National Roads and Motorists' Association Limited and its Controlled Entities

Financial Report

30 June 2014

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 2014.

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 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 was unanimously elected as President at the May 2014 Board Meeting (to be effective on 1 July 2014), following the decision by Ms Machin to step down as President and take up the role of Deputy President. He is the Chair of the Governance, Compensation & Nomination Committee and an ex-officio member of the Audit & Risk Management Committee, the Finance & Investments Committee and the Policy & Advocacy Committee. He is also a director of the Australian Automobile Association.

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 Chairman of the Hunter Medical Research Institute Foundation and is a Director of Hunter Medical Research Institute and Hunter Region SLSA Helicopter Rescue Service Limited. 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.

Deputy President Ms WS (Wendy) Machin BA Comm, M. Comm

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 following the Board election on 6 December 2011. On 30 June 2014 she stepped down from the role of President as part of the Board's sucession plan. From 1 July 2014, she assumed the role of Deputy President in order to provide support to the new President, Kyle Loades, as the Board prepares to face a number of changes to its composition.

She is an ex-officio member of the Governance, Compensation & Nomination Committee, the Finance & Investments Committee, the Audit & Risk Management Committee and the Policy & Advocacy Committee. She is also a Director of Destination NSW, the National Occupational Licensing Authority and a member of the NSW Government Biofuels Expert Panel and the ANZ Stadium Advisory Committee. She is a former Director of the Australian Automobile Association.

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

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

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 The Hills Shire Council and a former Board member of the Western Sydney Area Health Board (Westmead Hospital). He is a Director of Bentham Investments Pty Ltd.

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

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

The geographical area represented by Mr Bentham is the NRMA region of Cox, which takes in suburbs in Western Sydney. 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 NRMA Ambassador for Alternative Fuels and Technologies.

Mr Blight is involved in agriculture and agricultural businesses and is 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 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 served as President of NRMA from 27 January 2005 to 10 December 2008. He is the Chair of the Policy & Advocacy Committee and is a member of the Audit & Risk Management Committee and the Governance, Compensation & Nomination Committee.

Mr Evans is a past President of the Australian Automobile Association. He is also Executive Chairman and owner of Dyno Dynamics (Aust) Pty Ltd and Strategic Consulting Services Pty Ltd and a Director of the Performance Racing and Tuning Council and Rally & Race Tech Pty Ltd. He is also 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 an 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.

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 a member and immediate past Chair of the Policy & Advocacy Committee and is a member of the Governance, Compensation & Nomination Committee and the Audit & Risk Management Committee. She is a Director of Tamroc Enterprises Pty Ltd, a company engaged in the building industry and also sits on the of board of the National Heavy Vehicle Regulator (NHVR)

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.

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.

He stepped down as Deputy President on 1 July 2014 to make way for Ms Machin to take up the role. Mr Tynan is the Chair of the Finance & Investments Committee and a member of the Governance, Compensation & Nomination Committee.

He is the Managing Director of the Tynan Motors Group and was a former Mayor and Councillor of Sutherland Shire Council (1974 - 1991). He served on the National Board of Calvary Health Care Services and is currently Chair of the Calvary Community Council. Michael is also a Board Member of 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.

Mr T (Tim) Trumper MBA (Entrepreneurism)

Mr Trumper was appointed to the Board as a non-executive Director on 12 May 2014 following the retirements of Mr Geoff Toovey and Ms Dawn Fraser and a restructuring of the NRMA's electoral boundaries which resulted in the new region of Harbour being created. He is a member of the Finance & Investment Committee and the Policy & Advocacy Committee.

Mr Trumper is currently a director of Quantium, a leading data analytics business and is an experienced company CEO and Non-Executive Director with 25 years in a range of categories including Big Data, internet, e-commerce, financial services and media. He also has extensive experience in consumer publishing, internet and television. He has worked in and with leading global and Australian organisations, including PBL, Time Warner and Microsoft. He has also held board roles in private fast-growth companies. He is a former board member of the Foundation board of Southern Cross University.

In addition, Mr Trumper is the co-founder of Bestest Charity with fellow director and Chairman, Hon. Bob Hawke. The Bestest Foundation has raised over $3 Million for disadvantaged Australian Children. The Board comprises some of Australia's highest profile business executives.

He holds an MBA with distinction in Strategic Management and a major in Entrepreneurism.

Mr Trumper said one of his main priorities as local director was to work with key stakeholders to help find solutions to transport issues.

DIRECTORS' REPORT

COMPANY SECRETARIES

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

Ms Helen Burgess is the Executive General Manager, Corporate Relations and Governance. Her Corporate Relations remit spans the areas of Advocacy and Media, Events and Community and Internal Communications. Her Governance responsibilities include Organisational Governance/Company Secretariat, Group Legal, Internal Audit, Risk Management, and Sustainability. Helen also oversees strategic alliances. 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 holds the following qualifications: BA, LLB (Hons), she is a Fellow of the Governance Institute of Australia, and a Fellow of the Australian Institute of Company Directors.

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

Mr Nick Mowat is the Company Secretary. His experience in company secretarial and governance spans more than 20 years. Responsible for the management of all Board and Board Committee business, he participates in the implementation of executive and corporate strategies, giving practical effect to the Board's decisions. He has direct reporting lines to the Group CEO and the EGM, Corporate Relations and Governance. In addition to his governance role, Mr Mowat is a 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 the Governance Institute of Australia (formerly Chartered 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.

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;
- emergency home assist;
- 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 other than launching emergency home assist.

DIRECTORS' REPORT

STRATEGIC ACTIVITIES

NRMA enjoyed a successful first year to the new three year strategy that aims at 'Helping People More Often'. The Group has already made excellent progress in delivering against our three strategic priorities to Grow Motoring, Grow Assistance and Grow Relationships and the implementation of our new Group Membership System will provide the platform for long term growth.

Grow Motoring is about ensuring NRMA maintains strong market leadership in roadside assistance while extending our reach into other areas of the motoring segment. In addition to tailoring NRMA Road Assist products to the specific needs of individual Members, we also plan to continue the expansion of our NRMA MotorServe store network and making our car maintenance service even more accessible to Members. In the last 12 months we have opened three MotorServe stores in Campbelltown, Padstow and St Leonards, bringing the total number of stores to 18. Construction is already underway for a further two stores in Majura Park (Canberra) and Gosford, with more to follow. We also launched MotorServe Mobile Vehicle Inspections, enabling us to deliver our same quality, independent service with the added convenience of a trusted NRMA technician coming to the Member.

In Grow Assistance we are looking to deliver new products and services to increase the value of NRMA Membership and give Members more reasons to belong. This includes continuing to build financial and Member value in our existing product portfolio including Travel, Thrifty, Holiday Parks and NRMATix, as well as creating new Member offerings. In March we welcomed Murramarang Holiday Park into the NRMA portfolio through a branding agreement with the park owner, ATPM. In February we launched Emergency Home Assist, a new service that delivers the security and peace of mind that Members have come to expect from Roadside Assist, and extending our legendary assistance beyond the road and into the home. We also planned for the July launch of Living Well Navigator, an online resource and social community to help our Members steer their way to a healthier, happier life after 50. In the development of new products and services, NRMA is focused on building sustainable partnerships with recognised industry experts. Our collaboration with The Co-op will help us to connect with the student community and attract NRMA Members of the future. Underpinning all of this has been the refresh of our brand which reflects the capability of NRMA to evolve and realign itself in order to meet the needs our Members.

Developing real, lifelong relationships with Members is the aim of the Grow Relationships priority. We will do this by harnessing the benefits of our Group Membership System to better understand our Members, so we can know them as individuals, not just vehicle owners. We will create more personalised connections with Members through new online and traditional channels so they can access our services at any time from any device. We have already begun to deliver a program of projects aimed at putting Members in the driving seat, including a Group wide strategic review of products and services, an assessment of our loyalty strategy and the development of cross-selling opportunities. The new interactive advocacy platform, launched in May, provides more opportunities for Members to participate in the NRMA community, interacting with us and each other on issues that are important to them. We are also keeping an eye on the future and our investment in Tu-Share represents our first venture into the sharing economy.

Once again NRMA has achieved all this while maintaining our focus on safety, ensuring that our people always strive to deliver the highest quality Member experience in a safe environment.

DIRECTORS' REPORT

RESULTS AND REVIEW OF OPERATIONS

The consolidated net profit for the financial year was:

	2014 $m	2013 $m
Operating profit before depreciation, amortisation & impairment, change in fair value of investments and profit share from Joint Ventures and Associates	56.6	64.5
Depreciation, amortisation and impairment	(46.9)	(52.3)
Share of operating profit from Joint Ventures and Associates	17.2	15.5
Share of unrealised gains / (losses) from Joint Ventures and Associates	14.7	(3.4)
Operating profit before change in fair value of investments	**41.6**	**24.3**
Change in net fair value of investments	31.9	20.8
Profit from ordinary activities before income tax	**73.5**	**45.1**
Income tax (expense) relating to ordinary activities	(6.1)	(7.9)
Net profit attributable to Members of the Parent entity	**67.4**	**37.2**

The operating profit of the Consolidated Entity before change in fair value of investments for the year was $41.6 million (2013: $24.3 million). The Consolidated Entity's net profit attributed to Members for the year was $67.4 million (2013: $37.2 million) including $31.9 million (2013: $12.1 million) share of profits from Joint Ventures and Associates and $31.9 million increase (2013: $20.8 million 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 2014 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 $61,003 (2013: $59,689) per annum in Board fees. The Deputy President and the President receive $122,005 (2013: $119,379) per annum and $183,008 (2013: $179,068) per annum respectively.

The Chair of the Audit & Risk Management Committee receives $25,665 (2013: $25,665) and the Chairs of the other Committees receive $18,565 (2013: $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.

From 1 January 2011, under the company's Constitution, the Directors' fee pool became 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 2013, on 1 January 2014, Directors' fees increased by 2.2% (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 2012 to September 2013).

On 30 June 2014, the Industry Advisory Panels ceased operation and no fees have been paid since that date. During the period, Directors appointed to an Industry Advisory Panel received $25,000 (including all superannuation and travel allowances) and Directors appointed to represent NRMA as Ambassadors or an equivalent position received $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.

The fees paid by NRMA to its Directors from 1 July 2014, following the change of President, are set out on the NRMA website.

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 the Finance & Investments Committee held two meetings by written resolution.

DIRECTORS' REPORT

BOARD STRATEGY DAYS

During the year a session involving the Group CEO, the executive team and the Board was held over two and a half days to review and plan the Company strategy for the period from 2014 to 2016 and beyond.

