NRMA

NRMA annual financial report 2016


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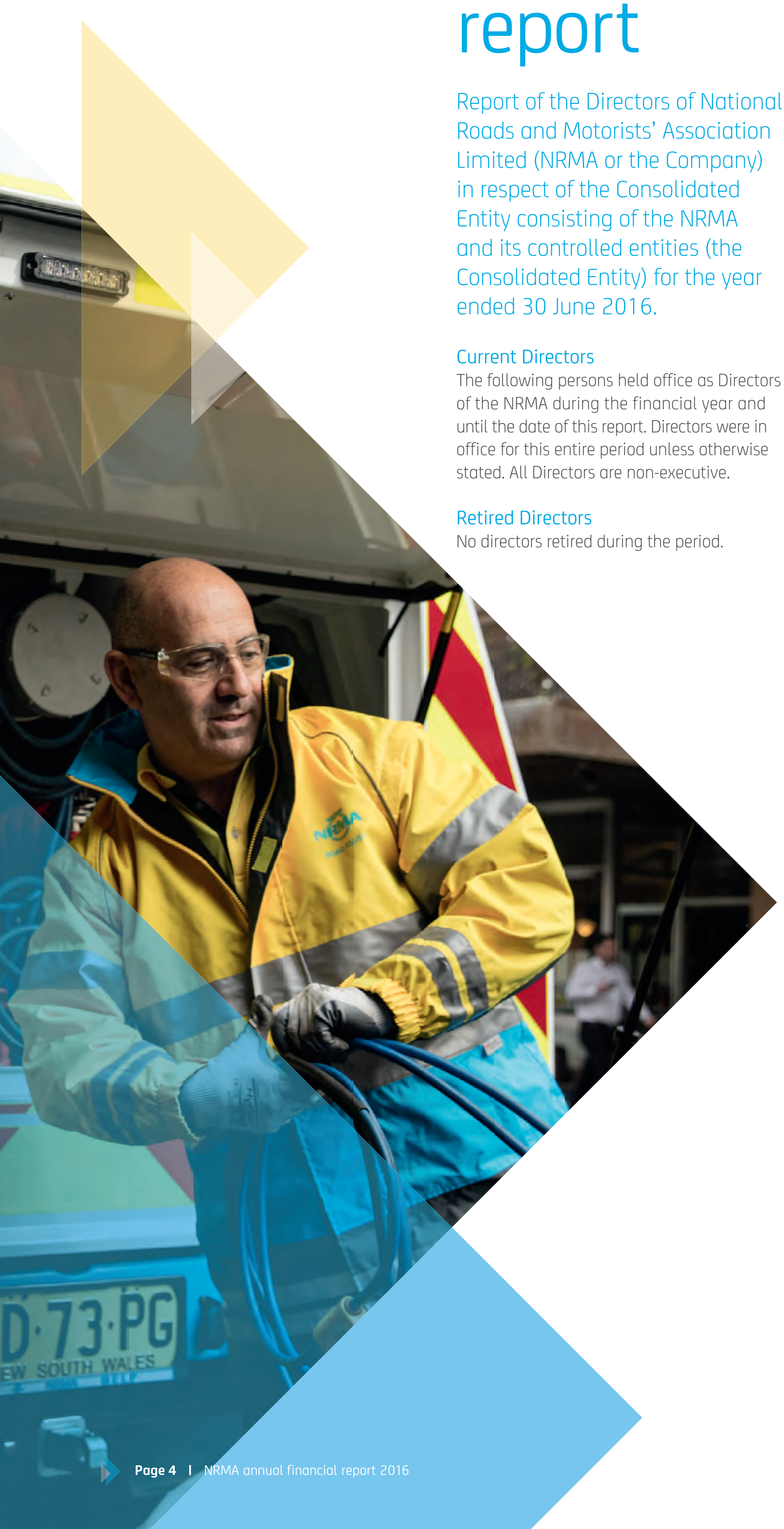


Directors' report

Report of the Directors of National Roads and Motorists' Association Limited (NRMA or the Company) in respect of the Consolidated Entity consisting of the NRMA and its controlled entities (the Consolidated Entity) for the year ended 30 June 2016.

Current Directors

The following persons held office as Directors of the 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.

Retired Directors

No directors retired during the period.

President Mr K (Kyle) Loades FAICD MBA

Mr Loades was re-elected to the Board as a non-executive Director on 5 December 2015, 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). 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, Policy & Advocacy Committee and Data, Digital and Technology Committee. He is also a director of the Australian Automobile Association.

Mr Loades successfully established, grew and ran Auto Advantage, an independent car broking business that disrupted the motor vehicle retail industry. The business introduced a new and easier way for people to purchase new and used cars. After almost 15 years of successful growth, the business was purchased in August 2015 by a listed company and integrated into their larger operations. He still consults and provides strategic advice to the business.

Mr Loades is Chairman of the Hunter Medical Research Institute Foundation and is a Director of Hunter Medical Research Institute. He is a former Director and President of Hunter Business Chamber, a former Board Member of Hunter Tourism and a Life Member, past President of Nobbys Surf Life Saving Club and former director of the Hunter Region SLSA Helicopter Rescue Service Limited.

Deputy President 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 a casual vacancy and was elected as a non-executive Director on 5 December 2015. On 9 December 2015 she was elected as Deputy President. She is Chair of the Policy & Advocacy Committee and ex-officio member of the Audit & Risk Management Committee, Data, Digital & Technology Committee, Governance, Compensation & Nomination Committee and the Finance & Investments 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 Cert. 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 a member of the Board of NSW Farmers Association for five years.

She was the first woman to represent the NSW Farmers' Association as its President and Chair. She currently sits on the Board of the National Farmers' Federation, the Board of the Australian Made Campaign Ltd and Muscular Dystrophy NSW.

Ms W (Wendy) Machin BA Comm, M. Comm

Ms Machin has served as a non-executive Director of the NRMA since her appointment to a casual vacancy on 30 March 2005. She has been re-elected at the three subsequent Board elections representing the region of Coghlan. Ms Machin served as President from 10 December 2008 to 30 June 2014. From 1 July 2014 to 9 December 2015, 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.

Ms Machin is a member of the Audit & Risk Management Committee and the Finance and Investments Committee.

Ms Machin is also the Independent Chair of the Customer Owned Banking Association, Chair of the NSW Crown Holiday Parks Trust Board, and Director of ANCAP and a Director of Destination NSW.

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. On leaving Parliament Ms Machin worked in a variety of private sector and consulting roles. She has also served as a member of the Migration and Refugee Review Tribunal from 2004 to 2008. Voluntary service includes 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.

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

Ms K (Kate) Lundy GAICD

Ms Lundy was appointed to the Board as a non-executive Director on 25 March 2015 to fill a casual vacancy and was elected as a non-executive director on 5 December 2015. She is the chair of the Data, Digital & Technology Committee and a member of 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 the Executive Director of Technology Innovation Partners Pty Ltd, a private consulting company. She is also a director of Australian Cyber Security Research Institute, Australian Sports Technology Network and Bastion Strategic and Global Outcomes Pty Ltd. Ms Lundy also works part time as the ACT and region Local Industry Advocate.

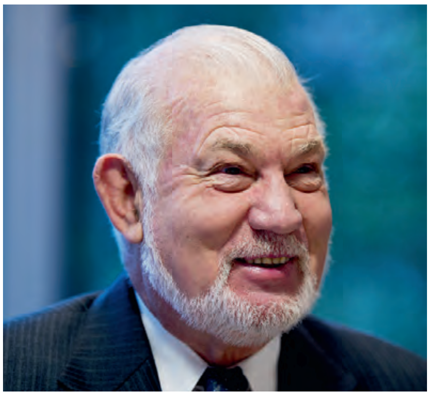
Ms M (Marisa) Mastroianni B.Com, M.Com, GAICD, FCPA, AFAIM

Ms Mastroianni was appointed to the Board as a non-executive Director on 19 January 2015 to fill a casual vacancy and was elected as a non-executive director on 5 December 2015. She is the chair of the Audit & Risk Committee and a member of the Finance & Investments Committee.

Ms Mastroianni is an experienced Director and CEO with expertise in strategic planning, mergers and acquisitions, 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 in Australia (UOW College), Dubai (University of Wollongong in Dubai) and Hong Kong (CCCU). She has extensive service industry experience including the Port Corporation and Uniting Care.

Ms Mastroianni holds a Bachelor and Master of Commerce, is a Fellow of CPA Australia, Associate 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 a member of its Audit and Risk Committee. She is a member of the Community Alliance Credit Union Audit Committee. Ms Mastroianni was a former member of Wollongong Catholic Dioceses Finance Council and Chair of the NSW Retirement Village Ministerial Advisory Council.



Mr D (David) Bentham OAM C. Eng, M. Eng. Sc

Mr Bentham was re-elected to the Board as a non-executive Director on 5 December 2015, having served on the Board since 6 December 2008. He is a member of the Audit & Risk Management Committee and 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 C (Coral) Taylor GAICD

Ms Taylor was re-elected to the Board as a non-executive Director on 5 December 2015, having served on the Board since her appointment on 12 February 2008. She is a member of the Governance, Compensation & Nomination Committee and Policy & Advocacy 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 to fill a casual vacancy and was elected as a non-executive director on 5 December 2015. He is Chair of the Finance & Investments Committee and a member of the Data, Digital & Technology Committee, the Governance, Compensation & Nomination Committee and the Finance & Investment 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.

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.

Mr R (Rohan) Lund
Chief Executive Officer

On 27 January 2016, Rohan Lund was appointed to the role of Group Chief Executive Officer of the NRMA.

With a strong background in digital technology, strategy and innovation, Rohan brings a wealth of experience delivering transformation, across a range of customer-focused companies.

Most recently the Chief Operating Officer (COO) for Foxtel, Australia's largest subscription business, Rohan's previous roles also include COO of Seven West Media, CEO of Yahoo!7 and Strategy Director for SingTel Optus.

An energetic and customer focused leader, Rohan provides strategic and commercial expertise to the NRMA.

Rohan will lead the NRMA on the next stage of its evolution, as it looks to maximise business opportunities in the shared economy and through massive technological change in the mobility sector.

NRMA Membership has been in Rohan's family his whole driving life. Married with six children, he is passionate about family and community issues. He also holds a Master of Law.

