464,316
Payments to suppliers and employees		**(428,244)**	(428,316)
Dividends received		**26,723**	21,146
Interest received		**5,672**	4,732
GST paid		**(5,841)**	(11,683)
Interest paid		**(7,777)**	(5,221)
Net income taxes received		**-**	2,290
Net cash flows from operating activities	30	**84,642**	47,264
Cash flows used in investing activities			
Proceeds from disposal of investments		**134,506**	121,663
Proceeds from disposal of fixed assets		**57,309**	49,518
Equity accounted distributions		**10,693**	6,386
Proceeds from disposal of business and franchises		**23,950**	1,460
Outlays for investment property acquired		**-**	(57,648)
Outlays for investments acquired		**(195,887)**	(78,682)
Outlays for fixed assets acquired		**(99,118)**	(21,917)
Net cash flows from investing activities		**(68,547)**	20,780
Cash flows used in financing activities			
Manufacturer buy-back		**7,874**	(112)
Finance lease payments		**(110,237)**	(75,332)
Proceeds from bank loans		**95,318**	3,593
Net cash flows used in financing activities		**(7,045)**	(71,851)
Net increase/(decrease) in cash and cash equivalents		**9,050**	(3,807)
Cash and cash equivalents at the beginning of the financial year		**32,810**	36,617
Cash and cash equivalents at the end of the financial year	11	**41,860**	32,810

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 2012

1. Corporate information

The financial report of National Roads and Motorists' Association Limited (the Parent or Company) and its controlled entities (the Consolidated Entity or the Group) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 29 August 2012.

National Roads and Motorists' Association Limited is a company limited by guarantee. In the event of a winding up, the Members undertake to contribute a sum not exceeding $2.10 per Member. There are 2,104,680 Memberships at 30 June 2012 (2011: 2,067,636).

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, unaudited segment information is disclosed 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 2012

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Future impact on the Group	Application date for Group
AASB 2010-8	Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12	These amendments clarify the tax base of the investment property measured using the fair value model in accordance with AASB140 *Investment Property* is based on the premise that the carrying amount will be recovered entirely through sale rather than through use.	1 January 2012	The Group currently uses a tax base on the premise that the carrying amount will be recovered entirely through sale hence not expected to have an impact.	1 July 2012
AASB 9	AASB 9 *Financial Instruments*	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which are: - Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. - Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. - Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2015 *	The Group currently holds certain investments as "available for sale" which are expected to be reclassified to "fair value" on adoption of the new Standard. These investments will continue to be held at fair value, however the gains or losses arising from the change in fair value which are currently recognised as a separate component of equity will be booked to the Income Statement. If the new Standard had been applied in the current year, profit before tax for the year ended 30 June 2012 would have been reduced by $7.2m.	1 July 2015
AASB 11	AASB 9 *Joint Arrangements*	AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.	1 January 2013	The Group currently accounts for its Investment in Joint Ventures using the equity method and does not apply proportionate consolidation. As such, the new Standard is not expected to have an impact.	1 July 2013

* - AASB ED 215 *Mandatory effective date of IFRS 9* proposes to defer the mandatory effective date of AASB 9 to annual periods beginning on or after 1 January 2015, with early application permitted. At the time of preparation, finalisation of ED 215 is still pending by the AASB. However, the IASB has deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, with early application permitted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 33) 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 subsidiaries 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 2012

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 is measured at fair value, which is 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 is 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 is 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 is not 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 2012

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, floating interest rates and stock market exposures. In addition, forward exchange contracts are entered into to hedge against foreign currency exchange rate and floating interest rate changes.

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. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liabilty when the remaining maturity of the hedged item is less than 12 months.

The forward exchange contracts entered into to hedge against foreign currency exchange rate changes 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.

Forward exchange contracts are entered into to hedge against interest rate changes in the Group's external borrowings. The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 3(d).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. Movements in the hedging reserve in equity are shown in note 29(a). The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

(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.

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 Group 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 Group has classified certain financial assets at fair value through profit or loss. Fair value is determined in the manner described in Note 3(d) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

(l) Investments in subsidiaries

Investments in subsidiaries are carried at cost.

(m) Investments in associates

Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

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 Group'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 Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group'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 share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

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 2 to 6 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.

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 profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

(ii) Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

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 Group'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.

(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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

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 derecognition 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
- Software - over 2.5 to 9 years

(t) Pensions

Contributions are made to various defined contribution superannuation plans and a defined benefit superannuation plan in accordance with their governing rules and, for the defined benefit superannuation plan, recommendations from the plan's actuaries, which are designed to ensure that the plan's funding provides sufficient assets to meet liabilities 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, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

(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 profit or loss 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 as finance costs.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

(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 as the services are rendered. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

(z) Income tax and other taxes

(i) Current tax

The assessable income of the Group 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 Group 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.

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 Group 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/Group 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (continued)

(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.

(aa) Deposits held

(i) Security Deposit

This represents payments 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.

(ab) 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. Borrowing costs and finance charges payable under finance lease and hire purchase contracts are also included in finance costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 is not exposed to any significant financial risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Notes 2 and 4 to the financial statements.

(a) Market risk

(i) Interest rate risk

The Group's main interest rate risk arises from floating rate borrowings and capped bank loan facilities. The Group only had floating rate Australian dollar denominated borrowings during 2012.

The Group's interest rate hedging policy is to reduce the interest rate risk associated with the floating rate borrowings by entering into fixed rate forward exchange contracts for a portion of the total borrowings. These external forward exchange contracts are designated at the business unit level as cashflow hedges and hedge accounting is applied in accordance with Note 2(i).

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.

Further details of the Group's borrowings are provided in Note 26 and an analysis by maturity 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 3(a)(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 2011.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3. Financial risk management objectives and policies (continued)

(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 New Zealand 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 12 and 22 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 six 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 to foreign exchange contracts. 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 2012

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
2012				
AUD/USD	**1.00**	**3,690**	-	**(29)**
AUD/CAD	**1.01**	**2,705**	-	**(69)**
AUD/NZD	**1.27**	**186**	-	**1**
AUD/FJD	**1.76**	**749**	-	**(24)**
AUD/EUR	**0.76**	**378**	-	**(15)**
AUD/ZAR	**8.15**	**582**	-	**(26)**
AUD/JPY	**77.83**	**42**	-	**(1)**
AUD/GBP	**0.62**	**436**	-	**(13)**
AUD/INR	**0.79**	**128**	-	**(5)**
NZD/USD	**0.50**	**2,699**	-	**4**
NZD/GBP	**6.54**	**499**	-	**(2)**
NZD/ZAR	**0.64**	**12**	-	**(1)**
NZD/EUR	**0.78**	**210**	-	**(5)**
NZD/AUD	**0.80**	**111**	**-**	**0**
NZD/CAD	**54.14**	**647**	**-**	**16**
NZD/FJD	**1.43**	**27**	**-**	**0**
2011				
AUD/USD	1.04	4,061	-	130
AUD/CAD	1.00	2,304	-	66
AUD/NZD	1.33	1,763	-	(55)
AUD/FJD	1.81	1,626	-	48
AUD/EUR	0.72	641	-	16
AUD/ZAR	7.13	751	-	10
AUD/JPY	-	-	-	-
AUD/GBP	0.62	262	-	21
NZD/USD	0.81	890	-	(10)
NZD/GBP	0.5	321	-	7
NZD/ZAR	5.59	90	-	0
NZD/EUR	0.57	44	-	0
NZD/AUD	0.77	101	-	0
NZD/CAD	0.79	324	-	5

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 ten 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 2011.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3. Financial risk management objectives and policies (continued)

(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 shares that are publicly traded on the Australian Stock Exchange and in a Macquarie Australian equity fund.