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		4V	4	4		4	3		3		2V	2
Mr G J Blight	8		8	7	1L	6				3	1L	2			
Mr A H Evans	8	1L	7		1V	1	2	1L	1	3	1L	2	1		1
Ms D Fraser	7	1L	6				3		3	3	1L	2			
Mr K Loades	8		8	7		7	2	1L	1				4		4
Ms W S Machin	8		8	7		7	4		4	3		3	4		4
Ms C Taylor	8	1T	8		1V	1	2		2	3		3	4		4
Mr G Toovey	4		4												
Mr T Trumper	1		1		1V	1									
Mr M T Tynan	8		8	7	1L	6							4	2L	2

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

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	
	2014 $	2013 $
Short-term employment benefits	**5,286,731**	5,286,967
Post-employment benefits	**417,655**	362,160
Other long-term employment benefits	**307,323**	333,565
	6,011,709	5,982,692

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	11 May 2014
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	1 Dec 2013
Mr T Trumper	12 May 2014	
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
Ms H Burgess	Executive General Manager - Corporate Relations & Governance
Mr O Gilbert	Executive General Manager – Motoring Assistance
Mr P Griffiths	Enterprise Program Director
Mr D Lumb	Executive General Manager – Membership & Brand
Ms E McFadzean	Executive General Manager – People & Organisational Capability
Mr T Stuart	Group Chief Executive Officer
Mr A Tilley	Group Chief Financial Officer
Ms M Willis	Chief Executive Officer NRMA Investments

Mr P Griffiths ceased to be a Key Management Personnel as at 8 August 2014.

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 2014 to 30 June 2015. 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 eight of the maximum number of nine Directors are elected under a region-based system and a ninth Director may be appointed by the Board, each Director is required to act in the interest of NRMA as a whole, not as a nominee of the region which elected them. Background details of the Directors are shown on pages 4 to 6 of this report.

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" and may be appointed for a fixed term of up to 4 years, as decided by the Board. Only one Appointed Director may be appointed to the Board at any time.

Following the retirements of Mr Toovey in December 2013 and Ms Fraser in May 2014 from regions within the Greater Sydney Metropolitan Area, a redistribution of the electoral regions was undertaken. The number of regions was reduced from 9 to 8 regions, creating an opportunity for the Directors to appoint an Appointed Director, in accordance with the constitution. However, the Directors have decided not to appoint an Appointed Director until after the completion of the Board of Directors' Election in 2015.

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 stood down as President and Mr Michael Tynan stood down as Deputy President at the May 2014 Board meeting. Mr Kyle Loades was elected President unopposed and Ms Wendy Machin was elected Deputy President unopposed.The appointments were effective from 1 July 2014. Mr Loades has signed a letter of appointment.

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/media/Code_of_Conduct_for_Directors_June_2014.pdf. 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 modules on developing strategy, business renewal and Board effectiveness provided in-house by the Australian Graduate School of Management. 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 and can be obtained from the NRMA website at http://www.mynrma.com.au/images/About/Directors_Fees_Website_1_July_2014.pdf.

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 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*.

BOARD MEETINGS

The Board holds face to face meetings at least seven times a year. In addition, it meets by telephone to deal with specific matters needing attention between the scheduled meetings. During the 2014 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.

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 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 2014 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.

DIRECTORS' REPORT

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 at http://www.mynrma.com.au/about/board.htm) 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 that each perform are set out below. Membership of each Committee is as at the date of this report.

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

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 Chris Westworth, a former partner of Ernst & Young. Mr Westworth 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, Mr K Loades, Ms W Machin and Ms C Taylor.

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 three times a year and additionally as required.

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

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 CEO, 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

DIRECTORS' REPORT

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

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. They 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, to the Policy & Advocacy Committee. The Company has yet to appoint a Youth Ambassador.

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. The design and operating effectiveness of the framework was audited in February 2013 with minor opportunities for improvement identified and actioned. Another formal review is planned for the first half of FY15.

Risk is identified and assessed within this framework. Each business entity and division is then 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.

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 the Committee has access to such internal and external advisers (including the Internal Auditors) as it deems appropriate to assist it in performing its oversight function.

INTERNAL AUDIT

NRMA has a comprehensive, independent internal audit function that covers the Groups operations. The Internal Audit function is managed internally with assistance from and audits undertaken by PricewaterhouseCoopers. The annual internal audit plan is approved by the ARMC and quarterly reports are provided to the ARMC against that plan. Internal audit holds regular, separate meetings with the Group CEO and the Chair of the ARMC. The Committee and Internal Audit have direct access to each other if required.

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. NRMA is committed to protecting the safety of everyone, from its employees, contractors and visitors, to its Members, customers and the environment.

To support this, NRMA has implemented Group standards, procedures, tools and work instructions which form the NRMA Health, Safety and Environment (HSE) Management System. From a Due Diligence perspective, this system allows management to make sure that in everything the Group does, it is following safe and sustainable work practices. There are 10 standards that make up the system, which provide a rounded approach to protecting safety and the environment at the NRMA.

A key focus in FY 2014 and 2015 is training of employees and external service providers on the Standards. In addition, a three-year Health, Safety and Environment Assurance Plan, which involves auditing both internal and external service providers, is designed to ensure continuous improvement in our health, safety and environmental performance.

NRMA is also working towards a low carbon vision for 2020 and continues to focus on energy efficiency actions across the Group, complemented with carbon offsets for the remaining fuel used by our roadside assistance vehicles.

NRMA is continuing to advocate for action on the need to reduce Australia's oil dependence, particularly imported oil. Transport systems are wholly reliant on oil and are heavily dependent on imports of refined petroleum products and crude oil to meet the country's liquid fuel demand. Following on from the earlier work of the Jamison Group, NRMA commissioned two reports[1] from John Blackburn AO, which explored the scope of Australia's dependence on imported fuels and the potential strategic implications of a disruption to this supply. NRMA continues to work with the Jamison Group and others to understand Australia's driving future beyond oil and exploring fuel alternatives, new technologies and local options 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 and to ensure sufficient Australian-controlled fuel sources are available to meet Australia's security needs. NRMA continues to provide information to Members on the status and alternatives for a sustainable transport future.

DIRECTORS' REPORT

ETHICAL STANDARDS

As part of the NRMA's commitment to its people and its company values of 'Integrity' and 'Speaking Out', 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.

To compliment this, the company has in place an Ethics Hotline which is a confidential and anonymous disclosure service, managed by a third party. The hotline is available to report inappropriate behaviour including fraud, corrupt practices, illegal acts, deceptive or misleading conduct, any other conduct which may cause material financial or non-financial loss, brand damage or breach of confidentiality, and taking or threatening to take detrimental action against anyone who makes a disclosure. The Ethics Hotline is available to all employees and service providers of the NRMA Group.

[1] Australia's Liquid Fuel Security: A Report for NRMA Motoring and Services (2013) and Australia's Liquid Fuel Security- Part 2: A Report for NRMA Motoring and Services (2014).

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.

Mr K Loades	**Ms W Machin**
President	**Deputy President**

Sydney, 27 August 2014

Building a better
working world

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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 2014, 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

David Simmonds
Partner
27 August 2014

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

FINANCIAL HIGHLIGHTS

The Group's operating profit for the year before change in fair value of investments was $41.6 million (2013: profit of $24.3 million) whilst the Group's net assets increased by $76.6 million, being 10.6%, to $793.6 million.

The Consolidated Entity recorded net profit attributable to Members of $67.4 million compared to $37.2 million in 2013.

The primary components of the financial results were:

- Group revenue from operations increased by 1.8% to $468.2 million (2013: $460.0 million) driven primarily by 28% revenue growth in the vehicle servicing (MotorServe) business and 6% growth in accommodation (NRMA Holiday Parks) revenue. This was partially offset by lower Travel commissions following the sale of the wholesale Travel business during the year. Revenue from Membership subscriptions grew by a modest 1% year on year;
- Operating profit before depreciation, amortisation and impairment, change in fair value of investments and profit share from Joint Ventures and Associates decreased by $7.9 million to $56.6 million. After adjusting for start-up costs for new products and services such as Emergency Home Assist and Living Well Navigator plus costs associated with the transition to new technology platforms, underlying cash profits are in line with the prior year;
- Investment Income increased 12% to $33.0 million due to an improved yield from changes in the mix of investments and increased distributions for a number of assets;
- Interests in jointly controlled ventures (primarily Travelodge) and associate companies generated $31.9 million of the Group's share of profit, up from $12.1 million in 2013 as a result of improved underlying hotel performance and a strong lift in hotel book values;
- Operating profit before change in fair value of investments increased by 71% to $41.6 million (2013: $24.3 million);
- The increase in net fair value of the investment portfolio of $31.9 million (2013: $20.8 million increase) reflects another positive year on world share markets;
- The Group recorded a profit before tax of $73.5 million compared to the prior year's profit before tax of $45.1 million.

OPERATIONAL HIGHLIGHTS

- Total Members increased by 0.2% to 2.402 million (2013: 2.395 million) and NRMA Membership for total subscriptions (Consumer & BusinessWise) increased in 2014 by 0.8%;
- Overall job volumes decreased by 6.3% whilst call volumes decreased by 11.2%;
- In June NRMA launched a new interactive advocacy platform, Speak Out, an avenue for NRMA to further strengthen and grow relationships with Members and the wider community. The platform allows Members and the general public to be heard on advocacy issues that matter to them with over 5,500 unique page visits and 80 campaign ideas submitted since its launch. The value of the media coverage we received in FY14 was $7.9m above the target of $30m;
- For the sixth consecutive year NRMA Motoring Assistance received the Australian Business Award for Service Excellence. Additionally, MotorServe won the Australian Business Award for Service Excellence for the third year running and our Innovation program won an Australian Business Award for the fifth year running.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

- It has been another good year of improvements in safety. There was a 41% decrease in Lost Time Injuries (LTI), from 32 last year to 19 and our LTI Frequency Rate decreased from 8.91 last year to 5.6;
- NRMA's Motoring Advice team answered over 24,711 Technical advice telephone calls and responded to approximately 700 emails/ letters from Members seeking advice whilst the Member Legal team took 162 telephone calls and responded to over 229 emails/ letters from Members seeking legal advice;
- Our vehicle servicing business, MotorServe continued to grow opening three new sites in Padstow, Campbelltown and St Leonards and is now operating at 18 sites across NSW/ACT;
- Online shop had a successful year with revenue exceeding $2.0m a 31% increase over last year;
- The valid Member email data base grew by 16% surpassing 1.3 million.

OPERATIONAL ACHIEVEMENTS

Advocacy

For over 90 years, the National Roads and Motorists' Association (NRMA) has been the voice of motorists in NSW and the ACT, delivering real change for our 2.5 million Members. This year has been no different, with NRMA continuing to fight for safer roads, better road and transport infrastructure and fairer petrol pricing.

To make our roads safer, the NSW Government adopted NRMA's suggestion to make alcohol interlocks mandatory for high range and repeat drink drive offenders to reduce the number of drink-driving offences committed on our roads. To tackle bad driver behaviour, the NSW Government also implemented NRMA's policy to make bad drivers who lose their license twice in five years resit a Driver Knowledge Test.