Mr N (Nick) Mowat
Company Secretary

Mr 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 CEO and the EGM, Corporate Relations and Reputation. 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 and the Remuneration Committee. He is a Fellow of the Governance Institute of Australia (formerly Chartered Secretaries Australia), a Senior Associate of the Financial Services Institute of Australasia, an Associate of the Australian Institute of Superannuation Trustees and an affiliate member of the Australian Institute of Company Directors.

Principal activities

The 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:

car servicing and repairs

advocacy on a range of mobility issues including road safety, fuel prices, vehicle safety and integrated transport solutions

roadside assistance services

car and commercial vehicle rental services

driver training

a range of community service and education programs

publication of a number of magazines, including the bi-monthly 'Open Road' magazine

and Investment of Members' funds to support the principal activities

the provision of the **More4Members** loyalty program

accommodation and travel services

During the period the NRMA has ceased the operations of the following businesses:

online shop on 30 April 2016

Emergency Home Assist on 31 May 2016

Living Well Navigator, a webportal providing information on independent living, supported living and health and wellbeing, was closed on 16 June 2016. Opportunities are currently being explored for Owl Ratings, a rating system that helps Australians in their search for quality retirement living options

Strategic activities

The world is changing and so are our Members needs and expectations - so we will look for new and different ways to add value to Members. The NRMA will leverage the changing environment and open ourselves to new and exciting possibilities in order to secure a future for our organisation. The NRMA plans to focus on 'keeping people moving'. We are going to do this by concentrating on three strategic priorities- my car, my journey and my destination

A voice for our 2.4 million Members

bringing value to our Members and communities, standing up on issues, sharing the voice of our Members with the government and industry to drive positive change and create indispensable connections with our Members' mobility.

my car

Motoring is at the heart of what we do. We want to put Members back in control with proactive car maintenance. We want to help with driving skills through the driver training, and keep our youngest passengers safe with child restraint installations. We'll help Members find a new car with finance and advice, and we'll be their voice when it comes to vehicle technology. From onboard connectivity to driverless cars, the NRMA will play a leading role in driving the future of Australian motoring.

my journey

The NRMA is also here to look at the whole **mobility** journey – how you get from A to B – a natural extension of motoring. The growth in population means parking and congestion are becoming more frustrating for us all. We want to look for smart ways to tackle these and other challenges by surfacing the right information, connecting people and tapping into car and ride sharing. We'll continue to shape the way people move around our cities and state.

my destination

We also have a long history in **travel and touring**, centred around the driving holiday. With a range of holiday parks and hotels, we want to reconnect our Members with their loved ones and bring back the great Aussie road trip by encouraging people to get out and about in the car and explore what our country has to offer. By doing this, we will be supporting the regional areas where so many of our Members live and work.

Results and review of operations

The consolidated net profit for the financial year was:

	2016 $m	2015 $m
Profit before significant one-off costs	**36.8**	**23.9**
Significant one-off costs*	(15.3)	-
Profit after significant one-off costs	21.5	23.9
Share of operating profit from Joint Ventures and Associates	19.9	18.0
Share of unrealised gain from Joint Ventures and Associates	7.5	17.9
Profit before change in fair value of investments	48.9	59.8
Change in net fair value of investments	(13.7)	13.5
Profit from ordinary activities before income tax	35.2	73.3
Income tax expense relating to ordinary activities	(1.1)	(10.3)
Net profit attributable to Members of the Parent entity	34.1	63.0
Cash and cash equivalents at the end of the financial year	35.3	33.1

* Significant one-off costs include expenses relating to establishing a new operational model and changes in business strategy.

Our new CEO, Mr Rohan Lund, joined the NRMA in January 2016. Mr Lund's appointment saw a refresh of direction for the organisation, that included:

- reshaping the strategic direction of the Group
- establishing a new structure and leadership Group
- simplifying the operating model to re-engineer the cost base
- providing better operational rigour at the frontline to improve effectiveness of service delivery.

These changes have positioned the organisation well, setting a strong foundation for future growth of the Group.

Profit before significant one-off costs for the year of $36.8 million (2015: $23.9 million) is a very pleasing result, driven by strong investment income performance, better operating rhythm in all our businesses and cost reduction initiatives. This result has enabled the absorption of $15.3 million of one-off costs relating to establishing a new operational model and changes in business strategy.

The Group's share of net profits from joint ventures and associates (including Travelodge) was $27.4 million (2015: $35.9 million), which includes share of operating profit of $19.9 million and $7.5 million share of revaluation gains on hotel book values. The decrease in revaluation gains in 2016 compared to 2015 is due to weaker growth in the property market.

This results in the Group's profit before change in fair value of investments for the year of $48.9 million (2015: $59.8 million).

The decrease in net fair value of the investment portfolio was $13.7 million (2015: $13.5 million increase). This represents unrealised investment portfolio losses largely driven by significant volatility on world share markets in June following the UK's decision to exit the European Union, together with no increase in the value of the investment property in 2016 (2015: $11.4 million fair value gain).

The Group's net profit attributed to Members for the year was $34.1 million (2015: $63.0 million).

The Group has maintained a strong cash position with cash and cash equivalents increasing by $2.2 million to $35.3 million at the end of the financial year, through disciplined working capital management.

Likely developments and expected results of operations

The business strategies, prospects and future developments in the operations of the NRMA in future financial years and the expected results of those operations known at the date of this report are set out in the Review of Operations and Financial Condition on pages 24 to 28. Further information in relation to such matters has not been included because Directors believe it would be likely to result in unreasonable prejudice to the NRMA.

Significant changes in the state of affairs

Other than as referred to in the Review of Operations and Financial Condition on pages 24 to 28, there were no significant changes in the affairs of the Consolidated Entity during the year.

Matters subsequent to the end of the financial year

There have been no matters or circumstances that have arisen since 30 June 2016 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.

Director Appointment

Ms Rachel Botsman has been appointed Director effective 21 September 2016.

Corporate governance

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

Corporate Governance is the system or method by which a company is directed and controlled. The Board, as the Members' representative, has responsibility for the governance of the Company. Corporate Governance ensures that the organisation's systems and processes are appropriately managed and that management is complying with NRMA 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 $63,342 (2015: $62,406) per annum in Board fees. The Deputy President and the President receive $126,684 (2015: $124,812) per annum and $190,025 (2015: $187,217) per annum respectively.

The Chair of the Audit & Risk Management Committee receives $25,665 (2015: $25,665) and the Chairs of the other Committees receive $18,565 (2015: $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.

Under the company's Constitution, the Directors' fee pool is subject to an annual CPI review in the year following any year in which no fee increase has been approved by Members at a general meeting. As no fee increase was proposed to Members at the AGM in 2015, on 1 January 2016 Directors' fees increased by 1.5% (calculated in accordance with the Australian Bureau of Statistics' all groups weighted average consumer price index for eight capital cities for the year from September 2014 to September 2015).

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

The fees paid by the NRMA to its Directors 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 circular resolution by the Board Sub-Committees.

Board strategy days

During the year a session involving the Board, Acting Group CEO, Group CEO elect, and the executive team was held over a day in November 2015 to plan the Company strategy for the period of FY17 and beyond.

Directors' meetings

The number of meetings of the Board of Directors and Board Committees held during the year, the number each Director was eligible to attend ("held") and actually attended ("attend") are set out below. The membership composition of certain committees changed during the year resulting in some members attending fewer meetings than those held:

Directors	Board of Directors			Finance & Investments Committee			Audit and Risk Management Committee			Policy & Advocacy Committee			Governance, Compensation & Nomination Committee			Data, Digital and Technology Committee		
	held		attend	held		attend	held		attend	held		attend	held		attend	held		attend
D Bentham	8	1L	7		1V	1	4		4	3		3	3	1V	1			
Ms K Lundy	8		8	2	1V	3				3		3	3			1		1
Mr K Loades	8		8	4		4	4		3	3		3	3		3	1	1T	1
Ms W Machin+	8		8	4		4	4		4	1		1	1		1			
Ms M Mastroianni	8		8	4		4	4	1L	3		1VT	1	1					
Ms F Simson*	8	1L	7	2		2	2		2	3		3	3	1L	2	1		1
Ms C Taylor	8		8		1V	1				3		3	3	1L	2			
Mr T Trumper	8	1L	7	4	1L/1T	3								1L	2	1		1

(V) Visitor
(T) Attended meeting by phone
(L) Leave of absence granted by Board
\+ Ms Machin stepped down as Deputy President on 9 December 2015, thereby not being required to attend certain committee meetings prospectively.
* Ms Simson was elected Deputy President on 9 December 2015, becoming eligible to attend certain committee meetings prospectively.

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	
	2016 $	**2015** $
Short-term employment benefits	**6,295,787**	5,191,418
Post-employment benefits	**543,806**	472,105
Other long-term employment benefits	**612,941**	291,000
Termination benefits	**1,431,401**	-
	8,883,935	**5,954,523**

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 K Loades	5 December 2005	
Ms K Lundy	25 March 2015	
Ms W Machin	30 March 2005	
Ms M Mastroianni	19 January 2015	
Ms F Simson	19 January 2015	
Ms C Taylor	12 February 2008	
Mr T Trumper	12 May 2014	

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 Corporate Relations & Reputation		
Mr E Debenham	EGM Strategy & Transformation		
Mr P Davies	EGM Travel & Touring	1 October 2015	
Mr B Evans	EGM Assistance Services		30 September 2015
Mr B Evans	Acting Chief Executive Officer	1 October 2015	26 January 2016
Mr O Gilbert	EGM Motoring Services		11 September 2015
Mr C Hodgkinson	Chief Technology Officer	1 April 2016	
Mr R Lokuge	Acting EGM Motoring Services	12 September 2015	30 June 2016
Mr D Lumb	Chief Customer Officer		
Mr R Lund	Chief Executive Officer	27 January 2016	
Ms E McFadzean	CEO Motoserve	1 October 2016	24 Mar 2016
Ms L Rees	EGM People & Culture	20 June 2016	
Mr T Stuart	Chief Executive Officer		30 September 2015
Ms S Taranto	EGM Motoring	30 May 2016	
Mr A Tilley	Chief Financial Officer		30 June 2016
Ms T Van Heerden	Acting EGM People & Culture	1 April 2016	19 June 2016

Rounding of amounts

The NRMA is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Indemnification and insurance of officers

The 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 the 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. The 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 2016 to 30 June 2017. 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 eight of the nine Directors to office every four years. The eight Member-elected Directors, which currently includes the President and Deputy President, are subject to re-election no later than every four years.