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
2012				
Investment Category				
Australian shares	**-**	**-**	**-**	**34,297**
International shares	**-**	**-**	**-**	**43,787**
Fixed interest securities	**-**	**-**	**-**	**93,464**
Diversified unit trust	**-**	**-**	**-**	**140,070**
2011				
Investment Category				
Australian shares	-	-	-	39,136
International shares	-	-	-	46,598
Fixed interest securities	-	-	-	94,465
Diversified unit trust	-	-	-	70,065

Group sensitivity

A sensitivity analysis of price risk on the Group's financial assets and liabilities is provided in the table in Note 3(a)(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 2011.

(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 2012

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
2012													
Financial assets													
Cash and cash equivalents	**43,470**	**(435)**	**-**	**435**	**-**	**-**	**533**	**-**	**(533)**	**-**	**-**	**-**	**-**
Trade receivables	**24,345**	**-**	**-**	**-**	**-**	**-**	**87**	**-**	**(87)**	**-**	**-**	**-**	**-**
Other financial assets	**311,618**	**(1,887)**	**-**	**1,887**	**-**	**-**	**-**	**-**	**-**	**(7,287)**	**-**	**7,287**	**-**
Investments in associates	**139,786**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Available for sale financial assets*	**128,604**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,860)**	**-**	**12,860**
Financial liabilities													
Trade payables	**30,015**	**-**	**-**	**-**	**-**	**-**	**(32)**	**-**	**32**	**-**	**-**	**-**	**-**
Interest bearing borrowings	**112,636**	**1,028**	**-**	**(1,028)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits held	**23,909**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total increase/ (decrease)		**(1,294)**	**-**	**1,294**	**-**	**-**	**588**	**-**	**(588)**	**(7,287)**	**(12,860)**	**7,287**	**12,860**

		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
2011													
Financial assets													
Cash and cash equivalents	43,061	(431)	-	431	-	-	217	-	(217)	-	-	-	-
Trade receivables	27,726	-	-	-	-	-	99	-	(99)	-	-	-	-
Other financial assets	250,264	(1,190)	-	1,190	-	-	-	-	-	(13,129)	-	13,129	-
Investments in associates	139,100	-	-	-	-	-	-	-	-	-	-	-	-
Available for sale financial assets*	140,909	-	-	-	-	-	-	-	-	-	(14,091)	-	14,091
Financial liabilities													
Trade payables	(22,156)	-	-	-	-	-	(42)	-	42	-	-	-	-
Interest bearing borrowings	(107,757)	162	-	(162)	-	-	-	-	-	-	-	-	-
Deposits held	(34,012)	-	-	-	-	-	-	-	-	-	-	-	-
Total increase/ (decrease)		(1,459)	-	1,459	-	-	274	-	(274)	(13,129)	(14,091)	13,129	14,091

*Investment in IAG Limited and Macquarie Australian Equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 12.

(c) Liquidity risk

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

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

The table 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
2012					
Trade payables	**25,608**	**4,383**	**24**	**-**	**30,015**
Interest bearing borrowings	**4,464**	**8,147**	**20,858**	**79,167**	**112,636**
Deposits held *	**3,615**	**11,214**	**2,681**	**6,399**	**23,909**
2011					
Trade payables	19,248	2,604	304	-	22,156
Interest bearing borrowings	14,962	9,568	54,831	28,396	107,757
Deposits held *	19,731	7,026	651	6,604	34,012

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

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 22 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 2012			
	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	299,401	-	-	299,401
Unlisted investments	95,286	-	45,535	140,821
	394,687	-	45,535	440,222
Financial liabilities				
Interest rate swap contracts	-	(989)	-	(989)
Foreign exchange contracts	-	(169)	-	(169)
	-	(1,158)	-	(1,158)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 in 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 liabilities.

(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 disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 disclosed in Note 28.

Long service leave provision

As noted 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 23.

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 12.

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 38, 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 residual value facility has been assessed as equating to the carrying value in the books of the relevant legal entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

There is a shortfall guarantee in place in relation to a finance fleet facility provided by 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 are financial covenants in place in relation to this guarantee that requires NRMA Treasury Limited's net assets and certain classes of portfolio assets to remain above specified thresholds. Management monitor the financial covenants of NRMA Treasury Limited on a monthly basis to ensure this requirement is met. Based on the existence of surplus net and portfolio assets above the covenant requirements, the fair value of the financial guarantee has been assessed as $Nil.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

5. Revenue from operations

		Consolidated	
		2012 $000	2011 $000
(a)	Revenue		
	(i) Revenue from operations consists of the following items:		
	Subscription and joining fees	**223,154**	210,689
	Car rental revenue	**134,863**	135,606
	Accommodation revenue	**22,931**	26,711
	Commissions revenue	**19,559**	23,410
	Vehicle servicing revenue	**21,130**	18,554
	Advertising and publishing revenue	**6,645**	7,169
	Sales of goods	**3,440**	3,580
	Other revenue	**8,932**	9,011
		440,654	434,729
	(ii) Investment Income		
	Interest	**5,832**	4,608
	Dividend	**22,816**	24,215
	Rental income	**4,559**	3,700
		33,207	32,523
(b)	Profit before income tax has been arrived at after the following gains:		
	Change in fair value of financial assets classified as fair value through the Income Statement	**(5,556)**	8,323
(c)	Profit on disposal of assets	**610**	2,812

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

6. Expenses

		Consolidated	
	Notes	**2012 $000**	2011 $000
Profit before income tax has been arrived at after charging the following expenses:			
Depreciation	18	**41,085**	43,374
Amortisation and impairment	21	**19,377**	17,720
Total depreciation, amortisation and impairment		**60,462**	61,094
Finance costs			
Bank loan and overdraft		**1,901**	1,112
Defined benefit fund		**1,619**	1,543
Finance charges payable under finance leases and hire purchase contracts		**5,876**	4,611
Provision discount adjustment		**77**	85
Total finance expense		**9,473**	7,351