Following NRMA's strong advocacy campaign calling for the allocation of all revenue collected from speed and red-light camera offences into a Community Road Safety Fund, the NSW Government announced a record $283.7 million budget for road safety in NSW for the coming financial year – making NSW roads safer for motorists.

NRMA's *Seeing Red on Roads* campaign led to record investment in major road infrastructure projects by both the Australian and NSW Governments. NRMA has fought hard to secure funding for the construction of the WestConnex and NorthConnex projects - missing links in the Sydney road network. These projects will reduce congestion and improve travel times for Sydney motorists. $1.2 billion was also allocated to fix the Pacific Highway which has long been voted by NRMA Members' as one of the worst roads in NSW.

To further ease congestion on our roads, the NSW Government also adopted our recommendations to introduce weekend clearways on Victoria Road and to install clear high visibility signs to alert motorists of the new clearway zones.

With many of NRMA's Members regular public transport users, we launched our second annual *Seeing Red on Rail* campaign to give our Member's and Sydney commuters the opportunity to tell us what they believe are the most frustrating stations and the biggest issues on the NSW train network. This year, more than 12,000 commuters responded to our survey and listed safety and lack of commuter parking as the two biggest problems they experienced on the train network. Our campaign was successful and our Member's voices heard, with the NSW Government providing an additional 1,200 parking spaces for commuters, expanding the CCTV network at stations and fast-tracking the roll out of the Opal Card at stations across NSW.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

To continue to provide a strong voice for motorists, we launched an interactive advocacy platform that allows our Members to actively get involved in our advocacy campaigns. The interactive advocacy hub puts Members in the driver's seat and ensures that the issues affecting them are heard by decision makers at all levels of government.

We will continue to lobby all levels of government for a fairer deal for our Members and to ensure that better and safer roads are delivered across NSW and the ACT.

Road Service

Overall job volumes decreased slightly as compared to prior years. NRMA attended 1,325,137 (2013: 1,379,348) jobs during the year that included 2179 (2013: 2,296) jobs in respect of children locked in cars. We also rescued 1,381 Pets (2013: 1,458) from locked cars during the year.

The 'Go Rate' measures the success of NRMA Roadside Staff Patrols in getting the Members' vehicle up and running. The 'Go Rate' for Staff Patrols working in the Sydney metropolitan and Regional area marginally improved to 93.2% (2013: 92.9%). In the Country, the 'Go Rate' was 84.7% (2013: 85.1%) as compared with last financial year. Across NSW and ACT, on average all our Service Providers reached a member in need within 60 minutes, 89% of the time (2013: 88.6%). The average response time to reach the member translated to 33 minutes (2013: 33 minutes) was inline with previous years.

Our Call Centres answered approximately two million Roadside calls in the year. From a service level perspective, 64.7% (2013: 71%) 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.

It was a great year for investment markets as momentum held strong from a combination of strong economic data and central banks maintaining a stimulatory environment with low interest rates. Geopolitical tension in Libya, Ukraine and Iraq presented challenges for markets however they did not derail the global recovery. As a sign of strength and confidence, half way through the financial year, the US Federal Reserve announced it would begin tapering its asset purchasing program. The best performing index during the financial year was the Euro Stoxx 50 which closed the year up 24.0%. The next best performing region was the US with the S&P500 index finishing the year up 22.0%. Locally, the ASX200 delivered a respectable return of 12.4% for the full financial year (the ASX200 accumulation index was up 17.4%). The Australian dollar remained relatively flat against the US dollar during the year, trading within a very narrow range of only 11 cents and closing the year 2.8% higher.

A portion of NRMA's investment mandate is to seek to invest in opportunities with a purpose. During the year, an investment in a fund which invests in secondary Public Private Partnership social infrastructure assets was implemented. The fund has had a history of delivering yields in excess of 10% as well as investing in infrastructure assets which provide a benefit to the broader community e.g. schools and hospitals. The fund reported a full year return of 13.1% and an attractive yield of 11.9%. NRMA also partnered with the NSW Government, the Commonwealth Bank of Australia, Westpac and the Benevolent Society to help deliver an innovative new financial product called a Social Benefit Bond (SBB). The SBB is only the fourth of its type to be issued, with the proceeds from the sale of the bond going to the Benevolent Society to fund a program that helps support NSW families where children are at risk. NRMA expects an earnings yield on the bonds of 6.5% p.a. Lastly, within the social space NRMA invested in social venture TuShare who have launched Australia's fastest growing sharing platform to help strengthen the 'giving' community. The opportunity enables NRMA to broaden and strengthen our brand, advocacy and community positioning beyond motoring.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

Momentum carries all asset class returns

It was another strong year for financial markets with the ASX 200 up 12.4% and the equivalent median balanced superannuation fund returning an attractive 12.7% according to Super Ratings. NRMA's diversified portfolio of equities, credit, bonds, property, cash and Travelodge hotel assets enabled it to deliver a pre-tax yield of 6.8%. After accounting for realised and unrealised capital gains, the total return for 2014 was 13.9%. This continues the impressive track record and outperformance of the NRMA investment portfolio following a 15.1% return in 2013, 5.9% return in 2012, 12.8% return in 2011 and 12.3% return in 2010.

As momentum in global economies improved at the start of the financial year and early indications showed that bond yields were close to their bottom, a re-allocation of our PIMCO fund to CFS fund was implemented. The move was a capital protection strategy to offset a fall in value resulting from rising global bond yields. The CFS fund is a variable rate fund which provides a level of protection by holding its value from rising yields and by the close of the year, the fund had outperformed on its benchmark by 6.1%.

Asset Class	Return %
Cash	3.3
Australian Equities (excluding IAG)	20.5
International Equities	19.5
Growth Alternatives	16.1
Australian & International Fixed Interest	7.6
Investment Property	10.8
Travelodge	16.3
Total Portfolio – asset weighted	13.9

Focusing on sustainable income and protecting capital

The 2014 results reflect a continued focus on sustainable income while protecting the capital in the portfolio. Total income from the investment portfolio for the 2014 financial year was $64.9 million (2013: $41.6 million) inclusive of IAG dividends and other investments. Improved market conditions boosted total investment returns during the financial year while investment income benefitted from the intervention of central banks to hold bond yields at a stimulatory level. Recent indications by the US Federal Reserve have indicated its intention to end the 'Quantitative Easing' asset purchasing program. Whilst market conditions remain difficult to chase consistently high yields, active changes to the investment portfolio ensured there was sufficient income generated to meet the operating needs of NRMA and our Members.

In addition to the above income, the portfolio generated a net fair value gain of $31.9 million, attributable to the strength across most investment markets. NRMA reported a $29.3 million share of profit from Travelodge which includes a $0.5m gain on interest rate swaps and a $14.2 million gain in property values.

Expenses relating to managing the portfolio were $2.2 million (2013: $1.4 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 gains plus equity accounted investments, and after deducting expenses was $94.6 million (2013: net gain of $61.0 million).

The relative outperformance of the well-diversifed portfolio in a volatile market validates the benefits of appointing a range of experienced, professional managers in line with best investment practice. NRMA is supported in this selection process by quality research and advice from JANA

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

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 $681.5 million as at 30 June 2014 (2013: $595.8 million), and was invested across a diversified range of asset classes and investment managers. The portfolio mix as at 30 June 2014 (excluding IAG Limited) is shown in the following table.

Asset Class	Weight %	$ Million
Cash	8	54.4
Australian Equities (excl. IAG)	18	123.6
International Equities	10	69.6
Growth Alternatives	7	48.5
Australian & International Fixed Interest	27	186.5
Investment Property	8	57.7
Joint Ventures (Travelodge and Kurrajong)	21	141.2
Total Portfolio	100	681.5

IAG Limited

It was another positive year for Australian shares as market confidence improved and investors added to riskier assets such as equities. The return on NRMA's strategic holding of IAG Limited shares was 14.3% (2013: 59.1%) comprised of a 7.3% increase in the share price to $5.84 and IAG dividends adding another 7.0%. Supportive factors such as improving underlying margins, favourable natural peril claims and an attractive dividend yield helped the increase IAG's share price.

NRMA's substantial investment in a single company represents a higher risk exposure to a single asset in our more broadly diversified portfolio. As at 30 June 2014 this holding represented 11% (2013: 11%) of our total portfolio. The IAG holding is considered 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 twelve 3.5 star hotels across Australia and New Zealand. The hotels are leased to Toga Group. As at 30 June 2014, this joint venture with Mirvac Real Estate Investment Trust had total assets of approximately $435.6 million (2013: $408.7 million) and NRMA's net asset holding is carried at $139.0 million (2013: $122.0 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 88% across the portfolio and 91% in CBD locations. Travelodge provided a cash yield of 9.8%.

(b) Hotel Kurrajong

NRMA holds a 50% shareholding in KJ Hotel Holdings which owns the Hotel Kurrajong Canberra, a four-star heritage-listed property operated by Toga Group and carried at $2.2 million.

(c) Club Assist Pty Ltd

NRMA owns 30% of Club Assist through its shareholding in Club Assets Pty Ltd. Club Assist provides mobile battery services 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 $16.1 million (2013: $16.6 million).

(d) Australian Motoring Services Pty Ltd (AMS)

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

The year ahead

The global recovery is expected to slowly continue as the bounce back from financial crises generally takes longer, requiring consumer and business confidence to return to the market. In the year ahead, investors will be keeping a close eye on the direction of interest rates. At some point, monetary policy will need to tighten, at which point rising rates will see volatility flow through to equity markets which have over the past year enjoyed a solid run. The pace of China's economic growth appears to have stabilised and could ease as the economy gets larger. The implications for Australia's economy is likely to be much the same as the past financial year. Political risks will continue to weight on the domestic economy with Australian politics and tension in the Middle East and Eastern Europe.