Under the Constitution, in the event of a winding up and for up to one year after they cease to be a member, each Ordinary Member undertakes to contribute up to $2.10 to the property of the Company. Affiliate Members are excluded from this obligation. The total amount that Ordinary Members of the Company are liable to contribute is the number of Ordinary Members multiplied by $2.10.

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 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 the 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.

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 determined not to appoint an Appointed Director until after the completion of the Board of Directors' Election in December 2015. Ms Rachel Botsman will be appointed as the Appointed Director effective 21 September 2016. The external executive search firm being was Boardroom Partners.

The Directors elected in the 2015 Board of Directors' Elections 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 the 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.

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

- appointing and removing the Chief Executive Officer (CEO), approving the CEO's Service Agreement, monitoring the CEO's performance objectives and any termination payments made to the 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 CEO, Appointed Director or casual vacancy on the Board, and approving the appointment;
- with the input of management and the 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 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 **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 unopposed and Ms Fiona Simson was elected Deputy President unopposed. The appointments were effective from 5 December 2015. Mr Loades & Ms Simson have signed a letter of appointment.

Relationship with Management

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

The roles of the Chair and the CEO are separate.

The 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 chairs the Executive Leadership Team which comprises the Executives who report directly to the CEO. This Committee meets regularly to review and report on the NRMA 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 **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 the *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 and through the release of other relevant significant announcements to the media and on the NRMA website.

Copies of all public releases are posted on the NRMA website, together with the 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 **https://www.mynrma.com.au/images/About/Code-of-Conduct-for-Directors-2016.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 the NRMA information, except where disclosure is authorised;
- to act honestly, in good faith and in the best interests of the 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 the NRMA as a whole; and
- to devote such time as is necessary to carry out the duties required of a non-executive Director.

The 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.

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. All the current Directors comply with this requirement in the Constitution.

During the period, the Directors attended modules on Board effectiveness provided in-house by Boardroom Partners.

A skills audit of Directors was conducted in order to determine the skill required for the appointment of the ninth Director, to be appointed by the Board.

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/images/About/Directors_Fees_Website_Disclosure_-_1_January_2016.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, as well as Committee fees payable from 1 January 2017, 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 the NRMA 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 2016 financial year, the Board met eight times.

Papers for Board and Board Committee meetings are circulated electronically to Directors in advance.

The Chair and the 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 Manly.

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.

Meetings with the Group Chief Executive Officer

During the 2016 financial year, the Board and Committees continued the practice of meeting on their own or with the CEO prior to the commencement of most scheduled meetings.

Board committees

The Board has five Committees that have delegated authority to assist the Board to perform its functions. All Committees have a Charter and Protocol 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. The five 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. Ad-hoc committees, designated for a particular purpose, are established as required.

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 a minimum of three times a year and additionally as required. During the period the Committee met four times.

Membership: Ms M Mastroianni (Chair), Mr D Bentham, Ms W Machin and Mr C Westworth (Independent Advisor). Mr K Loades and Ms F Simson are ex-offico.

Data, Digital & Technology Committee

The Data, Digital and Technology Committee (DDTC) was established on 9 December 2015. The objective is to consider or to assist the Board in considering governance, strategy and industry trends and developments relating to membership data, digital technology, technology used in service delivery and operations and the Group Membership System.

The Committee will meet three times per calendar year except in the first year of establishment. During the period the Committee met once.

Membership: Ms K Lundy (Chair) and Mr T Trumper. Mr K Loades and Ms F Simson are ex-offico.

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 a minimum of three times a year and additionally as required. During the period the Committee met four times.

Membership: Mr Tim Trumper (Chair), Ms W Machin and Ms M Mastroianni. Mr K Loades and Ms F Simson are ex-offico.

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, CEO, Executive Leadership Team (ELT) 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 the 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 a minimum of three times a year and additionally as required. During the period the Committee met three times.

Membership: Mr K Loades (Chair), Ms C Taylor and Mr T Trumper. Ms F Simson is ex-offico.

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 the 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 a minimum of three times a year and additionally as required. During the period the Committee met three times.

Membership: Ms F Simson (Chair), Mr D Bentham, Ms K Lundy, Ms C Taylor. Mr K Loades is ex-offico.

Ambassadorial Roles

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

The NRMA Board approved the creation of Ambassadorial roles to cover areas of advocacy which are considered core to the NRMA and the Ambassadors work with the NRMA to champion the areas.

Mr G Blight was the Ambassador for Alternative Fuels & Technologies. Mr Blight completed this role on 30 April 2016 and no further appointment has been made.

The Company has not appointed 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.

The 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 the 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 FY16.

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

The 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

The 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 CEO and the Chair of the ARMC. The committee and Internal Audit have direct access to each other, if required.

Corporate social responsibility (csr)

Helping Members and delivering community benefits is core to protecting and enhancing the NRMA brand and reputation. Being a good corporate citizen has always been part of the NRMA and this is reflected in its Constitution and corporate values. The NRMA Sustainability Report (formerly known as the Corporate Responsibility Review) provides an annual progress report against commitments and highlights key achievements across the Group. The Sustainability Report is prepared 'in accordance' (self-declared) with the Core option of the Global Reporting Initiative (GRI) G4 guidelines.

The Sustainability Report outlines the NRMA management approach and stakeholder engagement on material sustainability issues. Key areas highlighted include advocacy, member and customer experience, people, safety, environment, community and education acitivies. The Sustainability Report is available at **mynrma.com.au/sustainability**.

Creating a great and safe place to work is a strategic priority for the NRMA. The 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 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. As a result, the NRMA has significantly reduced the number of people that require time off work due to injury compared to the same period last year.

The Group holds a number of licences issued by statutory bodies or water authorities in the regions where the 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.

The 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 fuel used by the NRMA roadside assistance and other corporate vehicles.

The NRMA contributes to a range of community activities and a key pillar continues to be delivering road safety education particularly to vulnerable road users, from primary school to high school students, cyclists and senior drivers.

Ethical standards

As part of a commitment to its people and its company values of 'Integrity' and 'Speaking Out', the NRMA acknowledges the need for Directors, executives and other employees to observe the highest ethical standards of corporate behaviour when undertaking Company business. The 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 Chief Executive Officer and the Chief Financial Officer have provided a formal written representation stating to the Board that in their opinion:

- the financial records of the 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 give a true and fair view; and
- any other matters that are prescribed by the Corporations Regulations in relation to the Financial Statements and the notes for the financial year are satisfied.

Website

Information about the Board, executive management, the Constitution and copies of Board and Board Committee Charters can be found on the NRMA website **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 23 by our auditor, Ernst & Young.

The Directors are satisfied that the provision of non-audit services as detailed in Note 9 to the Financial Statements is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. 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 M Mastroianni
Director

Sydney, 31 August 2016

Building a better working world

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Auditor's independence declaration to the Directors of National Roads and Motorists' Association Limited

As lead auditor for the audit of National Roads and Motorists' Association Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of National Roads and Motorists' Association Limited and the entities it controlled during the financial year.

Ernst & Young

David J Simmonds
Partner
Sydney

Sydney, 31 August 2016

Review of operations and financial condition

Financial highlights

Profit before significant one-off costs for the year of \$36.8 million (2015: \$23.9 million), driven by strong investment income, better performance from all our businesses and strong cost control. This result has enabled the absorption of \$15.3 million of one-off costs attributed to establishing a new operational model and changes in business strategy.

The Group's profit for the year before change in fair value of investments was \$48.9 million (2015: profit of \$59.8 million) whilst the Group's net assets increased by \$30.6 million, being 3.6%, to \$884.0 million.

The Group recorded net profit attributable to Members of \$34.1 million compared to \$63.0 million in 2015. This is a pleasing result, given the impact on the value of our investment portfolio following the UK's decision in June to exit the European Union and the resulting significant volatility on world share markets.

The primary components of the financial results were:

- Group revenue from operations increased by 4.8% to \$511.0 million (2015: \$487.6 million) driven primarily by 14.8% growth in the vehicle servicing (MotorServe) business with a new store opening in Wagga Wagga and 8.9% growth in accommodation (NRMA Holiday Parks) revenue. Revenue from Membership subscriptions grew by 2.1 % year on year;
- Investment Income increased 4.0% to \$46.5 million (2015: \$44.7m) due to increased distributions from a number of assets and improved yield from changes in the mix of investments;
- The Group's share of net profits from joint ventures and associates (including Travelodge) was \$27.4 million (2015: \$35.9 million), which includes share of operating profit of \$19.9 million and \$7.5 million share of revaluation gains on hotel book values. The decrease in revaluation gains in 2016 compared to 2015 is due to weaker growth in the property market.

- Profit before change in fair value of investments decreased by 18.2% to $48.9 million (2015: $59.8 million), primarily as a result of the one-off costs and lower revaluation gains noted above;
- The decrease in net fair value of the investment portfolio of $13.7 million (2015: $13.5 million increase) reflects unrealised investment portfolio losses due to the significant volatility on world share markets in June following the UK's decision to exit the European Union, together with no revaluation gain on the investment property in 2016 (2015: $11.4 million fair value gain).
- The Group recorded a profit before tax of $35.2 million compared to the prior year's $73.3 million, mainly due to the lower revaluation gains from the hotel book values and the reduction in fair value of investments.
- The Group has maintained a strong cash position with cash and cash equivalents increasing by $2.2 million to $35.3 million at the end of the financial year, through disciplined working capital management.

Operational highlights

- Total Members increased by 2.8% to 2.482 million (2015: 2.414 million) whilst subscriptions (Consumer & Business Motoring) remained flat in 2016 at 2.551 million;
- Overall job volumes decreased by 4% to 1.25 million (2015: 1.30 million), while calls volumes increased 3% to 1.73 million;
- It has been another good year of improvements in safety. There was a 21% decrease in Lost Time Injuries (LTI), from 19 last year to 15 and our LTI Frequency Rate decreased from 5.6 in the prior year to 4.4;
- Commenced a trial of mobile servicing at the MotorServe in Penrith with plans to expand further across the network;
- Improved the accessibility of our car maintenance service business to Members with the opening of one new MotorServe store in Wagga Wagga bringing the total number of stores to 22;
- Renewed key Thrifty contracts including Whole of Australian Government, IAG insurance replacement, VroomVroomVroom and Australian Motoring Services;
- Strong underlying demand in Australia and record NZ growth from inbound tourism demand drove record profits for the Thrifty businesses;
- A number of Travelodge hotels underwent a refurbishment program during the year to upgrade and refresh the hotels to provide their guests with a more contemporary product. The focus has been on modernising the common areas (lobby and cafes) and providing quality guest rooms in prime locations;
- Expansion of Holiday Parks continued with the opening of a new water park at Merimbula, new ensuite sites at Treasure Island and an additional resort pool precinct at Ocean Beach;
- Significant system implementations during the year included the successful implementation of the next phase of the Group Membership System to support Business Motoring, implementing an on-line booking tool for insurance replacement customers, enhancement of the Thrifty commercial vehicle booking engine, and successful launch of the final stage of the Traveltek travel booking system for NRMA Travel;
- Our digital switch campaign has seen 285,000 members convert to digital renewal statements;
- Construction of our future premises at Sydney Olympic Park is close to completion, with occupancy due to commence from March 2017 once construction is complete.

