National Roads and Motorists' Association Limited and its Controlled Entities

Financial Report

30 June 2015

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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 2015.

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 (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 the founder of Auto Advantage, an independent motor vehicle advisory and buying service that he established in 2001. 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 has served as a non-executive Director of the NRMA since 30 March 2005. She has been elected at subsequent elections on 6 December 2008 and 3 December 2011. She served as President from 10 December 2008 to 30 June 2014, when she chose to step down to facilitate an orderly transition of the Presidency after nearly 6 years in the role. From 1 July 2014, she assumed the role of Deputy President in order to provide continuity and support to the President and Board at a time of some Board renewal following the retirement of several long serving Directors.

She is Chair of the Finance and Investments Committee, an ex-officio member of the Governance, Compensation & Nomination Committee, the Audit & Risk Management Committee and the Policy & Advocacy Committee.

Ms Machin is also the Independent Chair of the Customer Owned Banking Association, Chair of the NSW Government Crown Holiday Parks Board, Deputy Chair of ANCAP, Director of Destination NSW, and a member of the ANZ Stadium Advisory Committee. She is a former Director of the Australian Automobile Association.

Ms Machin served as a member of the NSW Legislative Assembly for 11 years. 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.

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

DIRECTORS' REPORT

Mr D (David) Bentham OAM 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).

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. He believes population growth and the imbalance of jobs in Western Sydney is having a major impact on all modes of transport, particularly on the main corridors.

Ms K (Kate) Lundy GAICD

Ms Lundy was appointed to the Board as a non-executive Director on 25 March 2015 to fill the casual vacancy created by the retirement of long standing director, Alan Evans. She is a member of the Finance & Investments Committee and the Policy & Advocacy Committee.

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

She is heavily involved in a large number of community and sporting activities which reflect her broad range of interests. Ms Lundy is a Director of Technology Innovation Partners Pty Ltd, a private company advising clients who are seeking to innovate with technology solutions which are in the latter stages of development or the early stages of commercialisation.

Ms M (Marisa) Mastroianni B.Com, M.Com, GAICD, FCPA, AFAIM

Ms Mastroianni was appointed to the Board as a non-executive Director on 19 January 2015 to fill the casual vacancy created by the retirement of long standing director, Michael Tynan. She is a member of the Audit & Risk Committee and the Finance & Investments Committee.

Ms Mastroianni is an experienced Director and CEO with expertise in strategic and operational planning, mergers, financial and risk management, corporate governance and change management. Ms Mastroianni is currently the Group CEO of UOW Enterprises, a global education company which is a subsidiary of the University of Wollongong.

Ms Mastroianni leads an international team of highly skilled professionals with operations both locally (UOW College) and offshore in Dubai (University of Wollongong in Dubai) and Hong Kong (CCCU). She has extensive service industry experience including maritime, health, retirement and aged care sectors.

Ms Mastroianni holds a Bachelor and Master of Commerce, is a Fellow of CPA Australia, Assoc. Fellow of AIM and a Graduate of the Australian Institute of Company Directors. Ms Mastroianni is a Director of the Illawarra Shoalhaven Health District Board and the Audit and Risk Committee, and a Member of Community Alliance Credit Union Audit Committee. Ms Mastroianni is a former member of Wollongong Catholic Dioceses Finance Council and Chair of the Retirement Village Ministerial Advisory Council.

DIRECTORS' REPORT

Ms F (Fiona) Simson BA (Bus), GAICD

Ms Simson was appointed to the Board as a non-executive Director on the 19 January 2015 to fill the casual vacancy created by the retirement of long standing director, Graham Blight. She is a member of the Governance, Compensation & Nomination Committee and the Policy & Advocacy Committee.

Fiona is a passionate advocate for rural and regional communities and issues. Growing up on a property near Armidale, in NSW, she completed a Bachelor of Arts Degree in Canberra before working in Sydney and overseas. She has also qualified with a Certificate IV in Training and Workplace Assessment and is a Graduate of the AICD.

She and her husband Ed run a family farm on the Liverpool Plains near Premer in northwest NSW. "The Plantation" is a mixed cropping and grazing enterprise, growing a variety of both summer and winter crops, and breeding and fattening Poll Hereford cattle. She has represented her local community on a variety of community groups, served a full term as an elected councillor on Liverpool Plains Shire Council, and has been a member of the Board of NSW Farmers Association for five years.

She is the first woman to represent the NSW Farmers' Association as its President and Chair, and will step down in July after a full four year term. She also sits on the Board of the National Farmers' Federation, and Muscular Dystrophy NSW.

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. 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 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 an Advisor to the Board 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 ASX companies and 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 $ 4 Million for disadvantaged Australian Children. The Board comprises some of Australia's highest profile business executives.

DIRECTORS' REPORT

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.

Retired Directors

In addition to the above Directors, Mr Graham Blight, Mr Alan Evans and Mr Michael Tynan held office from the start of the financial year to 18 January 2015.

COMPANY SECRETARIES

Mr N (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.

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

Ms Helen Burgess is the Executive General Manager - People, Corporate Relations and Governance. Leading People & Culture, Helen and her team oversee talent and capability, culture and performance and business partnering. 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 and Group Legal. 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.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

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

- roadside assistance services;
- accommodation and travel services;
- car and commercial vehicle rental services;
- motor vehicle servicing;
- 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.

DIRECTORS' REPORT

STRATEGIC ACTIVITIES

This year we continued to implement our three year strategy which is grounded in our vision of 'Helping People More Often'. This strategy aims to grow what we do today and to start helping more people in new ways. The Group continues to build on the first phase of this strategy and make good 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 focused on leveraging our core strength in motoring. We have continued our market leadership by remaining number one in roadside assistance with a net promotor score of +77. In addition to tailoring NRMA Road Assist products to the specific needs of individual Members, we are continuing the expansion of our NRMA MotorServe store network to make our car maintenance service even more accessible to Members. We opened 5 new stores in Majura Park, Caringbah, Gosford, Wetherill Park and Shellharbour, bringing the total number of stores to 21. We also commenced trials of our stationary assistance program providing both an on-demand (bookable) and fixed-location (drop in) service.

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 across new sectors like lifestyle, entertainment, home and independent living. We successfully launched Emergency Home Assist, and have helped over 7,000 Members with home emergencies with 2 out of 3 Members having their problem fixed on the first visit. We also launched our Living Well Navigator, an online resource and social community to help our Members steer their way to a healthier, happier life after 50. Since being launched in August 2014, the site has received over 847,000 visits. The first Owl ratings went up on the site in March, being the only benchmarked rating system for aged care in Australia.

Developing real, lifelong relationships with Members is the aim of the Grow Relationships priority. We are leveraging the data we have to create personalised connections and lifelong relationships with Members. We are also enhancing our digital channels and expanding our distribution partners to give Members more choice, control and access. In addition we are building on our strength in advocacy to engage Members with us and each other. Since launching the interactive advocacy platform, we have received over 470,000 visits and Members have contributed 280 advocacy campaign suggestions and we have engaged with 4.1 million people over social media. We have had a number of wins including influencing the RMS to recall its hard to read 'Bright Lights' number plate and encouraging the caravan industry to act on non ADR compliant caravans. In addition we successfully lobbied for a senate enquiry into the resilience and sustainability of Australia's transport energy supplies. During the year we also launched Jumpstart, NRMA's first accelerator program. This has introduced new digital channels and we have a number of commercial pilots underway, for example with Villalet, as well as finalising investments in two start up programs. We are also continuing to build on NRMA's presence in the sharing economy, following on from the initial investment in TuShare last year, futher investments this year have included Airtasker and Sendle.

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:

	2015 $m	2014 $m
Operating profit before depreciation & amortisation, change in fair value of investments and share of profits from Joint Ventures and Associates	69.1	56.6
Depreciation and amortisation	(45.2)	(46.9)
Share of operating profit from Joint Ventures and Associates	18.0	17.2
Share of unrealised gains from Joint Ventures and Associates	17.9	14.7
Operating profit before change in fair value of investments	**59.8**	**41.6**
Change in net fair value of investments	13.5	31.9
Profit from ordinary activities before income tax	**73.3**	**73.5**
Income tax (expense) relating to ordinary activities	(10.3)	(6.1)
Net profit attributable to Members of the Parent entity	**63.0**	**67.4**

The operating profit of the Consolidated Entity before change in fair value of investments for the year was $59.8 million (2014: $41.6 million). The Consolidated Entity's net profit attributed to Members for the year was $63.0 million (2014: $67.4 million) including $35.9 million (2014: $31.9 million) share of profits from Joint Ventures and Associates and $13.5 million increase (2014: $31.9 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 25 to 30.

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 25 to 30. 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 25 to 30, 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 2015 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 Group'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 $62,406 (2014: $61,003) per annum in Board fees. The Deputy President and the President receive $124,812 (2014: $122,005) per annum and $187,217 (2014: $183,008) per annum respectively.

The Chair of the Audit & Risk Management Committee receives $25,665 (2014: $25,665) and the Chairs of the other Committees receive $18,565 (2014: $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 2014, on 1 January 2015 Directors' fees increased by 2.3% (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 2013 to September 2014).

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 was one meeting of the Board held by written resolution.

BOARD SUB-COMMITTEE MEETINGS

During the year there were no meetings held by ciruclar resolution by the Board Sub-Committees.