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 2014

	Notes	Consolidated 2014 $000	2013 $000
Continuing operations			
Revenue from Operations	5 (a) (i)	**468,166**	459,961
Investment Income	5 (a) (ii)	**33,005**	29,501
Total Revenue from Operating Activities		**501,171**	489,462
Employee benefits expense		**(200,646)**	(198,324)
Fleet, road service and towing contractors expense		**(72,230)**	(69,975)
Commissions and cost of sales expense		**(53,087)**	(46,745)
Depreciation, amortisation and impairment expense	6	**(46,931)**	(52,333)
General and administrative expense		**(50,206)**	(46,267)
Marketing expense		**(23,224)**	(23,317)
Printing & postage expense		**(13,093)**	(12,414)
Network distribution expense		**(8,831)**	(8,627)
Finance expense	6	**(7,494)**	(6,616)
Annual General Meeting, Special General Meetings & Election Expense		**(1,532)**	(1,315)
Other expenses from Operations		**(14,136)**	(11,270)
Total expenses from Operating Activities		**(491,410)**	(477,203)
Share of net profits of associates and joint ventures	20	**31,863**	12,123
Operating profit before change in fair value of investment		**41,624**	24,382
Change in net fair value of investments	5 (b)	**31,926**	20,758
Profit before income tax from continuing operations		**73,550**	45,140
Income tax expense	7 (a)	**(6,122)**	(7,929)
Net profit for the year		**67,428**	37,211

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated 2014 $000	2013 $000
Net profit for the year		**67,428**	37,211
Other comprehensive income:			
Net fair value gain/(loss) on available-for-sale financial assets	29 (a)	**10,747**	33,960
Foreign currency translation	29 (a)	**182**	(45)
Net gain/(loss) on cash flow hedges	29 (a)	**307**	442
Share of other comprehensive income of associates and joint ventures	29 (a)	**494**	569
Actuarial gain/(loss) on defined benefit plan	29 (b)	**960**	2,121
Income tax on items of other comprehensive income	7 (b)	**(3,512)**	(10,250)
Other comprehensive income for the year, net of tax		**9,178**	26,797
Total comprehensive income for the year		**76,606**	64,008

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	Consolidated 2014 $000	Consolidated 2013 $000
Current Assets			
Cash and cash equivalents	11	**33,793**	49,917
Trade and other receivables	12	**33,015**	39,199
Inventories	13	**1,140**	1,555
Other financial assets	14	**17,059**	8,263
		85,007	98,934
Non-current assets classified as held for sale	15	**5,771**	2,328
Total current assets		**90,778**	101,262
Non-current Assets			
Other financial assets	16	**452,513**	384,697
Available for sale financial assets	17	**119,035**	117,480
Property, plant and equipment	18	**211,142**	215,064
Investment property	19	**58,864**	58,864
Investments in associates and joint ventures	20	**160,354**	142,817
Pension asset	28	**3,936**	3,646
Intangible assets and goodwill	21	**112,548**	107,488
Total non-current assets		**1,118,392**	1,030,056
Total assets		**1,209,170**	1,131,318
Current Liabilities			
Trade and other payables	22	**54,230**	62,091
Income tax payable	7(c)	**2,662**	3,708
Provisions	23	**27,930**	28,647
Unearned income	24	**125,943**	117,934
Deposits held	25	**4,245**	20,030
Interest bearing loans and borrowings	26	**36,505**	39,493
Total current liabilities		**251,515**	271,903
Non-current Liabilities			
Provisions	23	**4,648**	5,432
Deferred tax liabilities	7 (d)	**55,493**	44,764
Derivative financial instruments	27	**240**	238
Unearned income	24	**12,713**	10,197
Deposits held	25	**6,758**	5,680
Interest bearing loans and borrowings	26	**84,203**	76,110
Total non-current liabilities		**164,055**	142,421
Total liabilities		**415,570**	414,324
Net assets		**793,600**	716,994
Equity			
Reserves	29 (a)	**23,256**	14,750
Retained earnings	29 (b)	**770,344**	702,244
Total Equity		**793,600**	716,994

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 2014

		Consolidated				
	Available for sale reserve	Equity accounted reserve	Foreign currency reserve	Cash flow hedge reserve	Retained profits	Total
At 1 July 2013	**18,649**	**(2,686)**	**(666)**	**(547)**	**702,244**	**716,994**
Profit for the year	**-**	**-**	**-**	**-**	**67,428**	**67,428**
Other comprehensive income	**7,523**	**494**	**182**	**307**	**672**	**9,178**
Total comprehensive income for the year	**7,523**	**494**	**182**	**307**	**68,100**	**76,606**
At 30 June 2014	**26,172**	**(2,192)**	**(484)**	**(240)**	**770,344**	**793,600**

		Consolidated				
	Available for sale reserve	Equity accounted reserve	Foreign currency reserve	Cash flow hedge reserve	Retained profits	Total
At 1 July 2012	(5,123)	(3,255)	(621)	(989)	662,974	652,986
Profit for the year	-	-	-	-	37,211	37,211
Other comprehensive income	23,772	569	(45)	442	2,059	26,797
Total comprehensive income for the year	23,772	569	(45)	442	39,270	64,008
At 30 June 2013	18,649	(2,686)	(666)	(547)	702,244	716,994

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 2014

		Consolidated	
	Notes	2014 $000	2013 $000
Cash flows from operating activities			
Receipts from Members and customers		**592,112**	521,918
Payments to suppliers and employees		**(535,468)**	(462,771)
Dividends received		**24,763**	17,900
Interest received		**4,064**	6,064
GST paid		**(16,902)**	(16,208)
Interest paid		**(6,243)**	(5,541)
Net cash flows from operating activities	30	**62,326**	61,362
Cash flows used in investing activities			
Proceeds from disposal of investments		**116,589**	196,850
Proceeds from disposal of fixed assets		**49,695**	73,409
Equity accounted distributions		**14,388**	11,795
Proceeds from disposal of franchises		**50**	-
Loans provided to external parties		**(167)**	(15,535)
Net outlays from disposal of subsidiaries	37	**(11,829)**	-
Outlays for investments acquired		**(148,768)**	(192,158)
Outlays for fixed assets acquired		**(103,138)**	(130,961)
Net cash flows from investing activities		**(83,180)**	(56,600)
Cash flows used in financing activities			
Finance lease payments		**(4,908)**	(3,592)
Repayments/proceeds from bank loans		**9,457**	653
Net cash flows used in financing activities		**4,549**	(2,939)
Net (decrease) / increase in cash and cash equivalents		**(16,305)**	1,823
Cash and cash equivalents at the beginning of the financial year		**43,683**	41,860
Cash and cash equivalents at the end of the financial year	11	**27,378**	43,683

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 2014

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 2014 was authorised for issue in accordance with a resolution of the Directors on 27 August 2014.

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 2,116,908 Memberships at 30 June 2014 (2013: 2,112,684).

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. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(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.

The Group has adopted all consequential amendments to Australian Accounting Standards which became applicable on 1 January 2013. The Group has applied, for the first time, AASB 119 *Employee Benefits (Revised 2011)* (refer Note 2(ac)).

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 shown on the following page.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of standard	Future impact on the Group	Application date for Group
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 2018^	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 2014 would have been increased by $10.7m.	1 July 2018^

^ - In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be for annual periods beginning on or after 1 January 2018, however it is available for application now.

(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 34) 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of Significant Accounting Policies (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of significant accounting policies (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of Significant Accounting Policies (continued)

(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 liability 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).

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of Significant Accounting Policies (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of significant accounting policies (continued)

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

(o) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

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

- Land - not depreciated
- Buildings - over 25 to 40 years
- Plant and equipment - over 2.5 to 10 years
- Motor vehicles - over 3 to 9 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of significant accounting policies (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of significant accounting policies (continued)

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

(s) Goodwill and intangibles

(i) Goodwill

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of significant accounting policies (continued)

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.

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 10 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of significant accounting policies (continued)

(t) Pensions

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

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of significant accounting policies (continued)

Employee leave benefits

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

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

(ii) Long service leave

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

(y) Revenue recognition

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

(i) Member revenue

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

(ii) Revenue from investments

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

(iii) Revenue from sale of goods

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

(iv) Rendering of services

Revenue from services rendered is recognised in the Income Statement 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of significant accounting policies (continued)

(vi) Interest income

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

(vii) Dividends

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

(viii) Rental revenue

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

(z) Income tax and other taxes

(i) Current tax

The assessable income of the 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of significant accounting policies (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2. Summary of significant accounting policies (continued)

(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.

ac) Impact of adoption of the revised AASB 119 Employee Benefits

Defined benefit superannuation plans

The Group operates one defined benefit plan. The revised AASB 119 has been applied retrospectively from 1 July 2012 resulting in the restatement of comparative information presented within this report. As a result of applying the revised AASB 119 –

- time value amounts recognised in the income statement are now classified as net finance costs (previously they were classified within defined benefit superannuation plan expense); and
- expected returns on plan assets are no longer recognised; instead, an interest income is recognised, calculated employing the applicable discount rate used to measure the net defined benefit liability or asset.

There was no restatement impact on the Statement of Financial Position or Statement of Cash Flows of the Group. There is no material effect on the comparative Income Statement, hence no restatement adjustments have been booked nor presented.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3. Financial risk management objectives and policies (continued)

(a) Market risk

(i) Interest rate risk

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

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 2013.

(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 2014

3. Financial risk management objectives and policies (continued)

As at 30 June 2014, the Group has no forward exchange contracts to hedge foreign currency denominated receivables and payables.

As at 30 June 2013, the Group had entered into derivatives in the form of forward exchange contracts to hedge foreign currency denominated receivables and payables. The net fair value of the Group's foreign exchange hedge contracts as at this date are shown in the table below.

	Consolidated			
	Weighted Average exchange rate	Maturity Profile < 1 year $000	Maturity Profile > 1 year $000	Net fair value gain/(loss) $000
2013				
AUD/USD	0.97	4,051	-	244
AUD/CAD	1.02	2,037	-	108
AUD/NZD	1.20	449	-	4
AUD/FJD	1.75	375	-	5
AUD/EUR	0.73	246	-	10
AUD/ZAR	9.56	375	-	11
AUD/GBP	0.64	399	-	22
AUD/INR	53.84	111	-	(2)
AUD/HKD	7.09	24	-	-
NZD/USD	0.77	1,581	-	(81)
NZD/GBP	0.51	42	-	(2)
NZD/ZAR	7.65	100	-	2
NZD/EUR	0.60	115	-	(6)
NZD/AUD	0.85	19	-	1
NZD/CAD	0.82	263	-	(8)
NZD/INR	46.14	55	-	1

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 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 investments are 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
2014				
Investment Category				
Australian shares	**-**	**-**	**-**	**85,475**
International shares	**-**	**-**	**-**	**69,616**
Fixed interest securities	**-**	**-**	**-**	**186,549**
Diversified unit trust	**-**	**-**	**-**	**102,928**
2013				
Investment Category				
Australian shares	-	-	-	63,184
International shares	-	-	-	71,650
Fixed interest securities	-	-	-	146,352
Diversified unit trust	-	-	-	90,437

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 2013.