Operational achievements

Advocacy

For nearly 100 years, the NRMA has been the voice of 2.4 million Members in NSW and the ACT, delivering results on safer roads, better road and transport infrastructure and fairer petrol pricing. During the financial year, the NRMA invested over 4% of our Membership revenue on advocacy and community programs.

We were pleased to see the NSW government hear our call for fairer fuel prices by introducing fuel price transparency reforms requiring all retail fuel outlets to submit to government the price of all fuels sold in real time. This information has now been made publicly available online via the NRMA website and the NRMA app. The NRMA believes that greater fuel price transparency will lead to more competition by helping people make more informed decisions as to where they buy fuel and for what price.

The NRMA continued its fight for a greater percentage of the Commonwealth Fuel Excise to be spent on fixing roads and public transport. Our Commonwealth Budget Submission, Funding Local Roads report and our Keep Australia Moving campaign, all called for at least 50% of fuel taxes collected be spent on transport projects such as the M1 (F6) extension through southern Sydney, eliminating the $1.7 billion local government road maintenance backlog, the Northern Beaches transport corridor and several regional highway upgrades.

Thousands of our Members also got involved with our advocacy work with over 8,000 telling us what roads need fixing through our *Seeing Red on Roads* survey, over 7,000 of our more senior Members attending one of 22 *Fit to Drive* forums and tens of thousands of Members having their say on our Speak Out and social media platforms.

The NRMA is also looking to the future and is keen to see government do more to ensure that our future transport needs are being planned for now. Our *Accelerating our Smart Transport Future* report called on government to prepare for autonomous vehicles and make the most of new technology to 'sweat' existing road assets. Additionally, in partnership with the McKell Institute, the NRMA presented the *Reducing the cost of Public Infrastructure* report to government highlighting ways to build major transport projects more efficiently.

In the coming year, we will continue to fight 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. The NRMA attended 1,249,232 (2015: 1,299,439) jobs during the year that included 2,269 (2015: 2,306) jobs in respect of children locked in cars. We also rescued 1,649 pets (2015: 1,621) 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 93.8 % (2015: 93.6%). In the Country, the 'Go Rate' was 84.1 % (2015: 84.5%) as compared with last financial year. Across NSW and ACT, on average all our Service Providers reached a member in need within 60 minutes, 87.9 % of the time (2015: 87%). The average response time to reach the member translated to 34 minutes (2015: 35 minutes) which is a slight decrease compared with previous years.

Our Call Centres answered approximately two million Roadside calls in the year. From a service level perspective, 71.4 % (2015: 64.7%) of these calls were answered within 20 seconds.

Investments

The NRMA investment portfolio aims to create stable income flows to support and enhance services to Members. The NRMA investment approach has a focus on protecting the principal and producing income to contribute to the long-term sustainability of the Group.

A strong year for investment returns

The NRMA diversified portfolio of equities, credit, bonds, property, cash and hotel assets enabled it to deliver a pre-tax yield of 7.7%. After accounting for realised and unrealised capital gains, the total return for 2016 was 9.6%. This return faired favourably to other balanced funds in Australia, including Superannuation funds, and is a result that the NRMA can be very proud of. This supports the strong track record of performance of the portfolio with a reported 3 year and 5 year return of 10.8% p.a. and 10.9% p.a. respectively.

The portfolio focusses on delivering income whilst protecting capital. The exposure to property and infrastructure assets within Growth Alternatives and Defensive Alternatives, as well as International Equities provided a good uplift in capital growth. On the other hand, the income received from Australian Equities and high quality corporate debt augmented the high income delivered from the NRMA direct holdings in Travelodge, Hotel Kurrajong and the Docklands asset to produce a high income return.

The table below provides a summary of returns from the various asset classes over the 2016 financial year:

Asset Class	Return %
International Equities	11.5
Defensive Alternatives	25.8
Australian Equities (excluding IAG)	0.4
Strategic Holdings - IAG	5.4
Growth Alternatives (including Travelodge)	21.7
Australian & International Fixed Interest	3.1
Cash	2.0
Total Portfolio – asset weighted	**9.6**

Sustainable income and defensive positioning remains a focus

The 2016 results reflect a continued focus on sustainable income while protecting the capital in the portfolio. This is a prudent strategy at this stage of the investment cycle where economic growth is below trend and a great deal of uncertainty faced by investors. The low yields seen in bonds and cash markets also make the NRMA income objective more challenging. Although our income objective is important, we also look to be defensively positioned and have sufficient liquidity to meet the Group's cash flow needs.

The portfolio generated a net fair value loss of $13.7 million, attributable to the movement across the investment markets. The NRMA reported a $27.4 million share of profit from Joint Ventures and Associates (including Travelodge) (2015: $35.9 million share of profit).

Expenses relating to managing the portfolio were slightly lower at $1.8 million (2015: $2.2 million) which includes consultant fees, management fees, transaction costs, custodian fees and all associated operational costs in running the investment function at the NRMA.

The portfolio (excluding IAG shares) was valued at $753.0 million as at 30 June 2016 (2015: $736.4 million), and was invested across a diversified range of asset classes and investment managers. The portfolio mix as at 30 June 2016 (excluding IAG Limited) is shown below:

Asset Class	Weight %	$ Million
Growth Alternatives	30.1	226.6
Australian Equities (excl. IAG)	26.7	201.0
Australian & International Fixed Interest	20.5	154.7
Defensive Alternatives	11.1	83.5
International Equities	5.8	43.3
Cash	5.8	43.9
Total Portfolio	**100.0**	**753.0**

IAG Limited

The return on the NRMA strategic holding of IAG Limited shares was 5.4% (2015: 2.2%), of which 7.7% arose from dividends offset by a 2.3% decrease in the share price to $5.43. The dividends comprised an underlying dividend of 23 cents per share and a special dividend of 10 cents per share.

Investments in Associates and Joint Ventures

NRMA equity accounts for investments in the following:

(a) Travelodge Hotels

The 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 2016, this joint venture with Mirvac Real Estate Investment Trust had total assets of approximately $516.7 million (2015: $480.4 million) and the NRMA net asset holding is carried at $167.3 million (2015: $158.1 million).

The NRMA investment in Travelodge enables us to provide Members with accommodation discounts and special offers. Occupancy rates remained stable with an average of 85% across the portfolio and 89% in CBD locations. Travelodge provided a cash yield of 9.0%.

(b) Hotel Kurrajong

The 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 $6.3 million.

(c) Club Assist

The 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. The NRMA investment in Club Assist is carried at $18.0 million (2015: $16.4 million).

(d) Australian Motoring Services (AMS)

The 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.

Income statement for the year ended 30 June 2016

		Consolidated	
	Notes	2016 $000	2015 $000
Continuing operations			
Revenue from Operations	5 (a) (i)	511,040	487,563
Investment Income	5 (a) (ii)	46,544	44,723
Total Revenue from Operating Activities		557,584	532,286
Employee benefits expense		(223,915)	(207,000)
Fleet, road service and towing contractors expense		(78,645)	(74,294)
Commissions and cost of sales expense		(65,986)	(59,787)
General and administrative expense		(54,889)	(53,098)
Depreciation and amortisation expense	6	(49,320)	(45,233)
Marketing expense		(21,120)	(27,368)
Printing & postage expense		(12,917)	(13,162)
Network distribution expense		(7,223)	(7,983)
Finance expense	6	(6,534)	(7,448)
Annual General Meeting, Special General Meetings & Election Expense		(4,226)	(1,645)
Other expenses from Operations		(11,374)	(11,370)
Total expenses from Operating Activities		(536,149)	(508,388)
Share of net profits of associates and joint ventures	20	27,418	35,943
Operating profit before change in fair value of investments		48,853	59,841
Change in net fair value of investments	5 (b)	(13,691)	13,509
Profit before income tax from continuing operations		35,162	73,350
Income tax expense	7 (a)	(1,051)	(10,338)
Net profit for the year		34,111	63,012

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

Statement of comprehensive income for the year ended 30 June 2016

		Consolidated	
	Notes	2016 $000	2015 $000
Net profit for the year		34,111	63,012
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Net fair value (loss) on available-for-sale financial assets	29 (a)	(3,357)	(5,002)
Exchange differences on translation of foreign operation	29 (a)	469	(326)
Cash flow hedges	29 (a)	(27)	133
Share of other comprehensive income of associates and joint ventures	29 (a)	383	(40)
Income tax relating to those items	7 (b)	872	1,500
Items that will not be reclassified to profit or loss			
Actuarial (loss) / gain on defined benefit plan	29 (b)	(2,709)	858
Income tax relating to this item	7 (b)	814	(257)
Other comprehensive income for the year, net of tax		(3,555)	(3,134)
Total comprehensive income for the year		**30,556**	**59,878**