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 2015 to 2017 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	9		9		2V	2	4	1L	3	3	1L	2		2V	2
Mr G Blight	6		6	2	1L	1				2		2			
Mr A Evans	6		6				2		2	2		2	2		2
Ms K Lundy	2		2	1		1									
Mr K Loades	9		9	4		4	4		4	3		3	4		4
Ms W Machin	9		9	4		4	4		4	3	1L	2	4		4
Ms M Mastroianni	3		3	1	1V	2	2	1T	1						
Ms F Simson	3	1L/1T	2							1		1	1	1L	0
Ms C Taylor	9		9		1V	1	2		2	3		3	4	1L	3
Mr T Trumper	9		9	4		4	1		1	2		2	1		1
Mr M Tynan	6	5L	1	2	1L	1							2	1L	1

(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	
	2015 $	2014 $
Short-term employment benefits	**5,191,418**	5,286,731
Post-employment benefits	**472,105**	417,655
Other long-term employment benefits	**291,000**	307,323
	5,954,523	6,011,709

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 December 2008	
Mr G Blight	18 January 2003	18 January 2015
Mr A Evans	18 January 2003	18 January 2015
Mr K Loades	5 December 2005	
Ms K Lundy	25 March 2015	
Ms W Machin	30 March 2005	
Ms M Mastroianni	19 January 2015	
Ms A Simson	19 January 2015	
Ms C Taylor	12 February 2008	
Mr T Trumper	12 May 2014	
Mr M Tynan	18 January 2003	18 January 2015

Executives

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

Executive	Title	Commenced	Ceased
Ms H Burgess	EGM People, Corporate Relations and Governance		
Mr E Debenham	EGM Strategy & Investments	9 March 2015	
MR B Evans	EGM Assistance Services	10 April 2015	
Mr O Gilbert	EGM Motoring Services		
Mr P Griffiths	Enterprise Program Director		7 October 2014
Mr D Lumb	Chief Customer Officer		
Ms E McFadzean	EGM People & Organisational Capability		9 April 2015
Mr T Stuart	Group Chief Executive Officer		
Mr A Tilley	Group Chief Financial Officer		
Ms M Willis	Chief Executive Officer, NRMA Investments		31 March 2015

Mr T Stuart has resigned as Group Chief Executive Officer effective the end of September 2015. Mr B Evans has been appointed as Acting Group Chief Executive Officer from this date until a permanent replacement has been appointed.

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 2015 to 30 June 2016. 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 7 of this report.

DIRECTORS' REPORT

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

In May 2014, 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 2015 Board of Directors' Elections will hold office for four years, commencing on 5 December 2015, 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. Mr Kyle Loades was elected President in July 2014 and Ms Wendy Machin was elected Deputy President. 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 is responsible for managing the day-to-day operations of the NRMA Group and 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 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 Annual Report. 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 Board effectiveness and cohesion provided in-house by Boardroom Partners, and the newly appointed Directors attended induction days and briefing sessions designed to provide them with relevant information about the Group as well as Patrol ride-alongs to gain an understanding of the issues affecting frontline staff.

Remuneration of Directors and management

Details of Directors' and executives' remuneration are set out in the Directors' Report on pages 11 and 12 of this Report and can be obtained from the NRMA website at http://www.mynrma.com.au/media/Directors_Fees_2015.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 2015 financial year, the Board met nine times.

Papers for Board and Board Committee meetings are circulated electronically 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 and video 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 Parkes, Manly and Castle Hill.

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 12.

DIRECTORS' REPORT

Meetings with the Group Chief Executive Officer

During the 2015 financial year, the Board and Committees continued the practice of meeting on their own or with the Group CEO prior to the commencement of most scheduled meetings.

BOARD COMMITTEES

The Board has four permanent Committees that have delegated authority to assist the Board to perform its functions. All permanent Committees have a Charter and Protocols by which they operate (copies of which are available 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: Ms W Machin (Chair), Mr K Loades, Ms K Lundy, Ms M Mastroianni 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 advisor, 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 K Loades, Ms W Machin and Ms M Mastroianni and Mr C Westworth (Independent Advisor).

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 K Loades (Interim Chair), Mr D Bentham, Ms K Lundy, Ms W Machin, Ms F Simson and Ms C Taylor.

DIRECTORS' REPORT

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 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 members of 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), Ms W Machin, Ms F Simson, Ms C Taylor and Mr T Trumper.

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); 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 Board's Audit & Risk Management Committee (ARMC) is chaired by a member-elected director. The Committee also includes an independent expert to assist the committee with its deliberations and who provides both advice and an external perspective to the committee's work. The independent expert also acts, from time to time, as an advisor/sounding board to the Chair of the committee.

The charter and the names of the members of the ARMC are available on the company's website.

NRMA discloses the number of times the Committee meets during each reporting period and the individual attendances of the members at those meetings.

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. Reviews of the design and operating effectiveness of the framework is undertaken by internal or external specialists as required. The Risk Management Policy was reviewed with the ARMC during 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.

DIRECTORS' REPORT

The Committee oversees this framework with respect to both financial and non-financial risk. Quarterly Risk Management Reports are provided to the ARMC 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 Group's 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 committee 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.

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. Reporting has been enhanced this year with NRMA releasing its first report in line with the new Global Reporting Initiative's (GRI) G4 reporting guidelines.

The Review outlines the NRMA management approach and stakeholder engagement on material sustainability issues. Key activity areas include Community, Environment, Advocacy, Education, Member Experience, Innovation, People and Safety. The Review is available at http://www.mynrma.com.au/sustainability.

Creating a great and safe place to work is a strategic priority for NRMA. NRMA has implemented Group standards, procedures, tools and work instructions which form the NRMA Group 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. Ongoing training of employees and external service providers and 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 creating a proactive safety culture by focussing on continuously improving Group safety standards, procedures and behaviours. As a result, NRMA has significantly reduced the number of people that require time off work due to injury compared to the same period last year. Refreshing and rebranding of the livery of NRMA Patrols is introducing higher visibility vehicle signage and lighting.

The Group holds a number of licences issued by statutory bodies or water authorities in the regions where NRMA operates. These licences primarily control trade waste discharges from workshops and washbays operating at MotorServe and Thrifty locations. There have been no significant known breaches of environmental regulations or licence conditions.

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 NRMA roadside assistance vehicles.

DIRECTORS' REPORT

In addition to advocating for improvements in road safety, better roads and public transport, 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[1]. In response to representations by NRMA and a growing group of similarly concerned organisations, the Senate Rural and Regional Affairs and Transport References Committee conducted an inquiry into Australia's transport energy resilience and sustainability. The Committee agreed with the arguments put forward by NRMA that Australia's transport energy supplies are increasingly at risk and that our responses are out of step with the rest of the world.

This was an important step toward developing Australia's driving future beyond oil, exploring fuel alternatives, new technologies and local options important for the economy and Australia's transport fuel security. NRMA continues to provide information to Members on the status and alternatives for a sustainable transport future.

A key pillar of NRMA community activities continues to be delivering road safety education to all road users, from primary school to high school students, cyclists and senior drivers.

[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).

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 complement 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.

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.

DIRECTORS' REPORT

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.

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

A declaration of independence has been provided on page 24 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 **President**	**Ms W Machin** **Deputy President**

Sydney, 26 August 2015

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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 2015, 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
26 August 2015

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

FINANCIAL HIGHLIGHTS

The Group's operating profit for the year before change in fair value of investments was $59.8 million (2014: profit of $41.6 million) whilst the Group's net assets increased by $59.9 million, being 7.5%, to $853.5 million.

The Consolidated Entity recorded net profit attributable to Members of $63.0 million compared to $67.4 million in 2014.

The primary components of the financial results were:

- Group revenue from operations increased by 4.1% to $487.6 million (2014: $468.2 million) driven primarily by 22% revenue growth in the vehicle servicing (MotorServe) business with new store openings and 8% growth in accommodation (NRMA Holiday Parks) revenue. This was partially offset by a full year of lower Travel commissions following the sale of the wholesale Travel business during the previous financial year. Revenue from Membership subscriptions grew by 3.5% year on year;
- Reported revenue is shown net of approximately $28m of discounts we provided to our Members during the year;
- Investment Income increased 35.5% to $44.7 million due to increased distributions from a number of assets and improved yield from changes in the mix of investments;
- Operating profit before depreciation and amortisation, change in fair value of investments and profit share from Joint Ventures and Associates increased by 22.1% to $69.1 million. This is driven by the revenue growth above and continued focus on costs;
- Interests in jointly controlled ventures (primarily Travelodge) and associate companies generated $35.9 million of the Group's share of profit, up from $31.9 million in 2014 as a result of improved underlying hotel performance and a continued lift in hotel book values;
- Operating profit before change in fair value of investments increased by 44% to $59.8 million (2014: $41.6 million);
- The decrease in net fair value of the investment portfolio of $2.2 million (2014: $31.9 million increase) reflects the increased distributions and marginal overall movement on world share markets;
- The upward revaluation of the Group's investment property by $11.4 million, reflecting strong property prices, contributed to the year's results;
- The Group recorded a stable profit before tax of $73.3 million compared to the prior year's $73.5 million.