(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 2014

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 $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000
2014													
Financial assets													
Cash and cash equivalents	**33,793**	**(338)**	**-**	**338**	**-**	**-**	**339**	**-**	**(339)**	**-**	**-**	**-**	**-**
Trade receivables	**19,038**	**-**	**-**	**-**	**-**	**-**	**237**	**-**	**(237)**	**-**	**-**	**-**	**-**
Other financial assets	**452,513**	**(2,489)**	**-**	**2,489**	**-**	**-**	**-**	**-**	**-**	**(20,358)**	**-**	**20,358**	**-**
Investments in JV and associates	**160,354**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Available for sale financial assets*	**119,035**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,904)**	**-**	**11,904**
Financial liabilities													
Trade payables	**14,857**	**-**	**-**	**-**	**-**	**-**	**(37)**	**-**	**37**	**-**	**-**	**-**	**-**
Interest bearing borrowings	**120,708**	**1,178**	**-**	**(1,178)**	**-**	**-**	**(1,268)**	**-**	**1,268**	**-**	**-**	**-**	**-**
Deposits held	**10,995**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total increase/ (decrease)		**(1,649)**	**-**	**1,649**	**-**	**-**	**(729)**	**-**	**729**	**(20,358)**	**(11,904)**	**20,358**	**11,904**

		Consolidated											
		Interest rate risk				Foreign exchange risk				Price risk			
	Carrying	-1%		+1%		-10%		+10%		-10%		+10%	
	amount $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000
2013													
Financial assets													
Cash and cash equivalents	49,917	(499)	-	499	-	-	631	-	(631)	-	-	-	-
Trade receivables	25,418	-	-	-	-	-	97	-	(97)	-	-	-	-
Other financial assets	392,960	(2,068)	-	2,068	-	-	-	-	-	(18,034)	-	18,034	-
Investments in JV and associates	142,817	-	-	-	-	-	-	-	-	-	-	-	-
Available for sale financial assets*	117,480	-	-	-	-	-	-	-	-		(11,748)	-	11,748
Financial liabilities													
Trade payables	21,937	-	-	-	-	-	(126)	-	126	-	-	-	-
Interest bearing borrowings	115,603	1,081	-	(1,081)	-	-	-	-	-	-	-	-	-
Deposits held	25,710	-	-	-	-	-	-	-	-	-	-	-	-
Total increase/ (decrease)		(1,486)	-	1,486	-	-	602	-	(602)	(18,034)	(11,748)	18,034	11,748

*Investment in IAG Limited and Macquarie Australian Equity Fund.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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
2014					
Trade payables	**12,296**	**2,320**	**205**	**36**	**14,857**
Interest bearing borrowings	**6,254**	**10,536**	**19,715**	**84,203**	**120,708**
Deposits held *	**1,339**	**1,944**	**954**	**6,758**	**10,995**
2013					
Trade payables	18,541	3,360	30	6	21,937
Interest bearing borrowings	5,477	10,435	23,581	76,110	115,603
Deposits held *	3,518	13,678	2,834	5,680	25,710

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

(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 2014			
	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	**459,326**	**-**	**-**	**459,326**
Unlisted investments	**104,277**	**-**	**-**	**104,277**
	563,603	**-**	**-**	**563,603**
Financial liabilities				
Interest rate swap contracts	**-**	**(240)**	**-**	**(240)**

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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.

There are shortfall guarantees in place in relation to a finance fleet facilities provided by third parties. NRMA Treasury Limited has guaranteed any potential deficit between the sales value of the relevant vehicle fleet and the associated financial settlement obligations. There are financial covenants in place in relation to these guarantees 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 2014

5. Revenue from operations

			Consolidated	
			2014 $000	2013 $000
(a)	Revenue			
	(i) Revenue from operations consists of the following items:			
	Subscription and joining fees		**230,784**	227,642
	Car rental revenue		**147,060**	144,853
	Vehicle servicing revenue		**34,377**	26,894
	Accommodation revenue		**23,900**	22,573
	Commissions revenue		**9,965**	19,277
	Advertising and publishing revenue		**5,676**	5,755
	Sales of goods		**4,934**	3,503
	Other revenue		**11,470**	9,464
			468,166	459,961
	(ii) Investment Income			
	Interest		**4,064**	6,064
	Dividend		**24,141**	18,721
	Rental income		**4,800**	4,716
			33,005	29,501
(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		**31,926**	20,758
(c)	Profit / (loss) on disposal of property, plant and equipment		**2**	(840)

6. Expenses

Profit before income tax includes the following expenses:

Depreciation	18	**39,266**	43,483
Amortisation and impairment	21	**7,665**	8,850
Total depreciation, amortisation and impairment		**46,931**	52,333
Finance costs			
Bank loan and overdraft		**5,795**	5,055
Defined benefit fund		**1,168**	990
Finance charges payable under finance leases		**448**	486
Provision discount adjustment		**83**	85
Total finance expense		**7,494**	6,616

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7. Income tax

	Consolidated	
	2014 $000	2013 $000
(a) Income tax recognised in the income statement		
Tax expense comprises:		
Current tax expense	**2,662**	3,619
Adjustments recognised in the current year in relation to the current tax of prior years	**(3,757)**	(2,853)
Deferred tax expense relating to the origination and reversal of temporary differences	**7,217**	7,163
Total tax expense	**6,122**	7,929
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:	**73,550**	45,140
Income tax expense calculated at 30%	**22,065**	13,542
Tax effect of permanent differences:		
Deferred tax asset not booked	**-**	1,102
Tax losses not previously recognised	**(5,278)**	(258)
Non-deductible net mutual expense/(benefit)	**(800)**	(147)
Tax offsets	**(3,707)**	(2,435)
Adjustment recognised in the current year in relation to:		
- the current tax of prior years	**(3,757)**	(2,853)
- the deferred tax of prior years	**(2,190)**	(470)
Adjustment recognised for change in tax base of mutual related deferred tax balances	**(293)**	(470)
Other	**82**	(82)
Total tax expense	**6,122**	7,929

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.

(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 financial assets	**(3,224)**	(10,188)
Actuarial movements on defined benefit plans	**(288)**	(62)
	(3,512)	(10,250)
(c) Current tax assets and liabilities		
Income tax payable to tax authorities	**(2,662)**	(3,708)
(d) Deferred tax balances		
Deferred tax assets	**4,572**	5,015
Deferred tax liabilities	**(60,065)**	(49,779)
Net deferred temporary differences	**(55,493)**	(44,764)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7. Income tax (continued)

Taxable income and deductible temporary difference arise from the following:

	Consolidated			
	Opening Balance	Charged to Income	Charged to Equity	Closing Balance
	$000	$000	$000	$000
2014				
Gross deferred tax liabilities:				
Trade and other receivables	**(1,112)**	**(446)**	**-**	**(1,558)**
Fair value through profit and loss financial assets	**(5,957)**	**(2,256)**	**-**	**(8,213)**
Available for sale financial assets	**(7,993)**	**-**	**(3,224)**	**(11,217)**
Investments accounted for under the equity method	**(18,919)**	**(5,263)**	**-**	**(24,182)**
Property, plant and equipment	**(4,923)**	**1,548**	**-**	**(3,375)**
Intangibles	**(10,519)**	**301**	**-**	**(10,218)**
Investment property	**(121)**	**-**	**-**	**(121)**
Defined benefit asset	**(108)**	**(785)**	**(288)**	**(1,181)**
Other financial liabilities	**(127)**	**127**	**-**	**-**
	(49,779)	**(6,774)**	**(3,512)**	**(60,065)**
Gross deferred tax assets:				
Trade and other receivables	**178**	**857**	**-**	**1,035**
Property, plant and equipment	**310**	**180**	**-**	**490**
Inventory	**12**	**3**	**-**	**15**
Lease liability	**2,240**	**(1,352)**	**-**	**888**
Trade and other payables	**612**	**374**	**-**	**986**
Provisions	**1,624**	**(474)**	**-**	**1,150**
Other liabilities	**39**	**(31)**	**-**	**8**
	5,015	**(443)**	**-**	**4,572**
Total net deferred tax liability	**(44,764)**	**(7,217)**	**(3,512)**	**(55,493)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7. Income tax (continued)

	Consolidated			
	Opening Balance $000	Charged to Income $000	Charged to Equity $000	Closing Balance $000
2013				
Gross deferred tax liabilities:				
Trade and other receivables	(974)	(138)	-	(1,112)
Fair value through profit and loss financial assets	(726)	(5,231)	-	(5,957)
Available for sale financial assets	-	-	(7,993)	(7,993)
Investments accounted for under the equity method	(17,884)	(1,035)	-	(18,919)
Property, plant and equipment	(4,947)	24	-	(4,923)
Intangibles	(10,577)	58	-	(10,519)
Investment property	(121)	-	-	(121)
Defined benefit asset	(12)	(34)	(62)	(108)
Other financial liabilities	(4)	(123)	-	(127)
	(35,245)	(6,479)	(8,055)	(49,779)
Gross deferred tax assets:				
Trade and other receivables	369	(191)	-	178
Available for sale financial assets	2,195	-	(2,195)	-
Property, plant and equipment	214	96	-	310
Inventory	12	-	-	12
Lease liability	2,954	(714)	-	2,240
Trade and other payables	577	35	-	612
Provisions	1,138	486	-	1,624
Other liabilities	286	(247)	-	39
Carried forward tax losses	149	(149)	-	-
	7,894	(684)	(2,195)	5,015
Total net deferred tax liability	(27,351)	(7,163)	(10,250)	(44,764)

Tax losses

The Group has income tax losses for which no deferred tax asset is recognised on the statement of financial position of $24,018,660 (2013: $26,150,463) which are available indefinitely for offset against future assessable income subject to relevant statutory tests.

In addition, the Group has net capital losses, for which no deferred tax asset is recognised on the statement of financial position of $23,002,645 (2013: $20,605,582). 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 34.

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 on a pro rata basis as calculated under the tax sharing agreement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8. Franking account balance

	Consolidated	
	2014 $000	2013 $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% (2013: 30%)	**238,755**	242,127
Franking credits that will arise from the payment of tax payable as at the end of the financial year	**2,662**	3,656
	241,417	245,783

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.

9. Auditor's remuneration

The auditor of National Roads and Motorists' Association Limited is Ernst & Young

Amounts received or due and receivable by EY for:

An audit of the financial report of the entity and any other entity in the Group:		
– Consolidated Entity	**375,350**	370,500
– Thrifty Group	**107,272**	100,386
– Travel Group	**-**	56,930
	482,622	527,816
Other services provided by EY:		
Taxation advice	**9,070**	20,145
Non statutory audit services	**179,948**	50,695
Project assurance services	**450,245**	510,150
	639,263	580,990
	1,121,885	1,108,806

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 2014

10. Key management personnel compensation

Directors

During the financial years, the Directors of the Company 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	11 May 2014
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	1 Dec 2013
Mr T Trumper	12 May 2014	
Mr M T Tynan	18 Jan 2003	

Executives

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

Executive	Title
Ms H Burgess	Executive General Manager – Corporate Relations & Governance
Mr O Gilbert	Executive General Manager – Motoring Assistance
Mr P Griffiths	Enterprise Program Director
Mr D Lumb	Executive General Manager – Membership & Brand
Ms E McFadzean	Executive General Manager – People & Organisational Capability
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	
	2014 $	2013 $
Short-term employment benefits	**5,286,731**	5,286,967
Post-employment benefits	**417,655**	362,160
Other long-term employment benefits	**307,323**	333,565
	6,011,709	5,982,692

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11. Cash and cash equivalents – current assets

	Consolidated	
	2014 $000	2013 $000
Cash at bank and in hand	**33,793**	33,828
Short-term deposits	**-**	16,089
	33,793	49,917

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.