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

Statement of financial position as at 30 June 2016

		Consolidated	
	Notes	2016 $000	2015 $000
Current Assets			
Cash and cash equivalents	11	**38,006**	43,762
Trade and other receivables	12	**27,634**	31,062
Inventories	13	**1,025**	952
Other financial assets	14	**11,830**	10,424
		78,495	86,200
Non-current assets classified as held for sale	15	**3,596**	1,305
Total current assets		**82,091**	**87,505**
Non-current Assets			
Other financial assets	16	**487,217**	478,948
Available for sale financial assets	17	**98,094**	101,480
Property, plant and equipment	18	**259,347**	231,884
Investment property	19	**69,000**	69,000
Investments in associates and joint ventures	20	**194,858**	184,052
Pension assets	28(b)	**2,375**	4,847
Intangible assets and goodwill	21	**139,912**	121,798
Total non-current assets		**1,250,803**	1,192,009
Total assets		**1,332,894**	**1,279,514**
Current Liabilities			
Trade and other payables	22	**64,200**	54,606
Income tax payable	7(c)	**-**	-
Provisions	23	**32,081**	28,860
Unearned income	24	**128,380**	126,613
Deposits held	25	**4,733**	4,405
Interest bearing loans and borrowings	26	**40,227**	41,101
Total current liabilities		**269,621**	**255,585**
Non-current Liabilities			
Provisions	23	**4,804**	4,492
Deferred tax liabilities	7 (d)	**66,264**	66,899
Derivative financial instruments	27	**134**	107
Unearned income	24	**11,724**	11,670
Deposits held	25	**6,456**	6,791
Interest bearing loans and borrowings	26	**89,857**	80,492
Total non-current liabilities		**179,239**	170,451
Total liabilities		**448,860**	**426,036**
Net assets		**884,034**	**853,478**
Equity			
Reserves	29 (a)	**17,861**	19,521
Retained earnings	29 (b)	**866,173**	833,957
Total Equity		**884,034**	**853,478**

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 2016

	Consolidated					
	Available for sale reserve	Equity accounted reserve	Foreign currency reserve	Cash flow hedge reserve	Retained profits	Total
At 1 July 2015	22,670	(2,232)	(810)	(107)	833,957	853,478
Profit for the year	-	-	-	-	34,111	34,111
Other comprehensive income	(2,370)	268	469	(27)	(1,895)	(3,555)
Total comprehensive income for the year	(2,370)	268	469	(27)	32,216	30,556
At 30 June 2016	20,300	(1,964)	(341)	(134)	866,173	884,034

	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

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 2016

		Consolidated	
	Notes	2016 $000	2015 $000
Cash flows from operating activities			
Receipts from Members and customers		590,487	584,085
Payments to suppliers and employees		(524,786)	(523,874)
Dividends received		36,971	33,894
Interest received		2,164	3,213
GST paid		(15,035)	(17,069)
Interest paid		(5,102)	(6,193)
Net cash flows from operating activities	30	84,699	74,056
Cash flows used in investing activities			
Proceeds from disposal of investments		139,790	147,962
Proceeds from disposal of fixed assets and software		67,963	59,029
Equity accounted distributions		16,632	16,923
Proceeds from disposal of investment property		-	1,450
Loans repaid by/(provided to) external parties		(36)	14,586
Net proceeds from disposal of subsidiaries		2,000	2,000
Outlays for land use rights acquired		-	(2,637)
Outlays for investments acquired		(162,050)	(171,685)
Outlays for fixed assets and software acquired		(162,177)	(131,898)
Net cash flows from investing activities		(97,878)	(64,270)
Cash flows used in financing activities			
Proceeds/(repayments) from finance leases		(5,542)	22,481
(Repayments)/proceeds from bank loans		20,942	(26,578)
Net cash flows used in financing activities		15,400	(4,097)
Net increase/(decrease) in cash and cash equivalents		2,221	5,689
Cash and cash equivalents at the beginning of the financial year		33,067	27,378
Cash and cash equivalents at the end of the financial year	11	35,288	33,067

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 2016

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 2016 was authorised for issue in accordance with a resolution of the Directors on 31 August 2016.

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 2,151,061 Memberships at 30 June 2016 (2015: 2,103,786).

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.

2 Summary of significant accounting policies (continued)

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 are relevant to current operations are:

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 2016 would have been decreased by $2.3m.
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.
AASB 16 Leases **Application date of standard:** 1 Jan 2019. **Application date for Group:** 1 Jul 2019.	In January 2016 the International Accounting Standards Board (IASB) issued IFRS 16, 'Leases', which amends the accounting for leases. The standard is applicable for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied. The standard requires lessees to bring all leases on Balance Sheet as the distinction between operating and finance leases has been eliminated. Lessor accounting remains largely unchanged.	At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make a more detailed assessment of the impact over the next 12 months. The Group does not expect to adopt the new standard before 1 July 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the National Roads and Motorists' Association Limited and its subsidiaries (outlined in Note 34) as at and for the period ended 30 June each year. Interests in associates and joint ventures are accounted for applying the equity method and are not part of the Group (see Note 2(d) and 2(e) below).

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

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.

(d) Investments in associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (f) below), after initially being recognised at cost.

(e) Interest in joint ventures

Under AASB 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has interests in joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (f) below), after initially being recognised at cost in the consolidated balance sheet.

(f) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2 (o) (iv).

2 Summary of significant accounting policies (continued)

(g) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the members of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 Summary of significant accounting policies (continued)

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

2 Summary of significant accounting policies (continued)

(n) 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 Statement within other income or other expense.

(o) Investments and other financial assets

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition depending on the purpose for which the investments were acquired or originated and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period, but there are restrictions on reclassifying to other categories.

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.

(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 in the income statement. Financial assets at fair value through profit or loss 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.

2 Summary of significant accounting policies (continued)

(ii) Loans and receivables and held-to-maturity investments

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

(iii) Available for sale investments

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as 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.

(iv) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2 Summary of significant accounting policies (continued)

(p) 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 20 to 40 years
- Plant and equipment - over 2.5 to 13 years
- Motor vehicles - over 2 to 9 years
- Leasehold improvements - over the expected life of the lease
- Leased motor vehicles - over the expected life of the lease

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

Revaluations of land and buildings

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

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

(q) 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.

(r) 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.

2 Summary of significant accounting policies (continued)

(i) Group as a lessee

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

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

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

(ii) Group as a lessor

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

(s) 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.

(t) Intangible assets

(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 as a bargain purchase.

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.

2 Summary of significant accounting policies (continued)

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

Impairment losses recognised for goodwill are not subsequently reversed.

(ii) Intangible assets – Land use rights, Software and Licence Agreement
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.

Internally generated intangible assets, excluding capitalised development costs (see t (iii) below), are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

2 Summary of significant accounting policies (continued)

(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.

(u) 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.

(v) 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.

(w) 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.

(x) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(y) 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 Income Statement 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 obligation. The increase in the provision resulting from the passage of time is recognised as finance cost.

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.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(z) 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) 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.

2 Summary of significant accounting policies (continued)

(vi) Dividends

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

(vii) 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.

(aa) Income tax and other taxes

(i)Current tax

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

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred tax

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

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

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

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

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

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

(iii) Current and deferred tax for the period

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

2 Summary of significant accounting policies (continued)

(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.

(ab) 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.

(ac) 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.

(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(n).

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 2015.

(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.

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

3 Financial risk management objectives and policies (continued)

Group sensitivity

A sensitivity analysis of foreign exchange risk on the Group's financial assets and liabilities is provided in the table at 3(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 2015.

(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
2016				
Investment Category				
Australian shares	-	-	-	**178,117**
International shares	-	-	-	**43,289**
Fixed interest securities	-	-	-	**156,199**
Diversified unit trust	-	-	-	**109,360**
2015				
Investment Category				
Australian shares	-	-	-	168,726
International shares	-	-	-	42,870
Fixed interest securities	-	-	-	158,044
Diversified unit trust	-	-	-	108,860

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 2015.

(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.

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
2016													
Financial assets													
Cash and cash equivalents	**38,006**	**(380)**	**-**	**380**	**-**	**-**	**1,053**	**-**	**(861)**	**-**	**-**	**-**	**-**
Trade receivables	**11,859**	**-**	**-**	**-**	**-**	**-**	**143**	**-**	**(117)**	**-**	**-**	**-**	**-**
Other financial assets	**487,217**	**(1,995)**	**-**	**1,995**	**-**	**-**	**-**	**-**	**-**	**(28,690)**	**-**	**28,690**	**-**
Investments in JV and associates	**194,858**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Available for sale financial assets*	**98,094**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,809)**	**-**	**9,809**
Financial liabilities													
Trade payables	**13,487**	**-**	**-**	**-**	**-**	**-**	**(45)**	**-**	**37**	**-**	**-**	**-**	**-**
Interest bearing borrowings	**130,084**	**1,084**	**-**	**(1,084)**	**-**	**-**	**(2,477)**	**-**	**2,477**	**-**	**-**	**-**	**-**
Deposits held	**11,189**	**-**	**-**	**-**	**-**	**-**	**(41)**	**-**	**34**	**-**	**-**	**-**	**-**
Total increase/ (decrease)		**(1,291)**	**-**	**1,291**	**-**	**-**	**(1,367)**	**-**	**1,570**	**(28,690)**	**(9,809)**	**28,690**	**9,809**

		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	-	-	359	-	(294)	-	-	-	-
Trade receivables	17,391	-	-	-	-	-	145	-	(119)	-	-	-	-
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	-	-	-	-	-	(22)	-	18	-	-	-	-
Interest bearing borrowings	121,593	955	-	(955)	-	-	(1,090)	-	1,090	-	-	-	-
Deposits held	11,196	-	-	-	-	-	(28)		23	-	-	-	-
Total increase/ (decrease)		**(2,094)**	**-**	**2,094**	**-**	**-**	**(636)**	**-**	**720**	**(21,689)**	**(10,148)**	**21,689**	**10,148**

*Investment in IAG Limited and Macquarie Australian Equity Fund.

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 $000	Between 1 and 3 months $000	Between 3 and 12 months $000	Between 1 and 5 years $000	Total $000
2016					
Trade payables	**8,770**	**4,012**	**662**	**42**	**13,486**
Interest bearing borrowings	**7,026**	**8,760**	**26,207**	**88,772**	**130,764**
Deposits held *	**846**	**2,114**	**1,760**	**6,469**	**11,188**
2015					
Trade payables	11,606	3,771	571	-	15,948
Interest bearing borrowings	7,101	25,768	19,962	80,932	133,762
Deposits held *	958	1,907	1,540	6,791	11,196

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

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			
	Quoted market price (Level 1) $000	Valuation technique – market observable inputs (Level 2) $000	Valuation technique – non market observable inputs (Level 3) $000	Total $000
2016				
Financial assets				
Listed investments	492,960	-	-	492,960
Unlisted investments	-	92,099	-	92,099
Investment property	-	-	69,000	69,000
	492,960	92,099	69,000	654,059
Financial liabilities				
Interest rate swap contracts	-	(134)	-	(134)

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

3 Financial risk management objectives and policies (continued)

(i) Valuation techniques used to determine level 1 and level 2 fair values

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.