OPERATIONAL HIGHLIGHTS

- Total Members decreased by 0.5% to 2.413 million (2014: 2.424 million) whilst subscriptions (Consumer & Business Motoring) remained flat in 2015 at 2.753 million;
- Overall job volumes decreased by 2.0% to 1.30 million (2014: 1.33 million), while calls volumes remain flat at 1.78 million;
- It has been another good year of improvements in safety. There was a 5% decrease in Lost Time Injuries (LTI), from 20 last year to 19 and our LTI Frequency Rate decreased from 5.9 in the prior year to 5.6;
- During the year visits to the Interactive Advocacy web platform reached over 470,000 visits from 265,000 people who viewed over 1.1 million pages of advocacy content. Advocacy wins for the year include successfully lobbying for a Senate enquiry into the resilience and sustainability of Australia's transport energy supplies, successfully lobbying the RMS to recall it's hard to read 'Bright Lights' number plate range, encouraging the caravan industry to act on non ADR compliant caravans, and eliciting

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

a positive response from the NSW Roads Minister on the issue of mobile speed camera signage;

- Over the year we have significantly increased our digital presence with the introduction of web chat, the mobile optimisation for join and renew interactions with our Members and the introduction of a number of new or upgraded apps including releasing a new Roadside App that features the latest vehicle tracking capability and enhanced features;
- Renewed key Thrifty contracts including Whole of Australian Government, IAG insurance replacement and Australian Motoring Services;
- Expanded our property and investment footprint with the successful reopening of the refurbished Hotel Kurrajong in Canberra and the expansion of the NRMA branded Holiday Parks by two parks to seven with Narrabeen Lakeside and Myall Shores;
- Improved the accessibility of our car maintenance service business to Members with the opening of five new MotorServe stores in Majura Park, Caringbah, Gosford, Wetherill Park and Shellharbour, bring the total number of stores to 21;
- This year saw our Living Well Navigator (LWN) platform launch its Owl Ratings which is an industry first and the only scientifically validated and benchmarked rating system for aged care in Australia. Since its launch in August 2014, LWN has received just over 847,000 visits from 605,000 users who viewed over 1.1 million pages of content;
- Significant system implementations during the year included the successful implementation of the first phase of the Group Membership System to support Business Motoring, the Australia-wide roll out of ERA (the new Thrifty operating system), and successful launch of the first stage of the Traveltek travel booking system for NRMA Travel;
- Jumpstart, NRMA's first Accelerator program was completed during the year introducing a number of new digital business models as well as providing investment in innovative start-up and scale-up businesses. With commercial pilots in place or planned with a number of the participants and investments being finalised in two start-ups, the program outcomes have been extremely positive. NRMA's program has received strong recognition in the broader corporate and start-up community;
- Following on from the initial investment in the sharing economy with TuShare, further investments this year have included Sendle and Airtasker. This combined with proposed investments from the Jumpstart program continue to build NRMA's position offering to members in the collaborative economy;
- Successfully implemented our new Patrol Enterprise Agreement improving workforce flexibility, as well as introducing an Apprenticeship Scheme for our MotorServe business;
- Secured our future premises with the purchase of a site at Sydney Olympic Park that will be our new hub from March 2017 once construction is complete.

OPERATIONAL ACHIEVEMENTS

Advocacy

For 95 years, the National Roads and Motorists' Association has been the voice of motorists in NSW and the ACT, representing and delivering results for our 2.4 million Members. NRMA continues to fight for safer roads, better road and transport infrastructure and fairer petrol pricing. During the financial year, NRMA invested over 4% of our Membership revenue on advocacy and community programs.

We released our Princes Highway Audit report which assessed 428 km of the Highway from Dapto to the Victorian border. The report identifed the need for the Albion Park Rail bypass – for which NRMA secured a funding commitment from the NSW Government. For the highway south of

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

Jervis Bay, it also recommended two-by-one lane upgrades, divided by crash barriers, and a greater use of wire rope crash barriers which would considerably reduce crash rates and save lives.

We produced a paper to assist Members dealing with driving issues when a family member has dementia in conjunction with Alzheimers Australia NSW. This provides practical advice to assist families when confronting this difficult issue.

Another advocacy win was secured to discourage drivers illegally parking in disabled parking spaces. They will now receive a demerit point in addition to a monetary fine. Disabled parking spots are there for a reason – to make getting around a little easier for people who need it.

We also released our Parking Report which proposed innovative solutions to enable the most efficient use of available parking via technology and in particular to ensure that local Councils more effectively allocate parking fine revenue to road and transport issues, and that ratepayers have avenues of appeal agains fines.

Our Public Transport Accessibility for Older People report assessed how public transport interchanges work for older travellers and identified improvements that can be made, which were presented to Transport for NSW.

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

Road Service

Overall job volumes decreased slightly as compared to prior years. NRMA attended 1,299,439 (2014:1,325,137) jobs during the year that included 2,306 (2014: 2,179) jobs in respect of children locked in cars. We also rescued 1,621 pets (2014: 1,381) 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 93.6% (2014: 93.2%). In the Country, the 'Go Rate' was 84.5% (2014: 84.7%) as compared with last financial year. Across NSW and ACT, on average all our Service Providers reached a member in need within 60 minutes, 87% of the time (2014: 89%). The average response time to reach the member translated to 35 minutes (2014: 33 minutes) which is a slight increase compared with previous years.

Our Call Centres answered approximately two million Roadside calls in the year. From a service level perspective, 64.7% (2014: 64.7%) 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 has a focus on protecting the principal and producing income to contribute to the long-term sustainability of the Group.

It was a turbulent 12 months for investment markets. The ASX200 was on the cusp of breaking through 6,000 points (a record high since the GFC) however a raft of concerns dragged the market lower towards the last 2 months of the financial year. A Greek default on debt repayments as well as China's continued stimulus measures to stabilise growth and rebalance the economy were at the forefront of investor concerns. Domestically, interest rates were trimmed to all-time lows (2% at the close of the financial year) while the Federal Budget focused on reinvigorating the economy through jobs growth, supporting small businesses and investing in infrastructure. The US continued to gain momentum and data released from the US Federal Reserve supported assumptions that the US economy was getting close to a point of raising interest rates. Despite the challenges, returns on both domestic and international shares rose as did returns on domestic property and bonds.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

Heritage-listed Hotel Kurrajong, a joint venture between the NRMA and TFE Hotels, reopened its doors in December 2014. The refurbished hotel re-launched as a 4.5 star boutique hotel offering 147 rooms, 26 heritage listed rooms and 4 executive suites. There are 5 meetings rooms with theatre style capacity for up to 160 delegates. Its history extends back to when former Prime Minister Ben Chifley chose Hotel Kurrajong as his Canberra residence, rejecting The Lodge. Hotel Kurrajong's continuing significance was recognised when the hotel was officially re-opened by current Prime Minister Tony Abbott.

A mixed year for investment returns

NRMA's diversified portfolio of equities, credit, bonds, property, cash and hotel assets enabled it to deliver a pre-tax yield of 7.5%. After accounting for realised and unrealised capital gains, the total return for 2015 was 9.1%. This supports the strong track record of performance of the NRMA investment portfolio with a reported 3 year and 5 year return of 12.4% and 11.1% respectively.

Volatility in global economies continue to remain a concern for investors. With the exception of the US, most major economies have been contracting or experiencing stagnant growth. NRMA acknowledges the importance of remaining well diversified across the various asset classes to protect returns and capital from any major global shocks. Careful manager selection while focusing on broader economic themes have helped the portfolio outperform its asset class benchmarks. NRMA's Australian Equities funds returned 4.9% against the ASX200 which returned 1.2% and NRMA's International Equities funds returned 31.3% against the broader global MSCI World index which returned 25.2%.

Asset Class	Return %
International Equities	31.3
Travelodge	22.0
Defensive Alternatives	9.1
Australian Equities (excluding IAG)	4.9
Growth Alternatives	4.4
Australian & International Fixed Interest	2.9
Cash	2.7
Total Portfolio – asset weighted	9.1

Sustainable income remains a focus

The 2015 results reflect a continued focus on sustainable income while protecting the capital in the portfolio. Total income from the investment portfolio for the 2015 financial year was $80.7 million (2014: $64.9 million) inclusive of IAG dividends and other investments. Low yields across most asset classes and soft economic growth have made the search for yield more difficult. Small tactical allocations throughout the year have helped generate income to meet the operating needs of the NRMA.

In addition to the above income, the portfolio generated a net fair value gain of $2.2 million, attributable to the movement across the investment markets. NRMA reported a $32.3 million share of profit from Travelodge and Kurrajong which includes a $17.4 million unrealised gain in property values.

Expenses relating to managing the portfolio were unchanged at $2.2 million (2014: $2.2 million) which includes consultant fees, management fees, transaction costs, custodian fees and all associated operational costs in running the investment function at NRMA.

REVIEW OF OPERATIONS AND FINANCIAL CONDITION

In conclusion, the net gain from all investments, including income and gains plus equity accounted investments, and after deducting expenses was $80.6 million (2014: net gain of $94.6 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 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 $736.4 million as at 30 June 2015 (2014: $681.5 million), and was invested across a diversified range of asset classes and investment managers. The portfolio mix as at 30 June 2015 (excluding IAG Limited) is shown in the following table.