	Consolidated	
	2014 $000	2013 $000
Reconciliation to cash flow statement:		
Cash at bank and in hand	**33,793**	33,828
Short-term deposits	**-**	16,089
Bank overdrafts (Note 26)	**(6,415)**	(6,234)
	27,378	43,683

12. Trade and other receivables – current assets

Trade receivables	**20,453**	26,191
Allowance for impairment loss (a)	**(1,415)**	(773)
	19,038	25,418
Prepayments	**7,303**	7,450
Other receivables	**6,674**	6,331
	33,015	39,199
Movements in the allowance for impairment loss were as follows:		
At 1 July	**(773)**	(1,413)
Charges for year	**(819)**	(824)
Foreign exchange difference	**(8)**	(16)
Amounts written back	**153**	53
Amounts written off	**32**	1,427
At 30 June	**(1,415)**	(773)

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

	Consolidated	
	2014 $000	2013 $000
New Zealand dollars	**2,510**	1,049
Australian dollars	**17,943**	25,142

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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
2014						
Consolidated	**20,453**	**9,508**	**4,335**	**1,568**	**1,294**	**3,748**
2013						
Consolidated	26,191	13,053	6,453	2,316	1,761	2,608

At the reporting date, trade receivables of $1,415,000 (2013: $773,000) were past due and considered impaired, impaired receivables being those balances in the '91+ days' category considered unrecoverable. Trade receivables of $5,195,000 (2013: $5,912,000) 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 35.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13. Inventories – current assets

	Consolidated	
	2014 $000	2013 $000
Finished goods	**1,140**	1,555

Inventory write-downs recognised as an expense totalled $20,943 (2013: $251,000) for the Group.

14. Other financial assets – current assets

	2014 $000	2013 $000
Other investment receivables	**5,453**	5,802
Interest bearing loan to Joint Venture (KJ Hotel Holdings Pty Limited)	**4,500**	-
Non-interest bearing loan to Joint Venture (KJ Hotel Holdings Pty Limited)	**376**	-
Interest bearing loan to third party	**4,730**	2,461
Non-interest bearing loan to third party	**2,000**	-
	17,059	8,263

15. Non-current assets classified as held for sale

	2014 $000	2013 $000
Vehicles held for sale	**5,771**	2,328

16. Other financial assets – non-current assets

	2014 $000	2013 $000
Investments designated at fair value through the profit or loss:		
Cash	**54,440**	44,930
Australian shares	**85,125**	63,034
International shares	**69,616**	71,650
Fixed interest securities fund	**185,549**	146,352
Diversified unit trust	**48,488**	45,507
At amortised cost:		
Unlisted investments	**1,350**	150
Interest bearing loan to Joint Venture (KJ Hotel Holdings Pty Limited)	**-**	4,500
Interest bearing loan to third party	**6,047**	8,574
Non-interest bearing loan to third party	**1,898**	-
	452,513	384,697

The third party interest bearing loan in Notes 14 and 16 is secured by motor vehicles owned by the third party whose value approximates the carrying value of the loan.

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

	2014 $000	2013 $000
Investments held at fair value		
Available for sale investments	**119,035**	117,480

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

	Consolidated					
	Land and Buildings $000	Leasehold Improvement $000	Leased Motor Vehicles $000	Motor Vehicles $000	Plant and Equipment $000	Total $000
Year ended 30 June 2014						
At 1 July 2013, net of accumulated depreciation	**76,100**	**16,700**	**7,458**	**97,626**	**17,180**	**215,064**
Additions	**3,592**	**4,049**	**709**	**72,170**	**4,481**	**85,001**
Transfers	**-**	**183**	**(3,393)**	**3,393**	**(387)**	**(204)**
Disposals	**(126)**	**(28)**	**-**	**(49,210)**	**(699)**	**(50,063)**
Depreciation charge for the year	**(3,370)**	**(1,655)**	**(1,802)**	**(27,219)**	**(5,220)**	**(39,266)**
Foreign exchange differences	**-**	**-**	**-**	**548**	**62**	**610**
At 30 June 2014, net of accumulated depreciation	**76,196**	**19,249**	**2,972**	**97,308**	**15,417**	**211,142**
At 30 June 2014						
Cost	**90,616**	**26,605**	**5,334**	**136,796**	**51,562**	**310,913**
Accumulated depreciation	**(14,420)**	**(7,356)**	**(2,362)**	**(39,488)**	**(36,145)**	**(99,771)**
Net carrying amount	**76,196**	**19,249**	**2,972**	**97,308**	**15,417**	**211,142**
Year ended 30 June 2013						
At 1 July 2012, net of accumulated depreciation	78,752	13,391	9,738	103,239	18,384	223,504
Additions	100	5,123	3,428	95,613	3,714	107,978
Transfers	-	(638)	(2,888)	2,888	703	65
Disposals	(762)	(354)	-	(72,125)	(227)	(73,468)
Depreciation charge for the year	(1,991)	(823)	(2,820)	(32,417)	(5,432)	(43,483)
Foreign exchange differences	1	1	-	428	38	468
At 30 June 2013, net of accumulated depreciation	76,100	16,700	7,458	97,626	17,180	215,064
At 30 June 2013						
Cost	87,266	22,946	13,003	132,983	51,091	307,289
Accumulated depreciation	(11,166)	(6,246)	(5,545)	(35,357)	(33,911)	(92,225)
Net carrying amount	76,100	16,700	7,458	97,626	17,180	215,064

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

19. Investment property – non-current assets

	Consolidated	
	2014 $000	2013 $000
Investment property	**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	**4,805**	4,588
Direct operating expenses generating rental income	**(36)**	(30)
Net profit arising from investment properties carried at fair value	**4,769**	4,558

(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	**4,918**	4,740
Later than one year but not later than 5 years	**20,946**	20,356
Later than 5 years	**37,071**	42,540
	62,935	67,636

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

Carrying amount of investments			
Investments in associates	20 (a)	**19,184**	18,390
Investments in joint ventures	20 (c)	**141,170**	124,427
		160,354	142,817
Net profit accounted for using the equity method			
Investments in associates	20 (b)	**2,700**	2,132
Investments in joint ventures	20 (d)	**29,163**	9,991
		31,863	12,123

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

Ownership Interest					Investment Carrying Amount	
					Consolidated	
Name of Entity & Principal Activities	Balance Date	2014 %	2013 %		2014 $000	2013 $000
Club Assets Pty Ltd						
Motoring assistance services	30 June	50%	50%	Shares	**16,140**	16,641
Club Assets Pty Ltd owns a 60% (2013: 60%) interest in Club Assist Corporation Pty Ltd						
Australian Motoring Services Pty Ltd						
Motoring and travel assistance services	30 June	35%	35%	Shares	**3,044**	1,749
Total					**19,184**	18,390

All investments in associates are incorporated in Australia and unlisted.

(b) Results of associates

	2014	2013
Share of profit from ordinary activities before income tax expense	**3,857**	3,516
Share of income tax expense related to ordinary activities	**(1,157)**	(1,384)
Share of associates net profit accounted for using the equity method	**2,700**	2,132
Summary financial position of associates		
The Group's share of aggregate assets and liabilities of associates is as follows:		
Current assets	**27,515**	30,230
Non-current assets	**15,603**	15,536
Total assets	**43,118**	45,766
Current liabilities	**21,126**	25,948
Non-current liabilities	**3,968**	2,588
Total liabilities	**25,094**	28,536
Net assets	**18,024**	17,230
Goodwill arising from equity accounting	**1,160**	1,160
Investments in associates accounted for using equity method	**19,184**	18,390
Accumulated profits/(losses) of the Group attributable to associates		
Balance at the beginning of the year	**3,588**	2,356
Distribution received from associate	**(2,400)**	(900)
Share of associates net profits	**2,700**	2,132
Balance at the end of the financial year	**3,888**	3,588
Movement in carrying amount of investments		
Carrying amount of investment in associates at the start of the year	**18,390**	16,589
Associate reserve movement	**494**	569
Distribution received from associate	**(2,400)**	(900)
Shares of associates net profits	**2,700**	2,132
Carrying amount of investments in associates at end of the year	**19,184**	18,390

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

(c) Details of investments in joint venture are as follows:

Ownership Interest					Investment Carrying Amount	
					Consolidated	
Name of Entity & Principal Activities	Balance Date	2014 %	2013 %		2014 $000	2013 $000
Tucker Box Hotel Trust						
Accommodation	30 June	50%	50%	Shares	**138,951**	122,056
The Tucker Box Hotel Trust has an ultimate 100% ownership of Travelodge Group Pty Limited (Australia)						
KJ Hotel Holdings Pty Limited						
Accommodation	30 June	50%	50%	Shares	**2,219**	2,371
KJ Hotel Holdings Pty Limited has a 100% ownership of Hotel Kurrajong Canberra						
					141,170	124,427

All joint ventures are incorporated in Australia and unlisted.

(d) Results of joint ventures

Share of revenue from ordinary activities	**20,753**	20,068
Share of unrealised gain for interest rate swaps	**527**	411
Share of unrealised gain/(loss) on revaluation of non-current assets	**14,217**	(3,785)
Share of expenses from ordinary activities	**(6,296)**	(6,679)
Share of profit from ordinary activities before income tax expense	**29,201**	10,015
Share of income tax (expense) related to ordinary activities	**(38)**	(24)
Share of joint ventures' net profit accounted for using the equity method	**29,163**	9,991
Summary financial position of joint ventures		
The Group's share of aggregate assets and liabilities of the joint venture is as follows:		
Current assets	**5,864**	5,922
Non-current assets	**220,094**	203,042
Total assets	**225,958**	208,964
Current liabilities	**4,510**	3,677
Non-current liabilities	**80,278**	80,860
Total liabilities	**84,788**	84,537
Net assets	**141,170**	124,427
Accumulated profits of the Group attributable to the joint ventures		
Balance at the beginning of the year	**48,588**	49,729
Share of joint ventures' net profits	**29,163**	9,991
Distributions received from joint ventures	**(12,420)**	(11,132)
Balance at the end of the year	**65,331**	48,588
Movement in carrying amount of investments		
Carrying amount of investments in joint ventures at the beginning of the year	**124,427**	123,197
Purchase of additional equity interest	**-**	2,371
Distributions received from joint ventures	**(12,420)**	(11,132)
Shares of joint ventures' net profit	**29,163**	9,991
Carrying amount of investments in joint ventures at end of the year	**141,170**	124,427