(ii) Valuation techniques used to determine level 3 fair values

The fair value of the investment property, included in Level 3, is based on a capitalisation of net income approach using various non market observable inputs such as estimated rent per square metre and an appropriate discount rate. The group obtains independent valuations for its investment properties every at least every three years.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuation. The property's value is determined within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence
- discounted cash flow projections based on reliable estimates of future cash flows.

All resulting fair value estimates for properties are included in level 3.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 30 June 2015 and 30 June 2016 for recurring fair value measurements:

	Investment property	Total
	$000	$000
Opening balance at 1 July 2014	58,864	58,864
Additions	-	-
Disposals	(1,216)	(1,216)
Amounts recognised in profit or loss	11,352	11,352
Closing balance at 30 June 2015	**69,000**	**69,000**
Additions	-	-
Disposals	-	-
Amounts recognised in profit or loss	-	-
Closing balance at 30 June 2016	**69,000**	**69,000**

3 Financial risk management objectives and policies (continued)

(iv) Valuation inputs and relationships to fair value

The last independent valuation of the land and buildings classified as investment property was performed as at 30 June 2015. The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment property at least every three years. At 30 June 2016, the property's fair value has not changed from the last independent valuation.

Description	Fair value at		Unobservable inputs *	Range of inputs (probability-weighted average)		Relationship of unobservable inputs to fair value
	30 June 2016 $'000	30 June 2015 $'000		2016	2015	
Investment property	69,000	69,000	Discount rate	8.25%	8.25%	The higher the discount rate and terminal yield, the lower the fair value
			Terminal yield	6.75%	6.75%	
			Capitalisation rate	6.30%	6.50%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value
			Expected vacancy rate	-%	-%	

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

(v) Valuation processes

The last independent valuation of the land and buildings classified as investment property was performed as at 30 June 2015. The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment property at least every three years. At 30 June 2016, the property's fair value has not changed from the last independent valuation.

The main level 3 inputs used by the group are derived and evaluated as follows:

- Investment Property – discount rates, terminal yields, capitalisation rates and expected vacancy rates are estimated by the independent valuers or management based on comparable transactions and industry data.

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.

4 Significant accounting judgements, estimates and assumptions (continued)

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(y)(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.

Revaluation of investment properties

The Group carries its investment property at fair value, with changes in fair value being recognised in the Income Statement. 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(p).

Financial guarantees

National Roads and Motorists' Association Limited and certain 100% owned subsidiaries (the Closed Group), as detailed in Note 37, 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.

4 Significant accounting judgements, estimates and assumptions (continued)

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

- most members of Closed Group are all 'pooled' with respect to working capital cash funds on a daily operational basis;
- the probability of default across the Group is considered negligible, given the cash and asset rich nature of the Closed Group; and
- the fair value of the 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.

5 Revenue from operations

		Consolidated	
		2016 $000	2015 $000
(a)	Revenue		
	(i) Revenue from operations consists of the following items:		
	Subscription and joining fees	**244,548**	239,133
	Car rental revenue	**158,236**	149,423
	Vehicle servicing revenue	**48,126**	41,928
	Accommodation revenue	**28,350**	25,780
	Commissions revenue	**7,863**	6,725
	Sales of goods	**3,593**	5,550
	Advertising and publishing revenue	**4,013**	4,841
	Other revenue	**16,311**	14,183
		511,040	**487,563**
	(ii) Investment Income		
	Interest	**2,164**	3,213
	Dividend	**39,264**	36,545
	Rental income	**5,116**	4,965
		46,544	**44,723**
(b)	Profit before income tax has been arrived at after the following gains:		
	Change in fair value of other financial assets	**(13,691)**	2,157
	Revaluation of investment property	**-**	11,352
		(13,691)	**13,509**
(c)	(Loss)/Profit on disposal of property, plant and equipment	**(196)**	**207**

6 Expenses

		Consolidated	
		2016 $000	2015 $000
Depreciation	18	**39,839**	39,251
Amortisation	21	**9,481**	5,982
Total depreciation and amortisation		**49,320**	45,233
Finance costs			
Bank loan and overdraft		**4,183**	5,258
Defined benefit fund		**1,432**	1,255
Finance charges payable under finance leases		**854**	849
Provision discount adjustment		**65**	86
Total finance expense		**6,534**	**7,448**

7 Income tax

Profit before income tax includes the following expenses:

		$000	$000
(a)	Income tax recognised in the income statement		
	Tax expense comprises:		
	Current tax expense	**-**	-
	Adjustments recognised in the current year in relation to the current tax of prior years	**-**	(2,311)
	Deferred tax expense relating to the origination and reversal of temporary differences	**1,051**	12,649
	Total tax expense	**1,051**	**10,338**
	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:	**35,162**	73,350
	Income tax expense calculated at 30% (2015: 30%)	**10,549**	22,005
	Tax effect of permanent differences:		
	Tax losses not previously recognised	**(4,660)**	(6,115)
	Tax offsets	**(3,687)**	(4,018)
	Non-deductible capital loss	**1,274**	-
	Non-deductible net mutual (benefit)/expense	**(971)**	37
	Adjustment recognised in the current year in relation to:		
	- the current tax of prior years	**-**	(2,311)
	- the deferred tax of prior years	**(1,457)**	522
	Other	**3**	218
	Total tax expense	**1,051**	**10,338**
(b)	The following amounts were charged directly to equity during the year:		
	Deferred Tax:		
	Revaluations of available for sale financial assets	**987**	1,500
	Share of other comprehensive income of associates and joint ventures	**(115)**	-
	Actuarial movements on defined benefit plans	**814**	(257)
		1,686	**1,243**
(c)	Current tax assets and liabilities		
	Income tax payable to tax authorities	**-**	**-**
(d)	Deferred tax balances		
	Deferred tax assets	**11,521**	11,324
	Deferred tax liabilities	**(77,785)**	(78,223)
	Net deferred temporary differences	**(66,264)**	**(66,899)**

7 Income tax (continued)

Taxable income and deductible temporary difference arise from the following:

	Consolidated			
	Opening Balance $000	Charged to Income $000	Charged to Equity $000	Closing Balance $000
2016				
Gross deferred tax liabilities:				
Trade and other receivables	(1,394)	(175)	-	(1,569)
Fair value through profit and loss financial assets	(10,029)	913	-	(9,116)
Available for sale financial assets	(9,924)	-	987	(8,937)
Investments accounted for under the equity method	(31,482)	(3,139)	(115)	(34,736)
Property, plant and equipment	(10,617)	924	-	(9,693)
Intangibles	(9,917)	301	-	(9,616)
Investment property	(3,406)	-	-	(3,406)
Defined benefit asset	(1,454)	(72)	814	(712)
	(78,223)	(1,248)	1,686	(77,785)
Gross deferred tax assets:				
Trade and other receivables	273	55	-	328
Property, plant and equipment	1,213	(575)	-	638
Inventory	16	(6)	-	10
Lease liability	7,842	(1,342)	-	6,500
Trade and other payables	939	257	-	1,196
Provisions	1,037	48	-	1,085
Other liabilities	4	1,760	-	1,764
	11,324	197	-	11,521
Total net deferred tax liability	(66,899)	(1,051)	1,686	(66,264)

7 Income tax (continued)

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

Tax payable

The NRMA 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 $43,587,238 (2015: $48,056,212) (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 $12,156,368 (2015: $20,792,070). These are available indefinitely for offset against future capital gains, subject to the relevant tax tests.

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	
	2016 $000	2015 $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% (2015: 30%)	**252,955**	245,985
Franking credits that will arise from the payment of tax payable as at the end of the financial year	**-**	-
	252,955	**245,985**

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 (EY). Amounts received or due and receivable by EY for:

An audit of the financial report of the entity and any other entity in the Group:

	$	$
– Consolidated Entity	**296,640**	336,000
– Thrifty Group	**101,685**	111,486
	398,325	**447,486**
Other services provided by E&Y:		
Taxation advice	**5,753**	8,140
Non statutory audit services	**44,451**	69,029
Project assurance services	**11,124**	210,334
	61,328	287,503
	459,653	**734,989**

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.

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 K Loades	5 December 2005	
Ms K Lundy	25 March 2015	
Ms W Machin	30 March 2005	
Ms M Mastroianni	19 January 2015	
Ms F Simson	19 January 2015	
Ms C Taylor	12 February 2008	
Mr T Trumper	12 May 2014	

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 & Governance		
Mr E Debenham	EGM Strategy & Investments		
Mr P Davies	EGM Assistance Services	1 October 2015	
MR B Evans	EGM Assistance Services		30 September 2015
MR B Evans	Acting Chief Executive Officer	1 October 2015	26 January 2016
Mr O Gilbert	EGM Motoring Services		11 September 2015
Mr C Hodgkinson	Chief Technology Officer	1 April 2016	
Mr R Lokuge	Acting EGM Motoring Services	12 September 2016	30 June 2016
Mr D Lumb	Chief Customer Officer		
Mr R Lund	Chief Executive Officer	27 January 2016	
Ms E McFadzean	CEO Motoserve	1 October 2016	24 Mar 2016
Ms L Rees	EGM People & Culture	20 June 2016	
Mr T Stuart	Chief Executive Officer		30 September 2015
Ms S Taranto	EGM Motoring	30 May 2016	
Mr A Tilley	Chief Financial Officer		30 June 2016
Ms T Van Herdeen	Acting EGM People & Culture	1 April 2016	19 June 2016

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

	Consolidated	
	2016 $	2015 $
Short-term employment benefits	**6,295,787**	5,191,418
Post-employment benefits	**543,806**	472,105
Other long-term employment benefits	**612,941**	291,000
Termination benefits	**1,431,401**	-
	8,883,935	**5,954,523**

11 Cash and cash equivalents – current assets

	Consolidated	
	2016 $000	2015 $000
Cash at bank and in hand	38,006	43,762

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

	$000	$000
Reconciliation to cash flow statement:		
Cash at bank and in hand	**38,006**	43,762
Bank overdrafts (Note 26)	**(2,718)**	(10,695)
	35,288	**33,067**

12 Trade and other receivables – current assets

	$000	$000
Trade receivables	**13,074**	18,554
Allowance for impairment loss (a)	**(1,215)**	(1,163)
	11,859	17,391
Prepayments	**12,724**	7,494
Other receivables (b)	**3,051**	6,177
	27,634	**31,062**
Movements in the allowance for impairment loss were as follows:		
At 1 July	**(1,163)**	(1,415)
Charges for year	**(1,000)**	(673)
Amounts written back	**65**	58
Amounts written off	**883**	867
At 30 June	**(1,215)**	**(1,163)**

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
2016						
Consolidated	13,074	8,197	3,141	781	375	580
2015						
Consolidated	18,554	7,613	4,722	1,651	1,157	3,411

At the reporting date, trade receivables of $1,215,000 (2015: $1,163,000) were past due and considered impaired, impaired receivables being those balances in the '61+ days' category considered unrecoverable. Trade receivables of $521,000 (2015: $5,056,000) were past due, but not impaired. Each business unit is satisfied that payment will be received in full.