Asset Class	Weight %	$ Million
Growth Alternatives	29.6	217.9
Australian Equities (excl. IAG)	26.2	192.9
Australian & International Fixed Interest	21.3	156.7
Defensive Alternatives	11.4	83.7
International Equities	5.8	42.9
Cash	5.7	42.3
Total Portfolio	100.0	736.4

IAG Limited

The return on NRMA's strategic holding of IAG Limited shares was 2.2% (2014: 14.3%) comprised of a 4.5% decrease in the share price to $5.58 and IAG dividends which added 6.7%. Towards the end of the financial year, IAG announced it had entered a strategic relationship with Berkshire Hathaway. While the deal included Berkshire Hathaway receiving 20% of IAG's gross written premium and paying for 20% of IAG's insurance claims and underwriting expenses, it has been broadly viewed as neutral on IAG's insurance profit.

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 2015 this holding represented 9.5% (2014: 11%) of our total portfolio. The IAG holding is considered as a long-term strategic investment within the context of our total investment portfolio.

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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 2015, this joint venture with Mirvac Real Estate Investment Trust had total assets of approximately $480.4 million (2014: $435.6 million) and NRMA's net asset holding is carried at $158.1 million (2014: $139.0 million).

NRMA's investment in Travelodge enables us to provide Members with accommodation discounts and special offers. Occupancy rates remained stable with an average of 86% across the portfolio and 89% in CBD locations. Travelodge provided a cash yield of 9.7%.

(b) Hotel Kurrajong

NRMA holds a 50% shareholding in KJ Hotel Trust which owns the Hotel Kurrajong Canberra, a four-star heritage-listed property operated by Toga Group and carried at $6.6 million.

(c) Club Assist

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 $16.4 million (2014: $16.1 million).

(d) Australian Motoring Services (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.

Innovate for the future

NRMA recognises the importance of innovation for the future growth and sustainability of our business. During the year, the NRMA launched a mentor driven program called Jumpstart which is designed to assist entrepreneurs that want to develop their start up or scale up an existing business. The focus of the program is to channel innovative ideas that will help to provide new services and products suitable for our Members.

Further to the Jumpstart program, NRMA made strategic investments in Sendle and Airtasker. Sendle provides a door-to-door pickup and delivery service which evolved from TuShare. The service was offered to Members in the lead up to Christmas at a discount. Airtasker is a platform which facilitates the placement and completion of tasks. NRMA is currently in negotiations with Airtasker to potentially create a unique offering available only to NRMA Members.

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 2015

	Notes	Consolidated 2015 $000	Consolidated 2014 $000
Continuing operations			
Revenue from Operations	5 (a) (i)	**487,563**	468,166
Investment Income	5 (a) (ii)	**44,723**	33,005
Total Revenue from Operating Activities		**532,286**	501,171
Employee benefits expense		**(207,000)**	(200,646)
Fleet, road service and towing contractors expense		**(74,294)**	(72,230)
Commissions and cost of sales expense		**(59,787)**	(53,087)
General and administrative expense		**(53,098)**	(50,206)
Depreciation and amortisation expense	6	**(45,233)**	(46,931)
Marketing expense		**(27,368)**	(23,224)
Printing & postage expense		**(13,162)**	(13,093)
Network distribution expense		**(7,983)**	(8,831)
Finance expense	6	**(7,448)**	(7,494)
Annual General Meeting, Special General Meetings & Election Expense		**(1,645)**	(1,532)
Other expenses from Operations		**(11,370)**	(14,136)
Total expenses from Operating Activities		**(508,388)**	(491,410)
Share of net profits of associates and joint ventures	20	**35,943**	31,863
Operating profit before change in fair value of investments		**59,841**	41,624
Change in net fair value of investments	5 (b)	**13,509**	31,926
Profit before income tax from continuing operations		**73,350**	73,550
Income tax expense	7 (a)	**(10,338)**	(6,122)
Net profit for the year		**63,012**	67,428

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Consolidated 2015 $000	2014 $000
Net profit for the year		**63,012**	67,428
Other comprehensive income:			
Net fair value (loss)/gain on available-for-sale financial assets	29 (a)	**(5,002)**	10,747
Foreign currency translation	29 (a)	**(326)**	182
Net gain on cash flow hedges	29 (a)	**133**	307
Share of other comprehensive income of associates and joint ventures	29 (a)	**(40)**	494
Actuarial gain on defined benefit plan	29 (b)	**858**	960
Income tax on items of other comprehensive income	7 (b)	**1,243**	(3,512)
Other comprehensive income for the year, net of tax		**(3,134)**	9,178
Total comprehensive income for the year		**59,878**	76,606

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Notes	Consolidated 2015 $000	2014 $000
Current Assets			
Cash and cash equivalents	11	**43,762**	33,793
Trade and other receivables	12	**31,062**	33,015
Inventories	13	**952**	1,140
Other financial assets	14	**10,424**	17,059
		86,200	85,007
Non-current assets classified as held for sale	15	**1,305**	5,771
Total current assets		**87,505**	90,778
Non-current Assets			
Other financial assets	16	**478,948**	452,513
Available for sale financial assets	17	**101,480**	119,035
Property, plant and equipment	18	**231,884**	211,142
Investment property	19	**69,000**	58,864
Investments in associates and joint ventures	20	**184,052**	160,354
Pension asset	28	**4,847**	3,936
Intangible assets and goodwill	21	**121,798**	112,548
Total non-current assets		**1,192,009**	1,118,392
Total assets		**1,279,514**	1,209,170
Current Liabilities			
Trade and other payables	22	**54,606**	54,230
Income tax payable	7(c)	**-**	2,662
Provisions	23	**28,860**	27,930
Unearned income	24	**126,613**	125,943
Deposits held	25	**4,405**	4,245
Interest bearing loans and borrowings	26	**41,101**	36,505
Total current liabilities		**255,585**	251,515
Non-current Liabilities			
Provisions	23	**4,492**	4,648
Deferred tax liabilities	7 (d)	**66,899**	55,493
Derivative financial instruments	27	**107**	240
Unearned income	24	**11,670**	12,713
Deposits held	25	**6,791**	6,758
Interest bearing loans and borrowings	26	**80,492**	84,203
Total non-current liabilities		**170,451**	164,055
Total liabilities		**426,036**	415,570
Net assets		**853,478**	793,600
Equity			
Reserves	29 (a)	**19,521**	23,256
Retained earnings	29 (b)	**833,957**	770,344
Total Equity		**853,478**	793,600

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 2015

	Consolidated					
	Available for sale reserve	**Equity accounted reserve**	**Foreign currency reserve**	**Cash flow hedge reserve**	**Retained profits**	**Total**
At 1 July 2014	**26,172**	**(2,192)**	**(484)**	**(240)**	**770,344**	**793,600**
Profit for the year	**-**	**-**	**-**	**-**	**63,012**	**63,012**
Other comprehensive income	**(3,502)**	**(40)**	**(326)**	**133**	**601**	**(3,134)**
Total comprehensive income for the year	**(3,502)**	**(40)**	**(326)**	**133**	**63,613**	**59,878**
At 30 June 2015	**22,670**	**(2,232)**	**(810)**	**(107)**	**833,957**	**853,478**

	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

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 2015

	Notes	Consolidated 2015 $000	2014 $000
Cash flows from operating activities			
Receipts from Members and customers		**584,085**	592,112
Payments to suppliers and employees		**(523,874)**	(535,468)
Dividends received		**33,894**	24,763
Interest received		**3,213**	4,064
GST paid		**(17,069)**	(16,902)
Interest paid		**(6,193)**	(6,243)
Net cash flows from operating activities	30	**74,056**	62,326
Cash flows used in investing activities			
Proceeds from disposal of investments		**147,962**	116,589
Proceeds from disposal of fixed assets and software		**59,029**	49,695
Equity accounted distributions		**16,923**	14,388
Proceeds from disposal of investment property		**1,450**	-
Proceeds from disposal of franchises		**-**	50
Loans repaid by/(provided to) external parties		**14,586**	(167)
Net proceeds/(outlay) from disposal of subsidiaries	37	**2,000**	(11,829)
Outlays for land use rights acquired		**(2,637)**	-
Outlays for investments acquired		**(171,685)**	(148,768)
Outlays for fixed assets and software acquired		**(131,898)**	(103,138)
Net cash flows from investing activities		**(64,270)**	(83,180)
Cash flows used in financing activities			
Proceeds/(repayments) from finance leases		**22,481**	(4,908)
(Repayments)/proceeds from bank loans		**(26,578)**	9,457
Net cash flows used in financing activities		**(4,097)**	4,549
Net increase/(decrease) in cash and cash equivalents		**5,689**	(16,305)
Cash and cash equivalents at the beginning of the financial year		**27,378**	43,683
Cash and cash equivalents at the end of the financial year	11	**33,067**	27,378

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 2015

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 2015 was authorised for issue in accordance with a resolution of the Directors on 26 August 2015.

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 2,103,786 Memberships at 30 June 2015 (2014: 2,116,908).

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.

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 2015

2. Summary of Significant Accounting Policies (continued)

Standard and Application Date	Summary	Future impact on the Group
AASB 9 *Financial Instruments* Application date of standard: 1 Jan 2018. Application date for Group: 1 Jul 2018.	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.	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 2015 would have been decreased by $3.2m.
AASB 15 *Revenue from Contracts with Customers* Application date of standard: 1 Jan 2018. Application date for Group: 1 Jul 2018.	AASB 15 contains more specific guidance on revenue recognition than the current AASB 118 *Revenue* standard, and in some cases changes the current accounting treatment. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	The impact of the revised Standard may change the pattern of revenue and profit recognition, particularly in respect of joining fees and discounts offered, by the Group. The Company is currently continuing to evaluate the impact of the new standard and is therefore not in a position to accurately quantify the impact of the change at this stage.