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 2014					
At 1 July 2013, net of accumulated amortisation and impairment	**35,063**	**42,276**	**21,066**	**9,083**	**107,488**
Additions	**-**	**18,137**	**-**	**-**	**18,137**
Transfers	**-**	**204**	**-**	**-**	**204**
Disposals	**-**	**(437)**	**(5,317)**	**(50)**	**(5,804)**
Impairment	**-**	**-**	**-**	**-**	**-**
Amortisation expense (a)	**(1,002)**	**(6,496)**	**-**	**(167)**	**(7,665)**
Foreign exchange currency difference	**-**	**32**	**156**	**-**	**188**
At 30 June 2014, net of accumulated amortisation and impairment	**34,061**	**53,716**	**15,905**	**8,866**	**112,548**
At 30 June 2014					
Gross carrying amount	**45,249**	**75,236**	**15,905**	**14,057**	**150,447**
Accumulated amortisation	**(11,188)**	**(21,520)**	**-**	**(5,191)**	**(37,899)**
Net carrying amount	**34,061**	**53,716**	**15,905**	**8,866**	**112,548**
Year ended 30 June 2013					
At 1 July 2012, net of accumulated amortisation and impairment	36,045	24,164	24,636	9,250	94,095
Additions	-	22,983	-	-	22,983
Transfers	-	(65)	-	-	(65)
Disposals	-	(781)	-	-	(781)
Impairment	-	-	(3,672)	-	(3,672)
Amortisation expense (a)	(982)	(4,029)	-	(167)	(5,178)
Foreign exchange currency difference	-	4	102	-	106
At 30 June 2013, net of accumulated amortisation and impairment	35,063	42,276	21,066	9,083	107,488
At 30 June 2013					
Gross carrying amount	45,249	58,531	51,027	14,107	168,914
Accumulated amortisation and impairment	(10,186)	(16,255)	(29,961)	(5,024)	(61,426)
Net carrying amount	35,063	42,276	21,066	9,083	107,488

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

21. Intangible assets and goodwill – non-current assets (continued)

(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 2014 review covered 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 7.8% - 12.3%
- Future revenue growth rates from 0.2% to 5.0%

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 $34,061,000 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 $8,866,000 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 $15,905,000 is carried in relation to the Holiday Parks.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

22. Trade and other payables – current liabilities

	Notes	Consolidated 2014 $000	Consolidated 2013 $000
Trade and other payables		**54,230**	62,091

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

	2014 $000	2013 $000
United States dollars	**406**	2,187
New Zealand dollars	**3,902**	3,133
Australian dollars	**49,922**	55,315
Canadian dollars	**-**	653
Euro	**-**	104
Fijian dollar	**-**	289
Other*	**-**	410

*Other refers to a basket of currencies including British pound, South African rand, Japanese yen, Chinese renminbi, Indian rupees 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 35.

(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 2014

23. Provisions

	Notes	Consolidated 2014 $000	Consolidated 2013 $000
Current liabilities			
Annual leave		**10,497**	11,078
Long service leave		**10,110**	8,946
Other employee entitlements		**6,591**	7,110
Restructure – employee related		**732**	1,513
		27,930	28,647

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.

	2014	2013
Non-current liabilities		
Employee entitlements	**2,482**	3,420
Restoration provision:		
Carrying amount at the beginning of the financial year	**2,012**	2,030
Utilised during the year	**(62)**	-
Release of unused provision and changes in expected timing	**(88)**	(260)
Additional provision	**221**	157
Unwinding of discount	**83**	85
Carrying amount at the end of the financial year	**2,166**	2,012
	4,648	5,432

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

	2014	2013
Current liabilities		
Unearned Member services revenue	**125,943**	117,934
Non-current liabilities		
Unearned Member services revenue	**12,713**	10,197

25. Deposits held

	2014	2013
Current liabilities		
Client deposits	**4,245**	20,030
Non-current liabilities		
Security deposit	**6,758**	5,680

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

26. Interest bearing loans and borrowings

		Consolidated	
	Notes	2014 $000	2013 $000
Current liabilities			
Bank overdraft		**6,415**	6,234
Bank loan		**28,249**	28,080
Obligations under finance leases		**1,841**	5,179
		36,505	39,493
Non-current liabilities			
Bank loan		**83,087**	73,799
Obligations under finance leases		**1,116**	2,311
		84,203	76,110

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:

	2014	2013
Total facilities:		
Corporate debt facility	**153,939**	140,000
Leasing facility	**59,293**	58,424
Corporate card facility	**1,426**	1,321
Bank guarantees	**19,718**	21,379
	234,376	221,124
Facilities used at the reporting date:		
Corporate debt facility	**111,336**	101,879
Leasing facility	**10,979**	18,654
Corporate card facility	**247**	99
Bank guarantees	**18,360**	13,652
	140,922	134,284
Facilities not used at the reporting date:		
Corporate debt facility	**42,603**	38,121
Leasing facility	**48,314**	39,770
Corporate card facility	**1,180**	1,222
Bank guarantees	**1,358**	7,727
	93,455	86,840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

27. Derivative financial instruments

		Consolidated	
	Notes	2014 $000	2013 $000
Non-Current liabilities			
Forward contracts at fair value		**240**	238

(a) Instruments used by the group

As at 30 June 2014, the Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest 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 and BKBM) 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, 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 69% (2013: 71%) 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.

28. Superannuation

Contributions are made to a number of superannuation plans. The majority of employees are defined contribution members with less than 100 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 $9.3 million to the superannuation plans for defined contribution members during the year (2013: $8.7 million) and there were no employer contributions payable at the end of the year for those members (2013: $Nil).

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

28. Superannuation (continued)

(b) Defined benefit superannuation arrangements

Nature of the benefits provided by the Plan

Employees who are entitled to defined benefit superannuation arrangements are members of one funded superannuation plan, the NRMA Superannuation Plan ("Plan").

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. Some defined benefit members are also eligible for pension benefits in some cases.

The defined benefit section of the Plan is closed to new members and hence, membership is reducing over time. All new members receive accumulation only benefits

Contributions to the plan are made in accordance with the governing rules of the plan and the contribution recommendations of an independent actuary. The Group has contributed $0.9 million (2013: $0.9 million) to the Plan during the year for defined benefit members. There were no employer contributions payable at the end of the year (2013: $Nil).

The defined benefit assets are invested in the Plan's MySuper (formerly Growth) investment option. The assets have a 70% benchmark weighting to equities and therefore the Plan has a significant concentration of equity market risk. However, within the equity investments, the allocation both globally and across the sectors is diversified.

Reconciliation of the Net Defined Benefit Asset

	The Plan	
	2014 $000	2013 $000
Net defined benefit asset at the start of the year	**3,646**	526
Current service cost	**(1,698)**	(1,629)
Net interest	**121**	27
Actual return on Plan assets less Interest income	**4,289**	2,815
Actuarial (gains) / losses arising from changes in financial assumptions	**(114)**	1,573
Actuarial (gains) / losses arising from liability experience	**(3,215)**	(575)
Employer contributions	**907**	909
Net defined benefit asset at the end of the year	**3,936**	3,646

Reconciliation of the Fair Value of Plan Assets

Fair value of Plan assets at the start of the year	**40,471**	36,888
Interest income	**1,289**	1,018
Actual return on Plan assets less Interest income	**4,289**	2,815
Employer contributions	**907**	909
Contribution by Plan participants	**489**	474
Benefits paid	**(3,234)**	(1,319)
Taxes, premiums and expenses paid	**(364)**	(314)
Fair value of Plan assets at the end of the year	**43,847**	40,471

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

28. Superannuation (continued)

Reconciliation of the Defined Benefit Obligation

Present value of defined benefit obligations at the start of the year	**36,825**	36,362
Current service cost	**1,698**	1,629
Interest cost	**1,168**	991
Contributions by Plan participants	**489**	474
Actuarial (gains) / losses arising from changes in financial assumptions	**114**	(1,573)
Actuarial (gains) / losses arising from liability experience	**3,215**	575
Benefits paid	**(3,234)**	(1,319)
Taxes, premiums and expenses paid	**(364)**	(314)
Present value of defined benefit obligations at the end of the year	**39,911**	36,825

Fair value of Plan assets

The fair value of Plan assets at 30 June 2014 are based on significant observable Inputs (Level 2). The percentage invested in each asset class at the reporting date is:

	Actual Allocations	
	2014 %	2013 %
Australian equity	**29**	30
International equity	**29**	26
Fixed income	**22**	23
Property	**10**	11
Alternatives/other	**5**	4
Cash	**5**	6
	100	100

Significant Actuarial Assumptions at the Reporting Date

	Consolidated	
	2014 % pa	2013 % pa
Assumptions to determine defined benefit cost:		
Discount rate	3.4	2.9
Expected rate of salary increase	4.0	4.0
Assumptions to determine defined benefit obligation:		
Discount rate	3.3	3.4
Expected rate of salary increase	4.0	4.0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 2014	**18,649**	**(2,686)**	**(666)**	**(547)**	**14,750**
Increment / (decrement) arising from:					
Revaluation of available for sale investments	**10,747**	**-**	**-**	**-**	**10,747**
Recycled to Income Statement on disposal	**-**	**-**	**42**	**-**	**42**
Equity accounting	**-**	**494**	**-**	**-**	**494**
Translation of foreign subsidiary	**-**	**-**	**140**	**-**	**140**
Net gains on cash flow hedges	**-**	**-**	**-**	**307**	**307**
Deferred tax arising from revaluation	**(3,224)**	**-**	**-**	**-**	**(3,224)**
At 30 June 2014	**26,172**	**(2,192)**	**(484)**	**(240)**	**23,256**

	Consolidated				
	Available for sale reserve	Equity accounted reserve	Foreign currency reserve	Cash flow hedge reserve	Total
At 1 July 2012	(5,123)	(3,255)	(621)	(989)	(9,988)
Increment / (decrement) arising from:					
Revaluation of available for sale investments	25,672	-	-	-	25,672
Recycled to Income Statement on disposal	8,288	-	-	-	8,288
Equity accounting	-	569	-	-	569
Translation of foreign subsidiary	-	-	(45)	-	(45)
Net losses on cash flow hedges	-	-	-	442	442
Deferred tax arising from revaluation	(10,188)	-	-	-	(10,188)
At 30 June 2013	18,649	(2,686)	(666)	(547)	14,750

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

29. Retained profits and reserves (continued)

(b) Retained earnings

	Consolidated	
	2014 $000	2013 $000
Movement in retained earnings		
Balance at the beginning of the financial year	**702,244**	662,974
Dividends paid	**-**	-
Net profit attributable to Members	**67,428**	37,211
Actuarial gain/(loss) (note 28)	**960**	2,121
Deferred tax recognised directly in equity	**(288)**	(62)
Balance at the end of the year	**770,344**	702,244

30. Cash flow statement reconciliation

	Consolidated	
	2014 $000	2013 $000
Reconciliation of net profit for the year to net cash flows from operations		
Net profit	**67,428**	37,211
Non- cash items		
(Profit) / loss on disposal of non-current assets	**(386)**	840
Depreciation, amortisation and impairment	**46,931**	52,333
Change in net fair value of investments	**(31,926)**	(20,758)
Defined benefit plan	**(907)**	(965)
Share of associates and joint ventures (profit)	**(31,863)**	(12,123)
Finance cost	**83**	85
(Increase)/decrease in operating assets		
Trade and other receivables	**6,200**	(1,113)
Inventories	**404**	(454)
Other	**(3,443)**	(1,037)
(Decrease)/increase in operating liabilities		
Payables	**55**	(6,595)
Income tax payable	**(860)**	730
Provisions	**(1,000)**	2,638
Unearned income	**10,525**	1,640
Client deposits	**(7,231)**	2,520
Security deposit	**1,078**	(719)
Net deferred tax liability	**7,238**	7,129
Net cash from operating activities	**62,326**	61,362

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

31. Contingent liabilities

	Consolidated	
	2014 $000	2013 $000
Total facilities available:		
Motoka Rentals Limited (NZ) lease contingency	**728**	703

On 31 March 2014, NRMA Treasury Limited provided a mortgage to Westpac Banking Corporation and National Australia Bank over 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 and will be in place until the earlier of the sub-division of the property and the expiry of the facility on 31 March 2019.