12 Trade and other receivables – current assets (continued)

(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) 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.

(c) 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.

(d) Foreign currency and interest rate risk

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

13 Inventories – current assets

	Consolidated	
	2016 $000	2015 $000
Finished goods	1,025	952

Inventory write-downs recognised as an expense totalled $97,000 (2015: $45,000) for the Group.

14 Other financial assets – current assets

	$000	$000
Other investment receivables	11,081	7,907
Interest bearing loan to third party	749	517
Non-interest bearing loan to third party	-	2,000
	11,830	10,424

15 Non-current assets classified as held for sale

	$000	$000
Vehicles held for sale	3,596	1,305

16 Other financial assets – non-current assets

	Consolidated	
Investments designated at fair value through the profit or loss:	**2016 $000**	**2015 $000**
Cash – short term deposits	**43,866**	42,324
Australian shares	**174,844**	166,076
International shares	**41,889**	41,470
Fixed interest securities fund	**155,199**	157,044
Diversified unit trust	**65,494**	66,536
At amortised cost:		
Unlisted investments	**5,673**	5,050
Interest bearing loan to third party	**252**	448
	487,217	**478,948**

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

	$000	$000
Investments held at fair value		
Available for sale investments	**98,094**	**101,480**

18 Property, plant and equipment – non-current assets

	Consolidated					
	Land and Buildings $000	**Leasehold Improvements $000**	**Leased Motor Vehicles $000**	**Motor Vehicles $000**	**Plant and Equipment $000**	**Total $000**
Year ended 30 June 2016						
At 1 July 2015	79,959	22,829	25,870	86,529	16,697	231,884
Additions	18,438	2,049	6,932	101,470	4,880	133,769
Transfers	3,945	(3,945)	(5,667)	5,667	-	-
Disposals	-	(39)	-	(66,951)	(143)	(67,133)
Depreciation charge for the year	(2,613)	(2,905)	(5,737)	(21,275)	(7,309)	(39,839)
Foreign exchange differences	-	-	-	616	50	666
At 30 June 2016	**99,729**	**17,989**	**21,398**	**106,056**	**14,175**	**259,347**
At 30 June 2016						
Cost	119,038	29,897	28,303	134,695	59,521	371,454
Accumulated depreciation	(19,309)	(11,908)	(6,905)	(28,639)	(45,346)	(112,107)
Net carrying amount	**99,729**	**17,989**	**21,398**	**106,056**	**14,175**	**259,347**

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

	Consolidated					
	Land and Buildings $000	Leasehold Improvements $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**

19 Investment property – non-current assets

	Consolidated	
	2016 $000	2015 $000
At 1 July	**69,000**	58,864
Disposal through sale	**-**	(1,216)
Revaluation	**-**	11,352
At 30 June	**69,000**	**69,000**

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

Amounts recognised in the Income Statement for investment properties	$000	$000
Rental income derived from investment properties	**4,938**	4,825
Direct operating expenses generating rental income	**-**	(43)
Net profit arising from investment properties carried at fair value	**4,938**	**4,782**

(b) Valuation basis

Refer to Note 3 (d) (ii) for the valuation technique used to determine the fair value of investment property at 30 June 2016.

19 Investment property – non-current assets (continued)

(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:

	Consolidated	
	2016 $000	2015 $000
Within one year	**5,105**	4,932
Later than one year but not later than 5 years	**28,332**	27,374
Later than 5 years	**19,491**	25,554
	52,928	**57,860**

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

		$000	$000
Carrying amount of investments			
Investments in associates	20 (a)	**21,276**	19,325
Investments in joint ventures	20 (c)	**173,582**	164,727
		194,858	**184,052**
Net profit accounted for using the equity method			
Investments in associates	20 (b)	**3,759**	3,621
Investments in joint ventures	20 (d)	**23,659**	32,322
		27,418	**35,943**

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

Ownership Interest					Investment Carrying Amount	
					Consolidated	
Name of Entity & Principal Activities	**Balance Date**	**2016 %**	**2015 %**		**2016 $000**	**2015 $000**
Club Assets Pty Ltd						
Motoring assistance services	30 June	50%	50%	Shares	**17,959**	16,419
Club Assets Pty Ltd owns a 60% (2015: 60%) interest in Club Assist Corporation Pty Ltd						
Australian Motoring Services Pty Ltd						
Motoring and travel assistance services	30 June	35%	35%	Shares	**3,317**	2,906
Total					**21,276**	**19,325**

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

(b) Results of associates

	2016 $000	2015 $000
Share of profit from ordinary activities before income tax expense	**5,370**	5,877
Share of income tax expense related to ordinary activities	**(1,611)**	(2,256)
Share of associates net profit accounted for using the equity method	**3,759**	**3,621**
Summary financial position of associates		
The Group's share of aggregate assets and liabilities of associates is as follows:		
Current assets	**29,065**	26,493
Non-current assets	**18,464**	15,583
Total assets	**47,529**	42,346
Current liabilities	**16,694**	22,087
Non-current liabilities	**10,719**	2,094
Total liabilities	**27,413**	24,181
Net assets	**20,116**	18,165
Goodwill arising from equity accounting	**1,160**	1,160
Investments in associates accounted for using equity method	**21,276**	**19,325**
Accumulated profits of the Group attributable to associates		
Balance at the beginning of the year	**4,041**	3,888
Distribution received from associate	**(2,400)**	(3,468)
Share of associates net profits	**3,759**	3,621
Balance at the end of the financial year	**5,400**	**4,041**
Movement in carrying amount of investments		
Carrying amount of investment in associates at the start of the year	**19,325**	19,184
Associate reserve movement	**592**	(12)
Distribution received from associate	**(2,400)**	(3,468)
Shares of associates net profits	**3,759**	3,621
Carrying amount of investments in associates at end of the year	**21,276**	**19,325**

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

Ownership Interest					Investment Carrying Amount	
					Consolidated	
Name of Entity & Principal Activities	**Balance Date**	**2016 %**	**2015 %**		**2016 $000**	**2015 $000**
Tucker Box Hotel Trust						
Accommodation	30 June	50%	50%	Shares	**167,301**	158,114
The Tucker Box Hotel Trust has an ultimate 100% ownership of Travelodge Group Pty Limited (Australia)						
KJ Hotel Trust						
Accommodation	30 June	35%	35%	Shares	**6,281**	6,613
KJ Hotel Trust has a 100% ownership of Hotel Kurrajong Canberra						
Total					**173,582**	**164,727**

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

(d) Results of joint ventures

Ownership Interest	Investment Carrying Amount	
	Consolidated	
	2016 $000	2015 $000
Share of revenue from ordinary activities	**21,441**	20,005
Share of unrealised gain for interest rate swaps	**(792)**	544
Share of unrealised gain on revaluation of non-current assets	**8,293**	17,352
Share of expenses from ordinary activities	**(5,205)**	(5,547)
Share of profit from ordinary activities before income tax expense	**23,737**	32,354
Share of income tax (expense) related to ordinary activities	**(78)**	(32)
Share of joint ventures' net profit accounted for using the equity method	**23,659**	**32,322**
Summary financial position of joint ventures		
The Group's share of aggregate assets and liabilities of the joint venture is as follows:		
Current assets	**4,922**	3,967
Non-current assets	**268,629**	251,567
Total assets	**273,551**	255,534
Current liabilities	**4,149**	3,987
Non-current liabilities	**95,820**	86,820
Total liabilities	**99,969**	90,807
Net assets	**173,582**	**164,727**
Accumulated profits of the Group attributable to the joint ventures		
Balance at the beginning of the year	**84,363**	65,331
Share of joint ventures' net profits	**23,659**	32,323
Distributions received from joint ventures	**(14,595)**	(13,291)
Balance at the end of the year	**93,427**	**84,363**
Movement in carrying amount of investments		
Carrying amount of investments in joint ventures at the beginning of the year	**164,727**	141,170
Purchase of additional equity interest	**-**	4,554
Joint ventures reserve movement	**(209)**	(28)
Distributions received from joint ventures	**(14,595)**	(13,291)
Shares of joint ventures' net profits	**23,659**	32,322
Carrying amount of investments in joint ventures at end of the year	**173,582**	**164,727**

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 2016					
At 1 July 2015, net of accumulated amortisation	**35,696**	**61,498**	**15,905**	**8,699**	**121,798**
Additions	**-**	**28,184**	**-**	**-**	**28,184**
Transfers	**-**	**-**	**-**	**-**	**-**
Disposals	**-**	**(589)**	**-**	**-**	**(589)**
Impairment	**-**	**-**	**-**	**-**	**-**
Amortisation expense	**(1,002)**	**(8,312)**	**-**	**(167)**	**(9,481)**
At 30 June 2016, net of accumulated amortisation	**34,694**	**80,781**	**15,905**	**8,532**	**139,912**
At 30 June 2016					
Gross carrying amount	**47,886**	**111,591**	**15,905**	**14,057**	**189,429**
Accumulated amortisation	**(13,192)**	**(30,810)**	**-**	**(5,525)**	**(49,517)**
Net carrying amount	**34,694**	**80,781**	**15,905**	**8,532**	**139,912**
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**

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 2016 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%
- Future revenue growth rates from 2.2% 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 'Depreciation and amortisation'. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(ii) Land Use Rights

Land use rights represent 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 'Depreciation and 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 $32,058,000 (2015: $33,059,000) are carried in relation to the Holiday Parks and $2,637,000 (2015: $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 'Depreciation and amortisation'. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. Licence agreement of $8,532,000 (2015: $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.

22 Trade and other payables – current liabilities

	Notes	Consolidated 2016 $000	Consolidated 2015 $000
Trade and other payables		**64,200**	**54,606**

(a) **Fair value**
Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) **Interest rate, foreign exchange and liquidity risk**
For information regarding interest rate, foreign exchange and liquidity risk exposure refer to Note 3.