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

7. Income tax

	Consolidated	
	2012 $000	2011 $000
(a) Income tax recognised in the income statement		
Tax expense comprises:		
Current tax expense	**3,774**	1,660
Adjustments recognised in the current year in relation to the current tax of prior years	**(650)**	(977)
Deferred tax expense relating to the origination and reversal of temporary differences	**1,998**	8,645
Total tax expense	**5,122**	9,328
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:	**9,186**	27,334
Income tax expense calculated at 30%	**2,756**	8,200
Tax effect of permanent differences:		
Deferred tax asset not booked	**4,373**	4,322
Tax losses not previously recognised	**(165)**	-
Accounting profit not subject to tax	**(296)**	(1,808)
Non-deductible net mutual expense	**795**	1,251
Capital losses recognised	**-**	(1,522)
Imputation credits	**(1,193)**	(1,456)
Adjustment recognised in the current year in relation to:		
- the current tax of prior years	**(650)**	(977)
- the deferred tax of prior years	**(762)**	987
Adjustment recognised for change in tax base of mutual related deferred tax balances	**67**	321
Other	**197**	10
Total tax expense	**5,122**	9,328

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 2012

7. Income tax (continued)

	Consolidated	
	2012 $000	2011 $000
(b) Income tax recognised directly in retained earnings and equity		
The following amounts were charged directly to equity during the year:		
Deferred Tax:		
Revaluations of available-for-sale securities	**2,171**	130
Actuarial movements on defined benefit plans	**118**	16
	2,289	146
(c) Current tax assets and liabilities		
Income tax (payable) /receivable attributable to:		
Tax authorities	**(2,978)**	-
(d) Deferred tax balances		
Deferred tax assets	**7,894**	33,568
Deferred tax liabilities	**(35,245)**	(61,210)
Net deferred temporary differences	**(27,351)**	(27,642)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

7. 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
2012				
Gross deferred tax liabilities:				
Trade and other receivables	(814)	(160)	-	(974)
Fair value through profit and loss financial assets	(392)	(334)	-	(726)
Investments accounted for under the equity method	(20,151)	2,267	-	(17,884)
Property, plant and equipment	(28,575)	23,628	-	(4,947)
Intangibles	(11,081)	504	-	(10,577)
Investment property	(121)	-	-	(121)
Defined benefit asset	(94)	(36)	118	(12)
Other financial liabilities	(6)	2	-	(4)
	(61,234)	25,871	118	(35,245)
Gross deferred tax assets:				
Trade and other receivables	260	109	-	369
Available for sale financial assets	24	-	2,171	2,195
Property, plant and equipment	163	51	-	214
Inventory	11	1	-	12
Lease liability	27,004	(24,050)	-	2,954
Trade and other payables	2,657	(2,080)	-	577
Provisions	1,134	4	-	1,138
Other liabilities	206	80	-	286
Carried forward tax losses	2,133	(1,984)	-	149
	33,592	(27,869)	2,171	7,894
Total net deferred tax liability	(27,642)	(1,998)	2,289	(27,351)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

7. Income tax (continued)

	Consolidated			
	Opening Balance	Charged to Income	Charged to Equity	Closing Balance
	$000	$000	$000	$000
2011				
Gross deferred tax liabilities:				
Trade and other receivables	(1,909)	1,095	-	(814)
Available for sale financial assets	(527)	421	130	24
Fair value through profit and loss financial assets	-	(392)	-	(392)
Investments accounted for under the equity method	(12,427)	(7,724)	-	(20,151)
Property, plant and equipment	(22,555)	(6,020)	-	(28,575)
Intangibles	(11,389)	308	-	(11,081)
Investment property	(121)	-	-	(121)
Defined benefit asset	(65)	(45)	16	(94)
Other financial liabilities	(4)	(2)	-	(6)
	(48,997)	(12,359)	146	(61,210)
Gross deferred tax assets:				
Trade and other receivables	416	(156)	-	260
Property, plant and equipment	87	76	-	163
Inventory	11	-	-	11
Lease liability	21,688	5,316	-	27,004
Trade and other payables	1,036	1,621	-	2,657
Provisions	1,313	(179)	-	1,134
Other liabilities	288	(82)	-	206
Fair value through profit and loss financial assets	1,049	(1,049)	-	-
Carried forward tax losses	3,966	(1,833)	-	2,133
	29,854	3,714	-	33,568
Total net deferred tax liability	(19,143)	(8,645)	146	(27,642)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

7. 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 (2011: $15,387,672) comprising 2009 actual of $6,440,450 and 2009 actual of $8,947,222, 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 $19,868,617 (2011: $20,797,845). 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 33.

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 its obligations to the Australian Tax Office, the other members of the tax-sharing group will meet the obligations.

8. Franking account balance

	Consolidated	
	2012 $000	2011 $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% (2011: 30%)	**237,337**	234,147
Franking credits that will arise from the payment of tax payable as at the end of the financial year	**2,978**	-
	240,315	234,147

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 2012

9. Auditor's remuneration

	Consolidated	
	2012 **$**	2011 $
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 Group:		
– Consolidated Entity	**345,000**	343,340
– Thrifty Group	**95,991**	100,965
– Travel Group	**54,800**	77,575
	495,791	521,880
Other services provided by Ernst & Young:		
Accounting advice	**9,785**	-
IT systems reviews	**-**	49,200
Non statutory audit services	**48,372**	107,000
Project assurance services	**331,184**	510,000
	389,341	666,200
	885,312	1,188,080

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10. 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
Mr A Boyd	Acting Executive General Manager - Human Resources		3 Feb 2012
Ms H Burgess	Executive General Manager - Corporate Relations & Governance		
Mr O Gilbert	Executive General Manager – Motoring Assistance		
Mr P Griffiths	Enterprise Program Director	14 May 2012	
Mr D Lumb	Executive General Manager – Membership & Brand		
Ms E McFadzean	Executive General Manager – People & Organisational Capability	1 Feb 2012	
Mr J Simmons	Transformation Program Director		4 May 2012
Mr T Stuart	Group Chief Executive Officer		
Mr A Tilley	Group Chief Financial Officer		
Ms M Willis	Chief Executive Officer NRMA Investments		

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

	Consolidated	
	2012 $	2011 $
Short-term employment benefits	**5,208,889**	4,697,817
Post-employment benefits	**324,885**	317,575
Other long-term employment benefits	**267,125**	278,396
Termination benefits	**468,482**	-
	6,269,381	5,293,788

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11. Cash and cash equivalents – current assets

	Consolidated	
	2012 $000	2011 $000
Cash at bank and in hand	**40,526**	34,632
Short-term deposits	**2,944**	8,429
	43,470	43,061

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

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

Reconciliation to cash flow statement:		
Cash at bank and in hand	**40,526**	34,632
Short-term deposits	**2,944**	8,429
Bank overdrafts (Note 26)	**(1,610)**	(10,251)
	41,860	32,810

12. Trade and other receivables – current assets

Trade receivables	**25,758**	28,764
Allowance for impairment loss (a)	**(1,413)**	(1,038)
	24,345	27,726
Prepayments	**6,873**	8,708
Other receivables	**8,749**	8,350
	39,967	44,784
Movements in the allowance for impairment loss were as follows:		
At 1 July	**(1,038)**	(1,467)
Charges for year	**(456)**	(121)
Foreign exchange difference	**-**	(3)
Amounts written back	**-**	553
Amounts written off	**81**	-
At 30 June	**(1,413)**	(1,038)

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

New Zealand dollars	**1,043**	1,092
Australian dollars	**24,715**	27,672

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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

	Consolidated					
	Total $000	Current $000	0-30 days $000	31-60 days $000	61-90 days $000	91+ days $000
2012						
Consolidated	**25,758**	**14,263**	**6,373**	**1,065**	**598**	**3,459**
2011						
Consolidated	28,764	14,672	6,256	1,591	3,060	3,185

At the reporting date, trade receivables of $1,413,000 (2011: $1,038,000) were past due and considered impaired, impaired receivables being those balances in the '91+ days' category considered unrecoverable. Trade receivables of $3,709,000 (2011: $6,798,000) 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 34.