(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 2(m) and 2(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. Where indicators of impairment 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 2015

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

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

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

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

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

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

(g) Trade and other receivables

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

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

(h) Inventories

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

(i) 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 2015

2. Summary of Significant Accounting Policies (continued)

(j) 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 and are accounted for as cash flow hedges. 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).

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 the Income Statment within other income or other expense.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. 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 2015

2. Summary of significant accounting policies (continued)

The aggregate of the Group's share of profit or loss from equity accounting is shown on the face of the Income Statement. Any change in the other comprehensive income of those entities is presented as part of the Group's other comprehensive income. Dividends received from associates reduce the carrying amount of the investment.

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 joint ventures

The Group has interests in joint ventures that are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. 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 joint ventures.

The aggregate of the Group's share of profit or loss from equity accounting is shown on the face of the Income Statement. Any change in the other comprehensive income of those entities is presented as part of the Group's other comprehensive income. Dividends received from joint ventures reduce the carrying amount of the investment.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. Summary of significant accounting policies (continued)

Revaluations of land and buildings

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

Any revaluation decrement is recognised in the profit and loss, except to the extent that it reverses a revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. Summary of significant accounting policies (continued)

(ii) Group as a lessor

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

(r) Impairment of non-financial assets other than goodwill and indefinite life intangibles

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

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. Summary of significant accounting policies (continued)

(ii) Intangibles

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives, such as Land Use Rights, Licence Agreements and 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 the Income Statement in the Depreciation and amortisation line.

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.

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

(iii) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 the Income Statement, 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 2015

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 corporate 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 2015

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 2015

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 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 goods and services tax (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 2015

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.

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 minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit and liquidity risk.

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

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

The Parent is not exposed to any significant financial risk.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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(j).

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 2014.

(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 has no forward exchange contracts to hedge foreign currency denominated receivables and payables.

Group sensitivity

A sensitivity analysis of foreign exchange risk on the Group's financial assets and liabilities is provided in the table at 3(a)(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 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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
2015				
Investment Category				
Australian shares	**-**	**-**	**-**	**168,726**
International shares	**-**	**-**	**-**	**42,870**
Fixed interest securities	**-**	**-**	**-**	**158,044**
Diversified unit trust	**-**	**-**	**-**	**108,860**
2014				
Investment Category				
Australian shares	-	-	-	85,475
International shares	-	-	-	69,616
Fixed interest securities	-	-	-	186,549
Diversified unit trust	-	-	-	102,928

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 2014.

(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 2015

3. Financial risk management objectives and policies (continued)

		Consolidated											
		Interest rate risk				Foreign exchange risk				Price risk			
	Carrying	-1%		+1%		-10%		+10%		-10%		+10%	
	amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
2015													
Financial assets													
Cash and cash equivalents	**43,762**	**(438)**	**-**	**438**	**-**	**-**	**323**	**-**	**(323)**	**-**	**-**	**-**	**-**
Trade receivables	**17,391**	**-**	**-**	**-**	**-**	**-**	**131**	**-**	**(131)**	**-**	**-**	**-**	**-**
Other financial assets	**478,948**	**(2,611)**	**-**	**2,611**	**-**	**-**	**-**	**-**	**-**	**(21,689)**	**-**	**21,689**	**-**
Investments in JV and associates	**184,052**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Available for sale financial assets*	**101,480**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,148)**	**-**	**10,148**
Financial liabilities													
Trade payables	**15,948**	**-**	**-**	**-**	**-**	**-**	**(19)**	**-**	**19**	**-**	**-**	**-**	**-**
Interest bearing borrowings	**121,593**	**955**	**-**	**(955)**	**-**	**-**	**(981)**	**-**	**981**	**-**	**-**	**-**	**-**
Deposits held	**11,196**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**
Total increase/ (decrease)		**(2,094)**	**-**	**2,094**	**-**	**-**	**(546)**	**-**	**546**	**(21,689)**	**(10,148)**	**21,689**	**10,148**

		Consolidated											
		Interest rate risk				Foreign exchange risk				Price risk			
	Carrying	-1%		+1%		-10%		+10%		-10%		+10%	
	amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
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)	-	2489	-	-	-	-	-	(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

*Investment in IAG Limited and Macquarie Australian Equity Fund.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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
2015					
Trade payables	**11,606**	**3,771**	**571**	**-**	**15,948**
Interest bearing borrowings	**6,998**	**14,878**	**19,225**	**80,492**	**121,593**
Deposits held *	**958**	**1,907**	**1,540**	**6,791**	**11,196**
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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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, financial liabilities and the investment property recorded in the statement of financial position approximate their fair values.

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

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

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

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

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

	Consolidated			
	Year ended 30 June 2015			
	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total
	$000	$000	$000	$000
Financial assets				
Listed investments	481,084	-	-	481,084
Unlisted investments	98,896	-	-	98,896
Investment property	-	-	69,000	69,000
	579,980	-	69,000	648,980
Financial liabilities				
Interest rate swap contracts	-	(107)	-	(107)

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. The fair value of the investment property, included in Level 3, is based on an independent, external valuation at 30 June 2015 using various non market observable inputs such as estimated rent per square metre and an appropriate discount rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2015

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

Revaluation of investment properties

The Group carries its investment property at fair value, with changes in fair value being recognised in the Income Statement. The Group engaged an independent valuation specialist to assess fair value as at 30 June 2015 for the investment property. A valuation methodology based on a capitalisation of net income approach was used, using inputs such as estimated rent per square metre and an appropriate discount rate, as there is a lack of comparable market data because of the nature of the property.

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 2015

5. Revenue from operations

			Consolidated	
			2015 $000	2014 $000
(a)	Revenue			
	(i) Revenue from operations consists of the following items:			
	Subscription and joining fees		**239,133**	230,784
	Car rental revenue		**149,423**	147,060
	Vehicle servicing revenue		**41,928**	34,377
	Accommodation revenue		**25,780**	23,900
	Commissions revenue		**6,725**	9,965
	Sales of goods		**5,550**	4,934
	Advertising and publishing revenue		**4,841**	5,676
	Other revenue		**14,183**	11,470
			487,563	468,166
	(ii) Investment Income			
	Interest		**3,213**	4,064
	Dividend		**36,545**	24,141
	Rental income		**4,965**	4,800
			44,723	33,005
(b)	Profit before income tax has been arrived at after the following gains:			
	Change in fair value of other financial assets		**2,157**	31,926
	Revaluation of investment property		**11,352**	-
			13,509	31,926
(c)	Profit on disposal of property, plant and equipment		**207**	2

6. Expenses

Profit before income tax includes the following expenses:

Depreciation	18	**39,251**	39,266
Amortisation	21	**5,982**	7,665
Total depreciation and amortisation		**45,233**	46,931
Finance costs			
Bank loan and overdraft		**5,258**	5,795
Defined benefit fund		**1,255**	1,168
Finance charges payable under finance leases		**849**	448
Provision discount adjustment		**86**	83
Total finance expense		**7,448**	7,494

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7. Income tax

	Consolidated	
	2015 $000	2014 $000
(a) Income tax recognised in the income statement		
Tax expense comprises:		
Current tax expense	**-**	2,662
Adjustments recognised in the current year in relation to the current tax of prior years	**(2,311)**	(3,757)
Deferred tax expense relating to the origination and reversal of temporary differences	**12,649**	7,217
Total tax expense	**10,338**	6,122
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:	**73,350**	73,550
Income tax expense calculated at 30% (2014: 30%)	**22,005**	22,065
Tax effect of permanent differences:		
Tax losses not previously recognised	**(6,115)**	(5,278)
Tax offsets	**(4,018)**	(3,707)
Non-deductible net mutual expense/(benefit)	**37**	(800)
Adjustment recognised in the current year in relation to:		
- the current tax of prior years	**(2,311)**	(3,757)
- the deferred tax of prior years	**522**	(2,190)
Other	**218**	(211)
Total tax expense	**10,338**	6,122
(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	**1,500**	(3,224)
Actuarial movements on defined benefit plans	**(257)**	(288)
	1,243	(3,512)
(c) Current tax assets and liabilities		
Income tax payable to tax authorities	**-**	(2,662)
(d) Deferred tax balances		
Deferred tax assets	**11,324**	4,572
Deferred tax liabilities	**(78,223)**	(60,065)
Net deferred temporary differences	**(66,899)**	(55,493)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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
2015				
Gross deferred tax liabilities:				
Trade and other receivables	(1,558)	164	-	(1394)
Fair value through profit and loss financial assets	(8,213)	(1,816)	-	(10,029)
Available for sale financial assets	(11,217)	(207)	1,500	(9,924)
Investments accounted for under the equity method	(24,182)	(7,300)	-	(31,482)
Property, plant and equipment	(3,375)	(7,242)	-	(10,617)
Intangibles	(10,218)	301	-	(9,917)
Investment property	(121)	(3,285)	-	(3,406)
Defined benefit asset	(1,181)	(16)	(257)	(1,454)
	(60,065)	(19,401)	1,243	(78,223)
Gross deferred tax assets:				
Trade and other receivables	1,035	(762)	-	273
Property, plant and equipment	490	723	-	1,213
Inventory	15	1	-	16
Lease liability	888	6,954	-	7,842
Trade and other payables	986	(47)	-	939
Provisions	1,150	(113)	-	1,037
Other liabilities	8	(4)	-	4
	4,572	6,752	-	11,324
Total net deferred tax liability	(55,493)	(12,649)	1,243	(66,899)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7. Income tax (continued)

	Consolidated			
	Opening Balance $000	Charged to Income $000	Charged to Equity $000	Closing Balance $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)

Tax payable

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

Tax losses

The Group has income tax losses, for which no deferred tax asset is recognised on the statement of financial position, of $48,056,212 (2014: $24,018,660) (including New Zealand tax losses coverted to Australian Dollars) 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 $20,792,070 (2014: $23,002,645). These are available indefinitely for offset against future capital gains, subject to the relevant tax tests.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7. Income tax (continued)

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 entered into both a tax funding arrangement and 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.