32. Commitments for expenditure

	Consolidated	
	2014 $000	2013 $000
(a) Estimated expenditure contracted for at reporting date, but not provided for, or payable:		
(i) Total capital commitments	**35,859**	28,836

The Group had contractual obligations relating to operational facilities for different parts of the Group.

(b) Operating leases		
(i) Property		
- due within 1 year	**21,054**	22,557
- due within 1 – 5 years	**57,255**	59,699
- due after 5 years	**10,286**	3,352
	88,596	85,608
(ii) Equipment		
- due within 1 year	**1,661**	631
- due within 1 – 5 years	**1,044**	401
	2,705	1,032
(iii) Motor Vehicles		
- due within 1 year	**2,362**	3,971
- due within 1 – 5 years	**15**	28
	2,377	3,999

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

32. Commitments for expenditure (continued)

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.

	Consolidated			
	Minimum Lease Payments 2014 $000	Present Value of Lease Payments 2014 $000	Minimum Lease Payments 2013 $000	Present Value of Lease Payments 2013 $000
Within one year	**1,949**	**1,841**	5,610	5,179
After one year but not more than 5 years	**1,170**	**1,116**	2,505	2,311
Present value of minimum lease payments	**3,119**	**2,957**	8,115	7,490

33. Parent Entity Information

	Parent	
Information relating to National Roads and Motorists' Association Limited:	2014 $000	2013 $000
Current assets	**190,846**	201,560
Non-current assets	**494,198**	485,688
Total assets	**685,044**	687,248
Current liabilities	**148,508**	160,480
Non-current liabilities	**36,993**	25,712
Total liabilities	**185,501**	186,192
Net assets	**499,543**	501,057
Retained earnings	**499,543**	501,057
Total shareholders' equity	**499,543**	501,057
Profit of the Parent entity	**(1,514)**	1,288
Total comprehensive income of the Parent entity	**(1,514)**	1,288

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

34. Investments in controlled entities

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

Name of Entity	Place of Incorporation	Percentage of Shares Held 2014 %	Percentage of Shares Held 2013 %	Share Capital 2014 $000	Share Capital 2013 $000
National Roads & Motorists' Assoc. (N.S.W.) Limited	Australia	100	100	-	-
NRMA Consolidated Limited	Australia	100	100	400,000	400,000
NRMA Holdings Limited	Australia	100	100	-	-
NRMA Limited	Australia	100	100	-	-
NRMA Enterprise Pty Ltd	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 Safer Driving Schools Pty Limited	Australia	100	100	-	-
MotorServe Pty Limited	Australia	100	100	-	-
NRMA Travel Pty Limited	Australia	100	100	4,500	4,500
NRMA Travel Technology Pty Limited	Australia	100	100	-	-
AFG Investments Pty Limited	Australia	100	100	70	70
NRMA Treasury Limited	Australia	100	100	800	800
NRET Pty Ltd	Australia	100	100	-	-
NRET Holding Pty Ltd (ATF NRET Real Estate Trust)	Australia	100	100	-	-
MB RET Pty Ltd (ATF MB Real Estate Trust)	Australia	100	100	-	-
NRMA Holiday Parks Pty Limited	Australia	100	100	-	-
NRMA Tourist Parks Pty Limited	Australia	100	100	-	-
NRMA Tourist Park No.1 Pty Ltd	Australia	100	100	-	-
NRMA Tourist Park No.2 Pty Ltd	Australia	100	100	-	-
NRMA Tourist Park No.3 Pty Ltd	Australia	100	100	-	-
NRMA Tourist Park No.4 Pty Ltd	Australia	100	100	-	-
NRMA Holiday Parks Franchising Pty Ltd[1]	Australia	100	100	-	-
T R Australia Holdings Pty Ltd	Australia	100	100	9,800	9,800
Kingmill Pty Ltd	Australia	100	100	11,852	11,852
Motoka Rentals Limited	New Zealand	100	100	11,591	11,591
NRMA Tourism and Leisure Holdings Pty Ltd (a)	Australia	-	100	-	-
Adventure World Travel Pty Limited (a)	Australia	-	100	-	10,500
Adventure World Travel Limited (a)	New Zealand	-	100	-	1,500
Creative Cruising Group Pty Ltd (a)	Australia	-	100	-	-
Coral Seas Travel Pty Limited (a)	Australia	-	100	-	76
Value Tours (Aust) Pty Ltd (a)	Australia	-	100	-	40

[1] – formerly NRMA Tourist Park No.5 Pty Limited.
(a) – See Note 37 for information on disposal.

All Australian subsidiaries are members of the tax consolidated Group at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

35. 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 34.

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.

The Group provided a loan to its joint venture entity, KJ Hotel Holdings Pty Limited as disclosed in Notes 14 and 16. The interest rate on the interest-bearing portion of the loan is at commercial terms.

36. Matters subsequent to the end of the financial year

There have been no matters or circumstances that have arisen since 30 June 2014 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 2014

37. Business combinations

There were no business combinations in 2014 or 2013.

During the year, NRMA Treasury Limited disposed of the NRMA Tourism and Leisure group of companies to a third party for cash consideration of $6.0m, of which $2.0m was received on settlement. The remaining consideration will be received in equal instalments in November 2014 and November 2015.

	Consolidated
	2014 $000
Cash consideration –on settlement	**2,000**
Cash consideration - deferred (discounted)	**3,849**
Less: transaction costs	**(191)**
Net proceeds	**5,658**
Net assets disposed	
Cash and cash equivalents	**13,829**
Trade and other receivables	**767**
Property, plant and equipment	**463**
Goodwill	**5,317**
Trade and other payables	**(6,516)**
Deposits held	**(8,554)**
Other	**(32)**
Net assets disposed	**5,274**
Gain on disposal	**384**
Reconciliation to Statement of Cash Flows	
Cash consideration –on settlement	**2,000**
Cash and cash equivalents disposed	**(13,829)**
Net cash outlays from disposal of subsidiaries	**(11,829)**

38. Closed Group class order disclosures

The Closed Group financial statements include the financial statements of National Roads and Motorists' Association Limited and all subsidiaries listed in Note 34 with the exception of Coral Seas Travel Pty Limited and Motoka Rentals Limited.

On 31 October 2013, the following Australian incorporated subsidiaries which were previously parties to the Class Order and the Deed ceased to be members of the Closed Group, following the sale of the wholesale travel businesses: NRMA Tourism & Leisure Pty Ltd, Adventure World Travel Pty Ltd, Creative Cruising Group Pty Ltd and Value Tours (Aust) Pty Ltd. In addition, on this day, Adventure World Travel Limited was removed as the sole New Zealand incorporated subsidiary that was a party to the Deed of Cross Guarantee. It was not a party to the Class Order.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

38. Closed Group class order disclosures (continued)

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.

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 is shown below.

	Closed Group	
Consolidated Income Statement	2014 $000	2013 $000
Profit from operations before income tax	**71,292**	44,270
Income tax (expense)	**(6,122)**	(7,920)
Profit after income tax	**65,170**	36,350
Actuarial gain/(loss)	**672**	2,059
Retained earnings at the beginning of the year	**713,232**	674,823
Retained earnings at the end of the year	**779,074**	713,232
Consolidated Statement of Financial Position		
Cash and cash equivalents	**30,403**	48,082
Trade and other receivables	**38,095**	45,421
Inventories	**1,140**	1,555
Other financial assets	**17,059**	8,263
Non-current assets classified as held for sale	**5,771**	2,328
Total current assets	**92,468**	105,649
Other financial investments	**452,513**	397,594
Available for sale financial assets	**119,035**	117,480
Property, plant and equipment	**196,399**	206,084
Investment property	**58,864**	58,864
Investments in associates and joint ventures	**160,354**	142,817
Defined benefit plan asset	**3,936**	3,646
Intangible assets and goodwill	**112,468**	107,382
Non-current assets	**1,103,569**	1,033,867
Total assets	**1,196,037**	1,139,516
Trade and other payables	**60,029**	70,687
Provisions	**27,587**	21,230
Unearned income	**125,943**	117,934
Deposits held	**4,004**	19,789
Interest bearing loans and liabilities	**33,121**	39,493
Current liabilities	**250,684**	269,133
Provisions	**4,648**	5,432
Deferred tax liabilities	**55,493**	44,764
Derivative financial instruments	**253**	238
Unearned income	**12,713**	10,197
Deposits held	**6,758**	5,680
Interest bearing loans and liabilities	**74,910**	76,110
Non-current liabilities	**154,775**	142,421
Total liabilities	**405,459**	411,554
Net assets	**790,578**	727,962
Reserves	**11,504**	14,730
Retained earnings	**713,904**	676,882
Current year profit/(loss)	**65,170**	36,350
Total equity	**790,578**	727,962

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 2014 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 2014.

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

Mr K Loades
President

Ms W Machin
Deputy President

Sydney, 27 August 2014

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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 2014, 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.

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 2014 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

David Simmonds
Partner
Sydney, Australia
27 August 2014

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	
	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000
Revenue ^								
External segment revenue	**288,490**	274,714	**34,365**	28,960	**219,350**	268,754	**542,205**	572,428
Results								
Segment result	**(26,824)**	(15,024)	**69,501**	52,028	**30,873**	8,136	**73,550**	45,140
Income tax expense							**(6,122)**	(7,929)
Net profit attributable to the Members of the Parent entity							**67,428**	37,211
Assets								
Segment assets	**82,550**	50,732	**682,260**	601,267	**284,003**	336,502	**1,048,816**	988,501
Equity accounted investments	**-**	-	**19,184**	18,390	**141,170**	124,427	**160,354**	142,817
Consolidated total assets							**1,209,170**	1,131,318
Liabilities								
Segment liabilities	**179,750**	199,600	**72,969**	32,128	**162,849**	182,596	**415,570**	414,324
Consolidated total liabilities							**415,570**	414,324

^ - Revenue from the Travel businesses is shown inclusive of agency commissions.