(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.

13. Inventories – current assets

	Consolidated	
	2012 **$000**	2011 $000
Finished goods	**1,101**	1,099

Inventory write-downs recognised as an expense totalled $100,000 (2011: $92,000) for the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

14. Other financial assets – current assets

	Consolidated	
	2012 $000	2011 $000
Deferred distribution costs	**-**	962
Other investment receivables	**4,745**	9,302
	4,745	10,264

15. Non-current assets classified as held for sale

Vehicles held for sale	**1,271**	1,252
Franchises held for sale	**-**	4,085
	1,271	5,337

16. Other financial assets – non-current assets

Investments designated at fair value through the profit or loss:		
Cash	**95,286**	24,515
Australian shares	**33,547**	38,136
International shares	**43,787**	46,598
Fixed interest securities fund	**93,464**	94,465
Diversified unit trust	**44,784**	45,550
At amortised cost:		
Investment – Optalert	**750**	1,000
Other	**-**	111
	311,618	250,375

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

Investments held at fair value		
Available for sale investments	**128,604**	140,909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

	Consolidated					
	Land and Buildings	Leasehold Improvement	Leased Motor Vehicles	Motor Vehicles	Plant and Equipment	Total
	$000	$000	$000	$000	$000	$000
Year ended 30 June 2012						
At 1 July 2011, net of accumulated depreciation	**99,739**	**15,110**	**90,273**	**14,710**	**19,706**	**239,538**
Additions	**189**	**2,040**	**29,416**	**44,495**	**6,307**	**82,447**
Transfers	**2,192**	**(2,192)**	**(91,820)**	**91,820**	**(697)**	**(697)**
Disposals	**(21,530)**	**(235)**	**(1,048)**	**(32,529)**	**(1,470)**	**(56,812)**
Depreciation charge for the year	**(1,838)**	**(1,332)**	**(17,104)**	**(15,341)**	**(5,470)**	**(41,085)**
Foreign exchange differences	**-**	**-**	**21**	**84**	**8**	**113**
At 30 June 2012, net of accumulated depreciation	**78,752**	**13,391**	**9,738**	**103,239**	**18,384**	**223,504**
At 30 June 2012						
Cost	**88,490**	**19,973**	**15,807**	**144,772**	**57,745**	**326,787**
Accumulated depreciation	**(9,738)**	**(6,582)**	**(6,069)**	**(41,533)**	**(39,361)**	**(103,283)**
Net carrying amount	**78,752**	**13,391**	**9,738**	**103,239**	**18,384**	**223,504**
Year ended 30 June 2011						
At 1 July 2010, net of accumulated depreciation	101,802	13,113	71,808	11,418	21,360	219,501
Additions	365	4,895	91,852	8,342	8,168	113,622
Transfers	-	(1,996)	(44,863)	45,940	(2,721)	(3,640)
Disposals	(315)	(72)	(45)	(45,936)	(203)	(46,571)
Depreciation charge for the year	(2,113)	(830)	(28,479)	(5,054)	(6,898)	(43,374)
At 30 June 2011, net of accumulated depreciation	99,739	15,110	90,273	14,710	19,706	239,538
At 30 June 2011						
Cost	108,399	21,003	110,822	32,843	57,459	330,526
Accumulated depreciation	(8,660)	(5,893)	(20,549)	(18,133)	(37,753)	(90,988)
Net carrying amount	99,739	15,110	90,273	14,710	19,706	239,538

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19. Investment property – non-current assets

	Consolidated	
	2012 $000	2011 $000
At 1 July	**58,864**	1,216
Additions	**-**	57,648
At 30 June	**58,864**	58,864

(a) Amounts recognised in profit or loss for investment properties

Amounts recognised in profit or loss for investment properties		
Rental income derived from investment properties	**4,396**	3,562
Direct operating expenses generating rental income	**(46)**	(40)
Net profit arising from investment properties carried at fair value	**4,350**	3,522

(b) Valuation basis

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

(c) Leasing arrangements

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

Within one year	**4,580**	4,411
Later than one year but not later than 5 years	**19,812**	19,310
Later than 5 years	**47,823**	52,881
	72,215	76,602

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

Carrying amount of investments			
Investments in associates	20 (a)	**16,589**	15,995
Investments in joint ventures	20 (c)	**123,197**	123,105
		139,786	139,100
Net profit accounted for using the equity method			
Investments in associates	20 (b)	**613**	3,084
Investments in joint ventures	20 (d)	**10,216**	31,203
		10,829	34,287

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

Ownership Interest					Investment Carrying Amount	
					Consolidated	
Name of Entity & Principal Activities	**Balance Date**	**2012 %**	**2011 %**		**2012 $000**	2011 $000
Club Assets Pty Ltd						
Motoring assistance services	30 June	50%	50%	Shares	**13,744**	13,504
Club Assets Pty Ltd owns a 60% (2011: 60%) interest in Club Assist Corporation Pty Ltd						
Australian Motoring Services Pty Ltd						
Motoring and travel assistance services	30 June	35%	35%	Shares	**2,845**	2,491
Total					**16,589**	15,995

All investments in associates are incorporated in Australia and unlisted.

(b) Results of associates

	2012	2011
Share of profit from ordinary activities before income tax expense	**730**	4,932
Share of income tax expense related to ordinary activities	**(117)**	(1,848)
Share of associates net profit accounted for using the equity method	**613**	3,084
Summary financial position of associates		
The Group's share of aggregate assets and liabilities of associates is as follows:		
Current assets	**28,933**	28,312
Non-current assets	**15,339**	15,237
Total assets	**44,272**	43,549
Current liabilities	**18,875**	18,646
Non-current liabilities	**9,968**	10,068
Total liabilities	**28,843**	28,714
Net assets	**15,429**	14,835
Goodwill arising from equity accounting	**1,160**	1,160
Investments in associates accounted for using equity method	**16,589**	15,995
Accumulated profits/(losses) of the Group attributable to associates		
Balance at the beginning of the year	**2,133**	(951)
Distribution received from associate	**(390)**	-
Share of associates net profits	**613**	3,084
Balance at the end of the financial year	**2,356**	2,133
Movement in carrying amount of investments		
Carrying amount of investment in associates at the start of the year	**15,995**	13,237
Associate reserve movement	**371**	(3,626)
Purchase of additional equity interest	**-**	3,300
Distribution received from associate	**(390)**	-
Shares of associates net profits	**613**	3,084
Carrying amount of investments in associates at end of the year	**16,589**	15,995