8. Franking account balance

	Consolidated	
	2015 $000	2014 $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% (2014: 30%)	**245,985**	238,755
Franking credits that will arise from the payment of tax payable as at the end of the financial year	**-**	2,662
	245,985	241,417

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 (E&Y)

Amounts received or due and receivable by E&Y for:

An audit of the financial report of the entity and any other entity in the Group:		
– Consolidated Entity	**336,000**	375,350
– Thrifty Group	**111,486**	107,272
	447,486	482,622
Other services provided by E&Y:		
Taxation advice	**8,140**	9,070
Non statutory audit services	**69,029**	179,948
Project assurance services	**210,334**	450,245
	287,503	639,263
	734,989	1,121,885

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 2015

10. Key management personnel compensation

Directors

During the financial years, the Directors of the Company were:

Director	Commenced	Ceased
Mr D Bentham	6 December 2008	
Mr G Blight	18 January 2003	18 January 2015
Mr A Evans	18 January 2003	18 January 2015
Ms D Fraser	5 December 2005	11 May 2014
Mr K Loades	5 December 2005	
Ms K Lundy	1 April 2015	
Ms W Machin	30 March 2005	
Ms M Mastroianni	19 January 2015	
Ms A Simpson	19 January 2015	
Ms C Taylor	12 February 2008	
Mr G Toovey	1 December 2001	1 December 2013
Mr T Trumper	12 May 2014	
Mr M Tynan	18 January 2003	18 January 2015

Executives

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

Executive	Title	Commenced	Ceased
Ms H Burgess	EGM People, Corporate Relations and Governance		
Mr E Debenham	EGM Strategy & Investments	9 March 2015	
Mr B Evans	EGM Assistance Services	10 April 2015	
Mr O Gilbert	EGM Motoring Services		
Mr P Griffiths	Enterprise Program Director		7 October 2014
Mr D Lumb	Chief Customer Officer		
Ms E McFadzean	EGM People & Organisational Capability		9 April 2015
Mr T Stuart	Group Chief Executive Officer		
Mr A Tilley	Group Chief Financial Officer		
Ms M Willis	Chief Executive Officer, NRMA Investments		31 March 2015

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

	Consolidated	
	2015 **$**	2014 $
Short-term employment benefits	**5,191,418**	5,286,731
Post-employment benefits	**472,105**	417,655
Other long-term employment benefits	**291,000**	307,323
	5,954,523	6,011,709

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

11. Cash and cash equivalents – current assets

	Consolidated	
	2015 $000	2014 $000
Cash at bank and in hand	**43,762**	33,793

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	
	2015 $000	2014 $000
Reconciliation to cash flow statement:		
Cash at bank and in hand	**43,762**	33,793
Bank overdrafts (Note 26)	**(10,695)**	(6,415)
	33,067	27,378

12. Trade and other receivables – current assets

Trade receivables	**18,554**	20,453
Allowance for impairment loss (a)	**(1,163)**	(1,415)
	17,391	19,038
Prepayments	**7,494**	7,303
Other receivables	**6,177**	6,674
	31,062	33,015
Movements in the allowance for impairment loss were as follows:		
At 1 July	**(1,415)**	(773)
Charges for year	**(673)**	(819)
Foreign exchange difference	**-**	(8)
Amounts written back	**58**	153
Amounts written off	**867**	32
At 30 June	**(1,163)**	(1,415)

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

	Consolidated	
	2015 $000	2014 $000
New Zealand dollars	**1,437**	2,510
Australian dollars	**17,117**	17,943

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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
2015						
Consolidated	**18,554**	**7,613**	**4,722**	**1,651**	**1,157**	**3,411**
2014						
Consolidated	20,453	9,508	4,335	1,568	1,294	3,748

At the reporting date, trade receivables of $1,163,000 (2014: $1,415,000) were past due and considered impaired, impaired receivables being those balances in the '91+ days' category considered unrecoverable. Trade receivables of $5,056,000 (2014: $5,195,000) 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 2015

13. Inventories – current assets

	Consolidated 2015 $000	2014 $000
Finished goods	**952**	1,140

Inventory write-downs recognised as an expense totalled $45,394 (2014: $20,943) for the Group.

14. Other financial assets – current assets

	2015 $000	2014 $000
Other investment receivables	**7,907**	5,453
Interest bearing loan to Joint Venture (KJ Hotel Trust)	**-**	4,500
Non-interest bearing loan to Joint Venture (KJ Hotel Trust)	**-**	376
Interest bearing loan to third party	**517**	4,730
Non-interest bearing loan to third party	**2,000**	2,000
	10,424	17,059

15. Non-current assets classified as held for sale

	2015 $000	2014 $000
Vehicles held for sale	**1,305**	5,771

16. Other financial assets – non-current assets

	2015 $000	2014 $000
Investments designated at fair value through the profit or loss:		
Cash	**42,324**	54,440
Australian shares	**166,076**	85,125
International shares	**41,470**	69,616
Fixed interest securities fund	**157,044**	185,549
Diversified unit trust	**66,536**	48,488
At amortised cost:		
Unlisted investments	**5,050**	1,350
Interest bearing loan to third party	**448**	6,047
Non-interest bearing loan to third party	**-**	1,898
	478,948	452,513

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

	2015 $000	2014 $000
Investments held at fair value		
Available for sale investments	**101,480**	119,035

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2015						
At 1 July 2014	**76,196**	**19,249**	**2,972**	**97,308**	**15,417**	**211,142**
Additions	**6,141**	**5,304**	**31,741**	**66,449**	**7,319**	**116,954**
Transfers	**-**	**-**	**(4,478)**	**4,478**	**-**	**-**
Disposals	**(44)**	**(48)**	**-**	**(55,582)**	**(783)**	**(56,457)**
Depreciation charge for the year	**(2,334)**	**(1,676)**	**(4,365)**	**(25,640)**	**(5,236)**	**(39,251)**
Foreign exchange differences	**-**	**-**	**-**	**(484)**	**(20)**	**(504)**
At 30 June 2015	**79,959**	**22,829**	**25,870**	**86,529**	**16,697**	**231,884**
At 30 June 2015						
Cost	**96,654**	**31,880**	**29,593**	**120,059**	**54,772**	**332,958**
Accumulated depreciation	**(16,695)**	**(9,051)**	**(3,723)**	**(33,530)**	**(38,075)**	**(101,074)**
Net carrying amount	**79,959**	**22,829**	**25,870**	**86,529**	**16,697**	**231,884**
Year ended 30 June 2014						
At 1 July 2013	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	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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

19. Investment property – non-current assets

	Consolidated	
	2015 $000	2014 $000
At 1 July	**58,864**	58,864
Additions	**-**	-
Disposal through sale	**(1,216)**	-
Revaluation	**11,352**	-
At 30 June	**69,000**	58,864

(a) Amounts recognised in the Income Statement for investment properties

Amounts recognised in the Income Statement for investment properties		
Rental income derived from investment properties	**4,825**	4,805
Direct operating expenses generating rental income	**(43)**	(36)
Net profit arising from investment properties carried at fair value	**4,782**	4,769

(b) Valuation basis

The fair value of the Group's investment properties has been based on an independent valuation in 2015 and on a Directors' valuation in 2014.

(c) Leasing arrangements

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	**4,932**	4,918
Later than one year but not later than 5 years	**27,374**	20,946
Later than 5 years	**25,554**	37,071
	57,860	62,935

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

Carrying amount of investments			
Investments in associates	20 (a)	**19,325**	19,184
Investments in joint ventures	20 (c)	**164,727**	141,170
		184,052	160,354
Net profit accounted for using the equity method			
Investments in associates	20 (b)	**3,621**	2,700
Investments in joint ventures	20 (d)	**32,322**	29,163
		35,943	31,863

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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**	**2015 %**	**2014 %**		**2015 $000**	2014 $000
Club Assets Pty Ltd						
Motoring assistance services	30 June	50%	50%	Shares	**16,419**	16,140
Club Assets Pty Ltd owns a 60% (2014: 60%) interest in Club Assist Corporation Pty Ltd						
Australian Motoring Services Pty Ltd						
Motoring and travel assistance services	30 June	35%	35%	Shares	**2,906**	3,044
Total					**19,325**	19,184

All investments in associates are incorporated in Australia and unlisted.