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

Ownership Interest					Investment Carrying Amount	
					Consolidated	
Name of Entity & Principal Activities	**Balance Date**	**2012 %**	**2011 %**		**2012 $000**	2011 $000
Tucker Box Hotel Trust **						
Accommodation	30 June	50%	50%	Shares	**123,197**	123,105

** 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

	2012	2011
Share of revenue from ordinary activities	**20,062**	20,359
Share of unrealised gain for interest rate swaps	**(838)**	807
Share of unrealised valuation gain for investment properties	**(431)**	17,353
Share of expenses from ordinary activities	**(8,904)**	(6,659)
Share of profit from ordinary activities before income tax expense	**9,889**	31,860
Share of income tax benefit/(expense) related to ordinary activities	**327**	(657)
Share of joint venture net profit accounted for using the equity method	**10,216**	31,203
Summary financial position of joint venture		
The Group's share of aggregate assets and liabilities of the joint venture is as follows:		
Current assets	**5,754**	4,987
Non-current assets	**201,335**	201,230
Total assets	**207,089**	206,217
Current liabilities	**3,979**	4,058
Non-current liabilities	**79,913**	78,054
Total liabilities	**83,892**	83,112
Net assets	**123,197**	123,105
Accumulated profits of the Group attributable to the joint venture		
Balance at the beginning of the year	**49,637**	25,578
Share of joint venture's net profits	**10,216**	31,203
Distributions received from joint venture	**(10,124)**	(7,144)
Balance at the end of the year	**49,729**	49,637
Movement in carrying amount of investments		
Carrying amount of investment in joint venture at the beginning of the year	**123,105**	99,046
Distributions received from joint venture	**(10,124)**	(7,144)
Shares of joint venture's net profit	**10,216**	31,203
Carrying amount of investments in joint venture at end of the year	**123,197**	123,105

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

21. Intangible assets and goodwill – non-current assets

	Consolidated				
	Land Use Rights $000	Software $000	Goodwill $000	Licence Agreement $000	Total $000
Year ended 30 June 2012					
At 1 July 2011, net of accumulated amortisation and impairment	**37,027**	**10,483**	**39,182**	**5,582**	**92,274**
Additions	**-**	**16,671**	**-**	**-**	**16,671**
Transfers	**-**	**697**	**-**	**3,835**	**4,532**
Disposals	**-**	**(5)**	**-**	**-**	**(5)**
Impairment (d)	**-**	**-**	**(14,546)**	**-**	**(14,546)**
Amortisation expense (a)	**(982)**	**(3,682)**	**-**	**(167)**	**(4,831)**
At 30 June 2012, net of accumulated amortisation and impairment	**36,045**	**24,164**	**24,636**	**9,250**	**94,095**
At 30 June 2012					
Gross carrying amount	**45,249**	**51,171**	**51,667**	**14,107**	**162,194**
Accumulated amortisation and impairment	**(9,204)**	**(27,007)**	**(27,031)**	**(4,857)**	**(68,099)**
Net carrying amount	**36,045**	**24,164**	**24,636**	**9,250**	**94,095**
Year ended 30 June 2011					
At 1 July 2010, net of accumulated amortisation and impairment	38,126	10,790	51,737	5,759	106,412
Additions	-	147	-	-	147
Disposals	-	(135)	-	-	(135)
Impairment (d)	-	-	(12,485)	-	(12,485)
Transfers	-	3,640	-	-	3,640
Amortisation expense (a)	(1,099)	(3,959)	-	(177)	(5,235)
Foreign exchange currency difference	-	-	(70)	-	(70)
At 30 June 2011, net of accumulated amortisation and impairment	37,027	10,483	39,182	5,582	92,274
At 30 June 2011					
Gross carrying amount	45,249	33,848	51,667	10,272	141,036
Accumulated amortisation and impairment	(8,222)	(23,365)	(12,485)	(4,690)	(48,762)
Net carrying amount	37,027	10,483	39,182	5,582	92,274

(a) Amortisation expense

Amortisation expense is disclosed in Note 6.

(b) Impairment testing of goodwill with indefinite useful lives

Goodwill is tested on an annual basis for impairment. The 30 June 2012 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 4.70% to 8.20%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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

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

(i) Software

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 and impairment'. 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 and impairment'. 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 $36,045,000 are carried in relation to the Holiday Parks.

(iii) Licence Agreement

This 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 and impairment'. 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 $9,250,000 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 $7,989,000 is carried in relation to the Travel business, $15,905,000 in relation to the Holiday Parks and $742,000 in relation to Australian Classic Car Magazine.

(d) Impairment charge

The impairment charge of $14,546,000 arose in the Travel business as a result of declining revenues and margins due primarily to the impact of increased competition and changes in the Travel business model plus downward pressure on business valuations as a result of the Global Financial Crisis. Significant growth in on–line bookings and retail chains growing their own wholesale Travel presence have been key drivers of change in the Travel sector. The Travel business is continuing to implement its turnaround plan that involves rationalising the various brands in the business and changing the business model. These initiatives and cost savings already implemented should see the business return to profitability in the near term. The impairment charge has been recognised in the Income Statement in the "Depreciation, amortisation and impairment expense" line. The recoverable amount was based on its value in use. The discount rate used in determining value in use was 12.34%. No class of asset other than goodwill was impaired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

22. Trade and other payables – current liabilities

	Notes	Consolidated	
		2012 $000	2011 $000
Trade creditors and accruals		**75,711**	57,923

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

United States dollars	**2,678**	1,401
New Zealand dollars	**2,184**	1,711
Australian dollars	**66,766**	52,574
Canadian dollars	**2,153**	933
Euro	**411**	173
Fijian dollar	**838**	607
Other*	**681**	524

*Other refers to a basket of currencies (British pound, South African rand, Japanese yen and Malaysian ringgit)

(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 34.

(c) Interest rate, foreign exchange and liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

23. Provisions

	Notes	Consolidated 2012 $000	Consolidated 2011 $000
Current liabilities			
Annual leave		**10,495**	10,149
Long service leave		**8,524**	8,439
Restructure – employee related		**510**	604
		19,529	19,192

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.

Non-current liabilities		
Employee entitlements	**2,772**	1,990
Restoration provision: Carrying amount at the beginning of the financial year	**1,865**	2,167
Release of unused provision and changes in expected timing	**(190)**	(508)
Additional provision	**278**	121
Unwinding of discount	**77**	85
	2,030	1,865
	4,802	3,855

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 NRMA. The estimate has been made on the basis of quotes obtained from property specialists.