(b) Results of associates

Share of profit from ordinary activities before income tax expense	**5,877**	3,857
Share of income tax expense related to ordinary activities	**(2,256)**	(1,157)
Share of associates net profit accounted for using the equity method	**3,621**	2,700
Summary financial position of associates		
The Group's share of aggregate assets and liabilities of associates is as follows:		
Current assets	**26,493**	27,515
Non-current assets	**15,853**	15,603
Total assets	**42,346**	43,118
Current liabilities	**22,087**	21,126
Non-current liabilities	**2,094**	3,968
Total liabilities	**24,181**	25,094
Net assets	**18,165**	18,024
Goodwill arising from equity accounting	**1,160**	1,160
Investments in associates accounted for using equity method	**19,325**	19,184
Accumulated profits of the Group attributable to associates		
Balance at the beginning of the year	**3,888**	3,588
Distribution received from associate	**(3,468)**	(2,400)
Share of associates net profits	**3,621**	2,700
Balance at the end of the financial year	**4,041**	3,888
Movement in carrying amount of investments		
Carrying amount of investment in associates at the start of the year	**19,184**	18,390
Associate reserve movement	**(12)**	494
Distribution received from associate	**(3,468)**	(2,400)
Shares of associates net profits	**3,621**	2,700
Carrying amount of investments in associates at end of the year	**19,325**	19,184

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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	2015 %	2014 %		2015 $000	2014 $000
Tucker Box Hotel Trust						
Accommodation	30 June	50%	50%	Shares	**158,114**	138,951
The Tucker Box Hotel Trust has an ultimate 100% ownership of Travelodge Group Pty Limited (Australia)						
KJ Hotel Trust						
Accommodation	30 June	50%	50%	Shares	**6,613**	2,219
KJ Hotel Trust has a 100% ownership of Hotel Kurrajong Canberra						
					164,727	141,170

All joint ventures are incorporated in Australia and unlisted.

(d) Results of joint ventures

	2015	2014
Share of revenue from ordinary activities	**20,005**	20,753
Share of unrealised gain for interest rate swaps	**544**	527
Share of unrealised gain on revaluation of non-current assets	**17,352**	14,217
Share of expenses from ordinary activities	**(5,547)**	(6,296)
Share of profit from ordinary activities before income tax expense	**32,354**	29,201
Share of income tax (expense) related to ordinary activities	**(32)**	(38)
Share of joint ventures' net profit accounted for using the equity method	**32,322**	29,163
Summary financial position of joint ventures		
The Group's share of aggregate assets and liabilities of the joint venture is as follows:		
Current assets	**3,967**	5,864
Non-current assets	**251,567**	220,094
Total assets	**255,534**	225,958
Current liabilities	**3,987**	4,510
Non-current liabilities	**86,820**	80,278
Total liabilities	**90,807**	84,788
Net assets	**164,727**	141,170
Accumulated profits of the Group attributable to the joint ventures		
Balance at the beginning of the year	**65,331**	48,588
Share of joint ventures' net profits	**32,323**	29,163
Distributions received from joint ventures	**(13,291)**	(12,420)
Balance at the end of the year	**84,363**	65,331
Movement in carrying amount of investments		
Carrying amount of investments in joint ventures at the beginning of the year	**141,170**	124,427
Purchase of additional equity interest	**4,554**	-
Joint ventures reserve movement	**(28)**	-
Distributions received from joint ventures	**(13,291)**	(12,420)
Shares of joint ventures' net profit	**32,322**	29,163
Carrying amount of investments in joint ventures at end of the year	**164,727**	141,170

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2015					
At 1 July 2014, net of accumulated amortisation	**34,061**	**53,716**	**15,905**	**8,866**	**112,548**
Additions	**2,637**	**14,944**	**-**	**-**	**17,581**
Transfers	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**(2,349)**	**-**	**-**	**(2,349)**
Impairment	**-**	**-**	**-**	**-**	**-**
Amortisation expense	**(1,002)**	**(4,813)**	**-**	**(167)**	**(5,982)**
At 30 June 2015, net of accumulated amortisation	**35,696**	**61,498**	**15,905**	**8,699**	**121,798**
At 30 June 2015					
Gross carrying amount	**47,886**	**86,550**	**15,905**	**14,057**	**164,398**
Accumulated amortisation	**(12,190)**	**(25,052)**	**-**	**(5,358)**	**(42,600)**
Net carrying amount	**35,696**	**61,498**	**15,905**	**8,699**	**121,798**
Year ended 30 June 2014					
At 1 July 2013, net of accumulated amortisation	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	(1,002)	(6,496)	-	(167)	(7,665)
Foreign exchange currency difference	-	32	156	-	188
At 30 June 2014, net of accumulated amortisation	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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

(a) Impairment testing of goodwill with indefinite useful lives

Goodwill is tested on an annual basis for impairment. The 30 June 2015 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 1.2% to 5.7%

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.

(b) 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 land at Sydney Olympic Park owned by the Sydney Olympic Park Authority. These assets are assessed as having a finite life and are amortised using the straight line method over a period in line with their useful lives. The amortisation has been recognised in the Income Statement in the line item amortisation. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. Land use rights of $33,059,000 are carried in relation to the Holiday Parks and $2,637,000 in relation to the parent entity's rights to land at Sydney Olympic Park.

(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 $8,699,000 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 2015

22. Trade and other payables – current liabilities

	Notes	Consolidated	
		2015 $000	2014 $000
Trade and other payables		**54,606**	54,230

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

United States dollars	**456**	406
New Zealand dollars	**2,158**	3,902
Australian dollars	**51,992**	49,922

(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 2015

23. Provisions

		Consolidated	
	Notes	**2015 $000**	2014 $000
Current liabilities			
Annual leave		**10,888**	10,497
Long service leave		**10,941**	10,110
Other employee entitlements		**6,313**	6,591
Restructure – employee related		**718**	732
		28,860	27,930

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

Non-current liabilities		
Employee entitlements	**2,270**	2,482
Restoration provision	**2,222**	2,166
	4,492	4,648

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

24. Unearned income

Current liabilities		
Unearned Member services revenue	**126,613**	125,943
Non-current liabilities		
Unearned Member services revenue	**11,670**	12,713

25. Deposits held

Current liabilities		
Client deposits	**4,405**	4,245
Non-current liabilities		
Security deposit	**6,791**	6,758

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

26. Interest bearing loans and borrowings

	Notes	Consolidated 2015 $000	Consolidated 2014 $000
Current liabilities			
Bank overdraft		**10,695**	6,415
Bank loan		**21,339**	28,249
Obligations under finance leases		**9,067**	1,841
		41,101	36,505
Non-current liabilities			
Bank loan		**63,419**	83,087
Obligations under finance leases		**17,073**	1,116
		80,492	84,203

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:

	2015 $000	2014 $000
Total facilities:		
Corporate debt facility	**113,281**	153,939
Leasing facility	**58,854**	59,293
Corporate card facility	**1,344**	1,426
Bank guarantees	**23,088**	19,718
	196,567	234,376
Facilities used at the reporting date:		
Corporate debt facility	**84,759**	111,336
Leasing facility	**36,294**	10,979
Corporate card facility	**301**	247
Bank guarantees	**18,674**	18,360
	140,028	140,922
Facilities not used at the reporting date:		
Corporate debt facility	**28,522**	42,603
Leasing facility	**22,560**	48,314
Corporate card facility	**1,043**	1,180
Bank guarantees	**4,414**	1,358
	56,539	93,455

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

27. Derivative financial instruments

		Consolidated	
	Notes	**2015 $000**	2014 $000
Non-Current liabilities			
Interest rate swaps at fair value		**107**	240

(a) Instruments used by the group

As at 30 June 2015, 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 79% (2014: 69%) 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 $11.7 million to the superannuation plans for defined contribution members during the year (2014: $11.6 million) and there were no employer contributions payable at the end of the year for those members (2014: $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 2015

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 (2014: $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 (2014: $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	
	2015 $000	2014 $000
Net defined benefit asset at the start of the year	**3,936**	3,646
Current service cost	**(933)**	(1,698)
Net interest	**125**	121
Actual return on Plan assets less Interest income	**1,130**	4,289
Actuarial gains/(losses) arising from changes in financial assumptions	**453**	(114)
Actuarial losses arising from liability experience	**(725)**	(3,215)
Employer contributions	**861**	907
Net defined benefit asset at the end of the year	**4,847**	3,936

Reconciliation of the Fair Value of Plan Assets

Fair value of Plan assets at the start of the year	**43,847**	40,471
Interest income	**1,380**	1,289
Actual return on Plan assets less Interest income	**1,130**	4,289
Employer contributions	**861**	907
Contribution by Plan participants	**625**	489
Benefits paid	**(2,342)**	(3,234)
Taxes, premiums and expenses paid	**(378)**	(364)
Fair value of Plan assets at the end of the year	**45,123**	43,847

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

28. Superannuation (continued)

Reconciliation of the Defined Benefit Obligation

	The Plan	
	2015 $000	2014 $000
Present value of defined benefit obligations at the start of the year	**39,911**	36,825
Current service cost	**933**	1,698
Interest cost	**1,255**	1,168
Contributions by Plan participants	**625**	489
Actuarial (gains) / losses arising from changes in financial assumptions	**(453)**	114
Actuarial losses arising from liability experience	**725**	3,215
Benefits paid	**(2,342)**	(3,234)
Taxes, premiums and expenses paid	**(378)**	(364)
Present value of defined benefit obligations at the end of the year	**40,276**	39,911

Fair value of Plan assets

The fair value of Plan assets at 30 June 2015 are based on significant observable Inputs (Level 2). The percentage invested in each asset class at the reporting date is:

	Actual Allocations	
	2015 %	2014 %
Australian equity	**26**	29
International equity	**32**	29
Fixed income	**24**	22
Property	**10**	10
Alternatives/other	**5**	5
Cash	**3**	5
	100	100

Significant Actuarial Assumptions at the Reporting Date

	Consolidated	
	2015 % pa	2014 % pa
Assumptions to determine defined benefit cost:		
Discount rate	**3.3**	3.4
Expected rate of salary increase	**4.0**	4.0
Assumptions to determine defined benefit obligation:		
Discount rate	**3.8**	3.3
Expected rate of salary increase	**4.0**	4.0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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	**26,172**	**(2,192)**	**(484)**	**(240)**	**23,256**
Increment / (decrement) arising from:					
Revaluation of available for sale investments	**(3,210)**	**-**	**-**	**-**	**(3,210)**
Recycled to Income Statement on disposal	**(1,792)**	**-**	**-**	**-**	**(1,792)**
Equity accounting	**-**	**(40)**	**-**	**-**	**(40)**
Translation of foreign subsidiary	**-**	**-**	**(326)**	**-**	**(326)**
Net gains on cash flow hedges	**-**	**-**	**-**	**133**	**133**
Deferred tax arising from revaluation	**1,500**	**-**	**-**	**-**	**1,500**
At 30 June 2015	**22,670**	**(2,232)**	**(810)**	**(107)**	**19,521**

	Consolidated				
	Available for sale reserve	Equity accounted reserve	Foreign currency reserve	Cash flow hedge reserve	Total
At 1 July 2013	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 losses 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

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 2015

29. Retained profits and reserves (continued)

(b) Retained earnings

	Consolidated	
	2015 $000	2014 $000
Movement in retained earnings		
Balance at the beginning of the financial year	**770,344**	702,244
Dividends paid	**-**	-
Net profit attributable to Members	**63,012**	67,428
Actuarial gain (note 28)	**858**	960
Deferred tax recognised directly in equity	**(257)**	(288)
Balance at the end of the year	**833,957**	770,344

30. Cash flow statement reconciliation

	Consolidated	
	2015 $000	2014 $000
Reconciliation of net profit for the year to net cash flows from operations		
Net profit	**63,012**	67,428
Non- cash items		
(Profit) on disposal of non-current assets	**(207)**	(386)
Depreciation and amortisation	**45,233**	46,931
Change in net fair value of investments	**(13,509)**	(31,926)
Defined benefit plan	**(861)**	(907)
Share of associates and joint ventures (profit)	**(35,943)**	(31,863)
Finance cost	**86**	83
(Increase)/decrease in operating assets		
Trade and other receivables	**(665)**	6,200
Inventories	**188**	404
Non-current assets held for sale	**4,466**	(3,443)
(Decrease)/increase in operating liabilities		
Payables	**1,674**	55
Income tax payable	**(2,662)**	(860)
Provisions	**774**	(1,000)
Unearned income	**(373)**	10,525
Client deposits	**160**	(7,231)
Security deposit	**33**	1,078
Net deferred tax liability	**12,650**	7,238
Net cash from operating activities	**74,056**	62,326

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

31. Contingent liabilities

	Consolidated	
	2015 $000	2014 $000
Total facilities available:		
Motoka Rentals Limited (NZ) lease contingency	**800**	728

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	
	2015 $000	2014 $000
(a) Estimated expenditure contracted for at reporting date, but not provided for, or payable:		
(i) Total capital commitments	**71,618**	35,859

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

(b) Operating leases		
(i) Property		
- due within 1 year	**27,735**	21,055
- due within 1 – 5 years	**85,575**	57,255
- due after 5 years	**18,721**	10,286
	132,031	88,596
(ii) Equipment		
- due within 1 year	**536**	1,661
- due within 1 – 5 years	**477**	1,044
	1,013	2,705
(iii) Motor Vehicles		
- due within 1 year	**1,061**	2,362
- due within 1 – 5 years	**108**	15
	1,169	2,377

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2015 $000	**Present Value of Lease Payments 2015 $000**	Minimum Lease Payments 2014 $000	Present Value of Lease Payments 2014 $000
Within one year	**10,102**	**9,067**	1,949	1,841
After one year but not more than 5 years	**17,513**	**17,073**	1,170	1,116
Present value of minimum lease payments	**27,615**	**26,140**	3,119	2,957

33. Parent entity information

	Parent	
Information relating to National Roads and Motorists' Association Limited:	**2015 $000**	2014 $000
Current assets	**165,291**	190,846
Non-current assets	**513,751**	494,198
Total assets	**679,042**	685,044
Current liabilities	**142,136**	148,508
Non-current liabilities	**36,467**	36,993
Total liabilities	**178,603**	185,501
Net assets	**500,439**	499,543
Retained earnings	**500,439**	499,543
Total shareholders' equity	**500,439**	499,543
Profit of the Parent entity	**896**	(1,514)
Total comprehensive income of the Parent entity	**896**	(1,514)

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 2015

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:

		Percentage of Shares Held		Share Capital	
Name of Entity	**Place of Incorporation**	**2015 %**	2014 %	**2015 $000**	2014 $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	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	-	-	-	-
Adventure World Travel Pty Limited (a)	Australia	-	-	-	-
Adventure World Travel Limited (a)	New Zealand	-	-	-	-
Creative Cruising Group Pty Ltd (a)	Australia	-	-	-	-
Coral Seas Travel Pty Limited (a)	Australia	-	-	-	-
Value Tours (Aust) Pty Ltd (a)	Australia	-	-	-	-

(a) – See Note 37 for information on disposal in the year ended 30 June 2014.

All Australian subsidiaries are members of the tax consolidated Group at 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 Trust as disclosed in Note 14. 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 2015 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 2015

37. Business combinations

There were no business combinations in 2015 or 2014.

During the year ended 30 June 2014, 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 is comprised of $2.0m received in November 2014 and a further $2.0m to be received in 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 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 and and a Notice of Disposal dated 31 October 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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	**2015 $000**	2014 $000
Profit from operations before income tax	**70,385**	71,292
Income tax (expense)	**(10,338)**	(6,122)
Profit after income tax	**60,047**	65,170
Actuarial gain/(loss)	**601**	672
Retained earnings at the beginning of the year	**779,074**	713,232
Retained earnings at the end of the year	**839,722**	779,074
Consolidated Statement of Financial Position		
Cash and cash equivalents	**40,533**	30,403
Trade and other receivables	**36,010**	38,095
Inventories	**952**	1,140
Other financial assets	**10,424**	17,059
Non-current assets classified as held for sale	**1,305**	5,771
Total current assets	**89,224**	92,468
Other financial investments	**478,948**	452,513
Available for sale financial assets	**101,480**	119,035
Property, plant and equipment	**218,751**	196,399
Investment property	**69,000**	58,864
Investments in associates and joint ventures	**184,052**	160,354
Defined benefit plan asset	**4,847**	3,936
Intangible assets and goodwill	**121,717**	112,468
Non-current assets	**1,178,795**	1,103,569
Total assets	**1,268,019**	1,196,037
Trade and other payables	**59,106**	60,029
Provisions	**28,507**	27,587
Unearned income	**126,613**	125,943
Deposits held	**4,149**	4,004
Interest bearing loans and liabilities	**37,877**	33,121
Current liabilities	**256,252**	250,684
Provisions	**4,492**	4,648
Deferred tax liabilities	**66,899**	55,493
Derivative financial instruments	**100**	253
Unearned income	**11,670**	12,713
Deposits held	**6,791**	6,758
Interest bearing loans and liabilities	**73,903**	74,910
Non-current liabilities	**163,855**	154,775
Total liabilities	**420,107**	405,459
Net assets	**847,912**	790,578
Reserves	**8,190**	11,504
Retained earnings	**779,675**	713,904
Current year profit/(loss)	**60,047**	65,170
Total equity	**847,912**	790,578

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 2015 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 2015.

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	**Ms W Machin**
President	**Deputy President**

Sydney, 26 August 2015

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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 2015, 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 judgement, 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 2015 and of its performance for the year ended on that date; and

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

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

Ernst & Young

Ernst & Young

David Simmonds
Partner
Sydney, Australia
26 August 2015

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 retail Travel business, Thrifty car rentals, Holiday Parks and the Travelodge and Kurrajong joint ventures.

	Consolidated							
	Member Services		Investments		Travel & Touring		Total	
	2015 $000	2014 $000	**2015 $000**	2014 $000	**2015 $000**	2014 $000	**2015 $000**	2014 $000
Revenue ^								
External segment revenue	**303,979**	288,490	**47,027**	34,365	**195,864**	219,350	**546,870**	542,205
Results								
Segment result	**(24,715)**	(26,824)	**62,725**	69,501	**35,340**	30,873	**75,350**	73,550
Income tax expense							**(10,338)**	(6,122)
Net profit attributable to the Members of the Parent entity							**63,012**	67,428
Assets								
Segment assets	**106,297**	82,550	**703,595**	682,260	**285,570**	284,006	**1,095,462**	1,048,816
Equity accounted investments	**-**	-	**19,325**	19,184	**164,727**	141,170	**184,052**	160,354
Consolidated total assets							**1,279,514**	1,209,170
Liabilities								
Segment liabilities	**175,386**	179,750	**93,987**	72,969	**156,663**	162,849	**426,036**	415,570
Consolidated total liabilities							**426,036**	415,570

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