24. Unearned income

Current liabilities		
Unearned Member services revenue	**116,566**	110,634
Non-current liabilities		
Unearned Member services revenue	**9,925**	9,626

25. Deposits held

Current liabilities		
Client deposits	**17,510**	27,408
Non-current liabilities		
Security deposit	**6,399**	6,604

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

26. Interest bearing loans and borrowings

	Notes	Consolidated	
		2012 $000	2011 $000
Current liabilities			
Bank overdraft		**1,610**	10,251
Bank loan		**26,838**	4,359
Obligations under finance leases		**5,021**	64,751
		33,469	79,361
Non-current liabilities			
Bank loan		**74,388**	1,549
Obligations under finance leases		**4,779**	26,847
		79,167	28,396

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

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

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

Total facilities:		
Residual value facility	**2,349**	10,000
Corporate debt facility	**140,000**	11,580
Leasing facility	**57,830**	192,801
Corporate card facility	**1,316**	1,220
Payroll facility	**-**	650
Bank guarantees	**26,456**	18,892
	227,951	235,143
Facilities used at the reporting date:		
Residual value facility	**2,349**	4,471
Corporate debt facility	**98,877**	5,908
Leasing facility	**12,155**	119,079
Corporate card facility	**27**	76
Payroll facility	**-**	-
Bank guarantees	**18,305**	16,388
	131,713	145,922

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

26. Interest bearing loans and borrowings (continued)

		Consolidated	
	Notes	**2012 $000**	2011 $000
Facilities not used at the reporting date:			
Residual value facility		**-**	5,529
Corporate debt facility		**41,123**	5,672
Leasing facility		**45,675**	73,722
Corporate card facility		**1,289**	1,144
Payroll facility		**-**	650
Bank guarantees		**8,151**	2,504
		96,238	89,221

27. Derivative financial instruments

Non-Current liabilities		
Forward contracts at fair value	**1,158**	-

(a) Instruments used by the group

The group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the group's Treasury Risk Management policy.

(i) Interest rate swap contracts – cash flow hedges

The interest rate on the corporate debt facility is based on a variable market interest rate (BBSY) plus a margin. As per the NRMA Group Treasury Risk Management Policy, the Group seeks to protect part of the debt from exposure to variable interest rates. Accordingly in the current year, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place cover approximately 71% (2011 – Nil) of the variable loan principal outstanding.

The contracts require settlement of net interest receivable or payable each 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current year.

(ii) Foreign exchange contracts

Foreign exchange contracts are accounted for in accordance with Note 2(i)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

28. Superannuation

Contributions are made to a number of superannuation plans. The majority of employees are defined contribution members with approximately 9% (2011: 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 plans provide 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 Employee Benefits expense in the Income Statement.

(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 $8.7 million to the superannuation plans for defined contribution members during the year (2011: $8.2 million) and there were no employer contributions payable at the end of the year for those members (2011: $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 hence, 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.

All employees with defined benefit superannuation arrangements are members of the NRMA Superannuation Plan ("Plan"). The Group has contributed to the Plan during the year in accordance with the recommendations of the actuary and has contributed $0.9 million (2011: $0.9 million) for defined benefit members. There were no employer contributions payable at the end of the year (2011: $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 Plan but no legal right to use any surplus in the Plan to further its own interests.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

28. Superannuation (continued)

(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	
	2012 %	2011 %
Discount rate (active members)	**2.9**	5.1
Discount rate (pensioners)	**2.9**	5.1
Expected return on plan assets (pensioners)*	**8.3**	8.3
Expected return on plan assets (active members)*	**7.0**	7.0
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	
	2012 $000	2011 $000
Amounts recognised in income in respect of the defined benefit plan are as follows:		
Current service cost	**773**	890
Interest cost	**1,619**	1,542
Expected return on plan assets	**(2,527)**	(2,415)
Net (benefit)/expense	**(135)**	17
Actuarial losses incurred during the year and recognised in the statement of comprehensive income	**5,024**	778
Cumulative actuarial loss recognised in the statement of comprehensive income	**6,345**	1,321

	The Plan	
	2012 $000	2011 $000
Movements in the present value of the defined benefit obligations in the current period were as follows:		
Opening defined benefit obligation	**33,038**	31,053
Current service cost	**773**	890
Interest cost	**1,619**	1,542
Contributions from plan participants	**722**	497
Actuarial losses/(gains)	**3,173**	1,363
Benefits paid	**(2,963)**	(2,307)
Closing defined benefit obligation*	**36,362**	33,038

* Includes contribution tax asset of $79,000 (2012) and $674,000 (2011)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

28. Superannuation (continued)

(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	
	2012 $000	2011 $000
Movements in the present value of the plan assets in the current period were as follows:		
Opening fair value of plan assets	**37,533**	35,413
Expected return on plan assets	**2,527**	2,415
Actuarial gains	**(1,851)**	585
Employer contributions	**920**	930
Contributions from plan participants	**722**	497
Benefits paid	**(2,963)**	(2,307)
Closing fair value of plan assets	**36,888**	37,533

	The Plan			
	2012 $000	2011 $000	2010 $000	2009 $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*	**(36,362)**	(33,038)	(31,053)	(31,388)
Fair value on plan assets	**36,888**	37,533	35,413	30,033
Net asset/(liability) recognised	**526**	4,495	4,360	(1,355)

* Includes contributions for tax provision

The actual return on plan assets was positive $0.7 million (2011: positive $3.0 million)

The Group expects to make a contribution of $0.9 million (2011: $0.9 million) to the defined benefit plans during the next financial year.

	Actual Allocations	
	2012 %	2011 %
The percentage invested in each asset class at the reporting date is:		
Australian equity	**30**	38
Overseas equity	**26**	20
Fixed income	**24**	25
Property	**11**	10
Alternatives/other	**5**	2
Cash	**4**	5
	100	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

28. Superannuation (continued)

(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				
	2012 $000	2011 $000	2010 $000	2009 $000	2008 $000
Present value of defined benefit obligation	**36,362**	33,038	31,053	31,388	37,451
Fair value of Plan assets	**36,888**	37,533	35,413	30,033	36,513
(Surplus)/deficit in Plan	**(526)**	(4,495)	(4,360)	1,355	938
Experience adjustments (gains)/losses – Plan assets	**1,851**	(585)	(3,679)	8,568	3,133
Experience adjustments losses/(gains) – Plan liabilities	**(134)**	1,363	(598)	(1,243)	3,261

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

29. Retained profits and reserves

(a) Reserves

	Consolidated				
	Available for sale reserve	Equity accounted reserve	Foreign currency reserve	Cash flow hedge reserve	Total
At 1 July 2011	**(56)**	**(3,626)**	**(675)**	**-**	**(4,357)**
Increment / (decrement) arising from :					
Revaluation of available for sale investments	**(7,238)**	**-**	**-**	**-**	**(7,238)**
Equity accounting	**-**	**371**	**-**	**-**	**371**
Translation of foreign subsidiary	**-**	**-**	**54**	**-**	**54**
Net losses on cash flow hedges	**-**	**-**	**-**	**(989)**	**(989)**
Deferred tax arising from revaluation	**2,171**	**-**	**-**	**-**	**2,171**
At 30 June 2012	**(5,123)**	**(3,255)**	**(621)**	**(989)**	**(9,988)**

	Consolidated				
	Available for sale reserve	Equity accounted reserve	Foreign currency reserve	Cash flow hedge reserve	Total
At 1 July 2010	247	-	(55)	-	192
Increment / (decrement) arising from :					
Revaluation of available for sale investments	(433)	-	-	-	(433)
Equity accounting	-	(3,626)	-	-	(3,626)
Translation of foreign subsidiary	-	-	(620)	-	(620)
Deferred tax arising from revaluation	130	-	-	-	130
At 30 June 2011	(56)	(3,626)	(675)	-	(4,357)

Nature & Purpose of reserves

The available for sale reserve is used to record increments and decrements in the value of available for sale and non-current assets.

The equity accounted reserve is used to record increments and decrements in the reserves booked in Investments in Associates and Joint Ventures.

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

The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income.

(b) Retained earnings

	Consolidated	
	2012 $000	2011 $000
Movement in retained earnings		
Balance at the beginning of the financial year	**663,816**	646,556
Dividends paid	**-**	-
Net profit attributable to Members	**4,064**	18,006
Actuarial (loss) (note 28)	**(5,024)**	(762)
Deferred tax recognised directly in equity	**118**	16
Balance at the end of the year	**662,974**	663,816

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30. Cash flow statement reconciliation

	Consolidated	
	2012 $000	2011 $000
Reconciliation of net profit for the year to net cash flows from operations		
Net profit	**4,064**	18,006
Non cash items		
(Profit) on disposal of assets	**(610)**	(2,812)
Depreciation, amortisation and impairment	**60,462**	61,094
Change in net fair value of investments	**5,556**	(8,323)
Defined benefit plan	**(1,019)**	(867)
Share of associates and joint ventures (profit)	**(10,829)**	(34,287)
Finance cost	**77**	85
(Increase)/decrease in operating assets		
Receivables	**2,982**	(3,163)
Inventories	**(2)**	50
Distribution costs	**1,073**	949
Prepayment	**1,835**	(14)
Other	**(353)**	(4,828)
(Decrease)/increase in operating liabilities		
Payables	**18,491**	1,852
Income tax payable	**2,978**	-
Provisions	**1,284**	1,126
Unearned income	**6,231**	9,454
Client deposits	**(9,898)**	1,015
Security deposit	**(205)**	(776)
Net deferred tax liability	**2,525**	8,703
Net cash from operating activities	**84,642**	47,264

31. Contingent liabilities

Total facilities available:		
Motoka Rentals Limited (NZ) lease contingency	**751**	727

On 31 March 2011, NRMA Treasury Limited mortgaged to Westpac Banking Corporation its interest as tenant in common in the building situated at 9A York Street, Sydney NSW 2000. The liability of NRMA Treasury Limited under the mortgage is limited to the amount available on realisation of that building. The mortgage involves a revolving facility of $180 million provided by Westpac to Mirvac REIT Management Limited as trustee of the Tucker Box Hotel Trust and to Tucker Box Hotel Company Pty Limited. The facility lasts for three years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

32. Commitments for expenditure

	Consolidated	
	2012 $000	2011 $000
(a) Estimated expenditure contracted for at reporting date, but not provided for, or payable:		
(i) Total capital commitments	**6,640**	78
(ii) Other expenditure commitments:		
Operational facilities	**-**	6,374

The Group had contractual obligations relating to operational facilities 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	**20,979**	19,401
- due within 1 – 5 years	**30,396**	35,755
- due after 5 years	**3,212**	5,404
	54,587	60,560
(ii) Equipment		
- due within 1 year	**1,256**	1,206
- due within 1 – 5 years	**560**	1,499
	1,816	2,705
(iii) Motor Vehicles		
- due within 1 year	**8,063**	8,344
- due within 1 – 5 years	**52**	48
	8,115	8,392

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 2012

32. Commitments for expenditure (continued)

	Consolidated			
	Minimum Lease Payments 2012 $000	**Present Value of Lease Payments 2012 $000**	Minimum Lease Payments 2011 $000	Present Value of Lease Payments 2011 $000
Within one year	**5,536**	**5,021**	69,904	64,751
After one year but not more than 5 years	**5,017**	**4,779**	28,560	26,847
Present value of minimum lease payments	**10,553**	**9,800**	98,464	91,598

33. Investments in controlled entities

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

		Percentage of Shares Held		Share Capital	
Name of Entity	**Place of Incorporation**	**2012 %**	2011 %	**2012 $000**	2011 $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 Ltd	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 Ltd	Australia	**100**	100	**-**	-
NRMA Tourist Park No.2 Pty Ltd	Australia	**100**	100	**-**	-
NRMA Tourist Park No.3 Pty Ltd	Australia	**100**	100	**-**	-
NRMA Tourist Park No.4 Pty Ltd	Australia	**100**	100	**-**	-
NRMA 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	**-**	-
NRMA Tourism and Leisure Holdings Pty Ltd	Australia	**100**	100	**-**	-
NRMA Travel Technology Pty Limited	Australia	**100**	100	**-**	-
T R Australia Holdings Pty Ltd	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 Limited	Australia	**100**	100	**76**	76
Kingmill Pty Ltd	Australia	**100**	100	**11,852**	11,852
Motoka Rentals Limited	New Zealand	**100**	100	**11,591**	11,591
AFG Investments Pty Limited	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	**-**	-
NRET Pty Ltd	Australia	**100**	100	**-**	-
NRET Holding Pty Ltd (ATF NRET Real Estate Trust)	Australia	**100**	100	**-**	-
MB RET Pty Ltd (ATF MB Real Estate Trust)	Australia	**100**	100	**-**	-

All subsidiaries are 100% owned and all Australian subsidiaries are members of the tax consolidated Group at 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

34. 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 10.

(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 33.

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.

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

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

35. Business combinations

There were no business combinations in 2012 or 2011.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

36. Roadside assistance business

Overview of product

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 & 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	
	2011 $000	2011 $000
Roadside assistance revenue and expenses included in the income statement:		
Subscription income attributed to roadside assistance services	**209,678**	198,898
Direct costs of roadside assistance service	**(203,388)**	(193,528)
	6,290	5,370

The direct costs of roadside assistance service reflect the expenditure related to the cost of acquisition of Service Members, answering 2,363,974 (2011: 2,082,111) service calls and attending more than 1,488,000 (2011: 1,525,000) roadside assistance jobs.

37. Matters subsequent to the end of the financial year

There have been no matters or circumstances that have arisen since 30 June 2012 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 2012

38. 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**	**2012 %**	2011 %	**2012 $000**	2011 $000
National Roads & Motorists' Assoc. (N.S.W.) Limited (a)	Australia	**100**	100	**-**	-
NRMA Consolidated Limited (a)	Australia	**100**	100	**400,000**	400,000
NRMA Holdings Limited (a)	Australia	**100**	100	**-**	-
NRMA Limited (a)	Australia	**100**	100	**-**	-
NRMA Enterprise Pty Ltd (a)	Australia	**100**	100	**-**	-
NRMA Motoring Limited (a)	Australia	**100**	100	**42,700**	42,700
NRMA Mutual Group Limited (a)	Australia	**100**	100	**-**	-
NRMA Open Road Pty Limited (a)	Australia	**100**	100	**3,300**	3,300
NRMA Treasury Limited (a)	Australia	**100**	100	**800**	800
NRMA Tourist Parks Pty Limited (a)	Australia	**100**	100	**-**	-
MotorServe Pty Limited (a)	Australia	**100**	100	**-**	-
NRMA Safer Driving Schools Pty Limited (a)	Australia	**100**	100	**-**	-
NRMA Holiday Parks Pty Limited (c)	Australia	**100**	100	**-**	-
NRMA Tourist Park No.1 Pty Ltd (b)	Australia	**100**	100	**-**	-
NRMA Tourist Park No.2 Pty Ltd (b)	Australia	**100**	100	**-**	-
NRMA Tourist Park No.3 Pty Ltd (b)	Australia	**100**	100	**-**	-
NRMA Tourist Park No.4 Pty Ltd (b)	Australia	**100**	100	**-**	-
NRMA Tourist Park No.5 Pty Limited (c)	Australia	**100**	100	**-**	-
NRMA Tourism and Leisure Holdings Pty Ltd (c)	Australia	**100**	100	**-**	-
T R Australia Holdings Pty Ltd (d)	Australia	**100**	100	**9,800**	9,800
Kingmill Pty Ltd (d)	Australia	**100**	100	**11,852**	11,852
Adventure World Travel Pty Limited (e)	Australia	**100**	100	**10,500**	10,500
Adventure World Travel Limited (e)	New Zealand	**100**	100	**1,500**	1,500
NRMA Travel Pty Limited (e)	Australia	**100**	100	**4,500**	4,500
Creative Cruising Group Pty Ltd (e)	Australia	**100**	100	**-**	-
Value Tours (Aust) Pty Ltd (e)	Australia	**100**	100	**40**	40
Value Tours Methven Ltd (e)	New Zealand	**-**	100	**-**	-
NRET Pty Ltd (f)	Australia	**100**	100	**-**	-
NRET Holding Pty Ltd(ATF NRET Real Estate Trust) (f)	Australia	**100**	100	**-**	-
MB RET Pty Ltd (ATF MB Real Estate Trust) (f)	Australia	**100**	100	**-**	-

(a) Deed of Cross Guarantee 7 December 2006
(b) Assumption Deed 22 June 2007
(c) Assumption Deed 25 June 2008
(d) Assumption Deed 2 March 2009
(e) Assumption Deed 29 June 2009
(f) Assumption Deed 29 June 2011

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, 29 June 2009 and 29 June 2011 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 2012

38. 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	**2012 $000**	2011 $000
Profit from operations before income tax	**8,702**	29,537
Income tax (expense)	**(5,122)**	(9,502)
Profit after income tax	**3,580**	20,035
Actuarial gain/(loss)	**(4,906)**	(746)
Retained earnings at the beginning of the year	**676,149**	656,860
Retained earnings at the end of the year	**674,823**	676,149
Consolidated Statement of Financial Position		
Cash and cash equivalents	**42,643**	42,120
Trade and other receivables	**44,336**	41,973
Inventories	**1,101**	1,099
Other financial assets	**4,745**	10,264
Non-current assets classified as held for sale	**1,271**	5,337
Total current assets	**94,096**	100,793
Other financial investments and investments in subsidiaries	**324,515**	261,174
Investments in associates and joint ventures	**139,786**	139,100
Available for sale financial assets	**128,604**	140,909
Property, plant and equipment	**218,553**	231,665
Investment property	**58,864**	58,864
Defined benefit plan asset	**526**	4,495
Intangible assets and goodwill	**94,080**	92,260
Non-current assets	**964,928**	928,467
Total assets	**1,059,024**	1,029,260
Trade and other payables	**78,007**	55,048
Provisions	**19,286**	18,885
Interest bearing loans and liabilities	**33,469**	77,817
Unearned income	**116,566**	110,634
Client deposits	**17,291**	24,972
Current liabilities	**264,619**	287,356
Provisions	**4,802**	3,855
Deferred tax liabilities	**30,436**	27,636
Derivative financial instruments	**1,158**	-
Unearned income	**9,925**	9,626
Deposits held	**6,399**	6,604
Interest bearing loans and liabilities	**76,932**	22,488
Non-current liabilities	**129,652**	70,209
Total liabilities	**394,271**	357,565
Net assets	**664,753**	671,695
Reserves	**(10,070)**	(4,454)
Retained earnings	**671,243**	656,114
Current year profit/(loss)	**3,580**	20,035
Total equity	**664,753**	671,695

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

39. Parent Entity Information

	Parent	
Information relating to National Roads and Motorists' Association Limited:	**2012 $000**	2011 $000
Current assets	**143,074**	118,221
Non-current assets	**609,898**	609,303
Total assets	**752,972**	727,524
Current liabilities	**34,010**	25,158
Non-current liabilities	**2,891**	3,004
Total liabilities	**36,901**	28,162
Net assets	**716,071**	699,362
Retained earnings	**716,071**	699,362
Total shareholders' equity	**716,071**	699,362
Profit of the Parent entity	**15,044**	27,531
Total comprehensive income of the Parent entity	**15,044**	27,531

The Parent entity has entered into a Deed of Cross Guarantee as noted in Note 38.

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:

1. In the opinion of the Directors:
   a) the financial statements, notes and the additional disclosures in the Director's Report designated as audited, of the Company and of the Group are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards and Corporations Regulations 2001; and
   b) there are reasonable grounds to believe that the Company will be able to pay its' debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.
3. In the opinion the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 38 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

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

Sydney, 29 August 2012

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

Report on the financial report

We have audited the accompanying financial report of National Roads & Motorists' Association Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 complied with 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.

ERNST & YOUNG

Opinion

In our opinion:

a. the financial report of National Roads & Motorists' Association Limited is 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 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Ernst & Young

Ernst & Young

David Simmonds
Partner
Sydney, Australia
29 August 2012

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 in three key business segments being Member Services, Investments and Travel & Touring. Member Services represents the provision of road and other services to Members and customers. The Investments business segment generates income from the Group's portfolio of investments and Travel & Touring includes the retail and wholesale Travel businesses, Thrifty car rentals, Holiday Parks and the Travelodge joint venture.

	Consolidated							
	Member Services		Investments		Travel & Touring		Total	
	2012 $000	2011 $000	**2012 $000**	2011 $000	**2012 $000**	2011 $000	**2012 $000**	2011 $000
Revenue								
External segment revenue	**264,258**	249,708	**38,585**	39,128	**279,498**	323,574	**582,341**	612,411
Results								
Segment result	**(10,106)**	(13,721)	**27,555**	37,465	**(8,263)**	3,590	**9,186**	27,334
Income tax expense							**(5,122)**	(9,328)
Net profit attributable to the Members of the Parent entity							**4,064**	18,006
Assets								
Segment assets	**52,497**	30,827	**552,432**	493,239	**302,836**	366,934	**907,765**	891,000
Equity accounted investments	**-**	-	**16,589**	15,995	**123,197**	123,105	**139,786**	139,100
Consolidated total assets							**1,047,551**	1,030,100
Liabilities								
Segment liabilities	**199,474**	176,469	**18,198**	21,232	**176,893**	172,940	**394,565**	370,641
Consolidated total liabilities							**394,565**	370,641

* - Revenue from Travel business is shown inclusive of agency commissions.