23 Provisions

	Notes	$000	$000
Current liabilities			
Annual leave		**10,703**	10,888
Long service leave		**10,592**	10,941
Other employee entitlements		**7,639**	6,313
Restructure – employee related		**3,147**	718
		32,081	**28,860**

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.

		$000	$000
Non-current liabilities			
Employee entitlements		**2,259**	2,270
Restoration provision		**2,545**	2,222
		4,804	**4,492**

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

24 Unearned income

		$000	$000
Current liabilities			
Unearned Member services revenue		**128,380**	**126,613**
Non-current liabilities			
Unearned Member services revenue		**11,724**	**11,670**

25 Deposits held

		Consolidated	
	Notes	2016 $000	2015 $000
Current liabilities			
Client deposits		4,733	4,405
Non-current liabilities			
Security deposit		6,456	6,791

26 Interest bearing loans and borrowings

	Notes	$000	$000
Current liabilities			
Bank overdraft		**2,718**	10,695
Bank loan		**21,224**	21,339
Obligations under finance leases		**16,285**	9,067
		40,227	**41,101**
Non-current liabilities			
Bank loan		**84,476**	63,419
Obligations under finance leases		**5,381**	17,073
		89,857	**80,492**

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:

26 Interest bearing loans and borrowings (continued)

		Consolidated	
	Notes	2016 $000	2015 $000
Total facilities:			
Corporate debt facility		**123,753**	113,281
Leasing facility*		**59,501**	58,854
Corporate card facility		**1,348**	1,344
Bank guarantees		**20,490**	23,088
		205,092	**196,567**
Facilities used at the reporting date:			
Corporate debt facility		**105,712**	84,759
Leasing facility*		**23,996**	36,294
Corporate card facility		**115**	301
Bank guarantees		**18,391**	18,674
		148,214	**140,028**
Facilities not used at the reporting date:			
Corporate debt facility		**18,041**	28,522
Leasing facility*		**35,505**	22,560
Corporate card facility		**1,233**	1,043
Bank guarantees		**2,099**	4,414
		56,878	**56,539**

* The Leasing facility is a multi-option facility that can be drawn in the form of either finance leases or operating leases. At 30 June 2016, $2,342,000 (2015: $10,155,000) of the facility was drawn in the form of operating leases. Refer to note 2 (r) for the accounting treatment of finance leases and operating leases.

27 Derivative financial instruments

	Notes	$000	$000
Non-Current liabilities			
Interest rate swaps at fair value		**134**	**107**

(a) Instruments used by the group

As at 30 June 2016, 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 64% (2015: 79%) 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 $12.5 million to the superannuation plans for defined contribution members during the year (2015: $11.7 million) and there were no employer contributions payable at the end of the year for those members (2015: $Nil).

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

(b) Defined benefit superannuation arrangements

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 (2015: $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 (2015: $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.

28 Superannuation (continued)

Reconciliation of the Net Defined Benefit Asset

	The plan	
	2016 $000	2015 $000
Net defined benefit asset at the start of the year	**4,847**	3,936
Current service cost	**(804)**	(933)
Net interest	**170**	125
Actual return on Plan assets	**(805)**	1,130
Actuarial (losses)/gains arising from changes in financial and demographic assumptions	**(396)**	453
Actuarial losses arising from liability experience	**(1,508)**	(725)
Employer contributions	**871**	861
Net defined benefit asset at the end of the year	**2,375**	**4,847**

Reconciliation of the Fair Value of Plan Assets

	The plan	
	2016 $000	2015 $000
Fair value of Plan assets at the start of the year	**45,123**	43,847
Interest income	**1,602**	1,380
Actual return on Plan assets	**(805)**	1,130
Employer contributions	**871**	861
Contribution by Plan participants	**533**	625
Benefits paid	**(948)**	(2,342)
Taxes, premiums and expenses paid	**(362)**	(378)
Fair value of Plan assets at the end of the year	**46,014**	**45,123**

Reconciliation of the Defined Benefit Obligation

	The plan	
	2016 $000	2015 $000
Present value of defined benefit obligations at the start of the year	**40,276**	39,911
Current service cost	**804**	933
Interest cost	**1,432**	1,255
Contributions by Plan participants	**533**	625
Actuarial (gains) / losses arising from changes in financial and demographic assumptions	**396**	(453)
Actuarial losses arising from liability experience	**1,508**	725
Benefits paid	**(948)**	(2,342)
Taxes, premiums and expenses paid	**(362)**	(378)
Present value of defined benefit obligations at the end of the year	**43,639**	**40,276**

28 Superannuation (continued)

Fair value of Plan assets

The fair value of Plan assets at 30 June 2016 are based on significant observable Inputs (Level 2).

The percentage invested in each asset class at the reporting date is:

	Actual allocations	
	2016 %	2015 %
Australian equity	26	26
International equity	30	32
Fixed income	18	24
Property	10	10
Alternatives/other	10	5
Cash	6	3
	100	100

Significant Actuarial Assumptions at the Reporting Date

	2016 %	2015 %
Assumptions to determine defined benefit cost:		
Discount rate	3.8	3.3
Expected rate of salary increase	4.0	4.0
Assumptions to determine defined benefit obligation:		
Discount rate	3.0	3.8
Expected rate of salary increase	4.0	4.0

29 Retained profits and reserves

(a) Reserves

	Consolidated				
	Available for sale reserve $000	Equity accounted reserve $000	Foreign currency reserve $000	Cash flow hedge reserve $000	Total $000
At 1 July 2015	22,670	(2,232)	(810)	(107)	19,521
Increment / (decrement) arising from:					
Revaluation of available for sale investments	(3,357)	-	-	-	(3,357)
Equity accounting	-	383	-	-	383
Translation of foreign subsidiary	-	-	469	-	469
Net gains on cash flow hedges	-	-	-	(27)	(27)
Deferred tax arising from revaluation	987	(115)	-	-	872
At 30 June 2016	20,300	(1,964)	(341)	(134)	17,861

29 Retained profits and reserves (continued)

	Consolidated				
	Available for sale reserve $000	Equity accounted reserve $000	Foreign currency reserve $000	Cash flow hedge reserve $000	Total $000
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 losses 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**

Nature & Purpose of reserves

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

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

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

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

(b) Retained earnings

	Consolidated	
	2016 $000	2015 $000
Movement in retained earnings		
Balance at the beginning of the financial year	**833,957**	770,344
Dividends paid	**-**	-
Net profit attributable to Members	**34,111**	63,012
Actuarial (loss) / gain (note 28)	**(2,709)**	858
Deferred tax recognised directly in equity	**814**	(257)
Balance at the end of the year	**866,173**	**833,957**

30 Cash flow statement reconciliation

	Consolidated	
	2016 $000	2015 $000
Reconciliation of net profit for the year to net cash flows from operations		
Net profit	**34,111**	63,012
Non- cash items		
Loss / (profit) on disposal of non-current assets	**196**	(207)
Depreciation and amortisation	**49,270**	45,233
Change in net fair value of investments	**13,691**	(13,509)
Defined benefit plan	**(871)**	(861)
Share of associates and joint ventures (profit)	**(27,418)**	(35,943)
Finance cost	**84**	86
(Increase)/decrease in operating assets		
Trade and other receivables	**1,118**	(665)
Inventories	**(75)**	188
Non-current assets held for sale	**(2,291)**	4,466
(Decrease)/increase in operating liabilities		
Payables	**10,344**	1,674
Income tax payable	**-**	(2,662)
Provisions	**3,532**	774
Unearned income	**1,821**	(373)
Client deposits	**328**	160
Security deposit	**(335)**	33
Net deferred tax liability	**1,194**	12,650
Net cash from operating activities	**84,699**	**74,056**

31 Contingent liabilities

	$000	$000
Total facilities available:		
Motoka Rentals Limited (NZ) lease contingency	**805**	**800**

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	
	2016 $000	2015 $000
(a) Estimated expenditure contracted for at reporting date, but not provided for, or payable:		
(i) Total capital commitments	78,993	71,618

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

	$000	$000
(b) Operating leases		
(i) Property		
- due within 1 year	30,489	27,735
- due within 1 – 5 years	74,464	85,575
- due after 5 years	11,761	18,721
	116,714	132,031
(ii) Equipment		
- due within 1 year	639	536
- due within 1 – 5 years	396	477
	1,034	1,013
(iii) Motor Vehicles		
- due within 1 year	128	1,061
- due within 1 – 5 years	-	108
	128	1,169

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 2016 $000	Present Value of Lease Payments 2016 $000	Minimum Lease Payments 2015 $000	Present Value of Lease Payments 2015 $000
Within one year	16,914	16,285	10,102	9,067
After one year but not more than 5 years	5,431	5,381	17,513	17,073
Present value of minimum lease payments	22,345	21,666	27,615	26,140

33 Parent entity information

	Parent	
Information relating to National Roads and Motorists' Association Limited:	2016 $000	2015 $000
Current assets	**122,211**	165,291
Non-current assets	**551,413**	513,751
Total assets	**673,624**	679,042
Current liabilities	**148,008**	142,136
Non-current liabilities	**35,329**	36,467
Total liabilities	**183,337**	**178,603**
Net assets	**490,287**	**500,439**
Retained earnings	**490,287**	500,439
Total shareholders' equity	**490,287**	**500,439**
(Loss) / profit of the Parent entity	**(10,152)**	896
Total comprehensive (loss) / income of the Parent entity	**(10,152)**	**896**

The parent entity had a deficiency of net working capital of $25,797,000 at 30 June 2016 (2015: net working capital $23,155,000). This represents the increase in intercompany loans drawn by the parent entity to fund capital expenditure during the year. The intercompany loans are payable to controlled subsidiary entities where the parent entity can control the timing of repayment. Payment will not be made on these loans in preference to meeting obligations to external suppliers.

The Parent entity has entered into a Deed of Cross Guarantee as noted in Note 37.

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.

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**	**2016 %**	**2015 %**	**2016 $000**	**2015 $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

All Australian subsidiaries are members of the tax consolidated Group at 30 June 2016.

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 the 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.

36 Matters subsequent to the end of the financial year

There have been no matters or circumstances that have arisen since 30 June 2016 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.

Director Appointment

Ms Rachel Botsman has been appointed Director effective 21 September 2016.

37 Closed Group class order disclosures

The consolidated income statement and statement of financial position of the Closed Group is shown below.

	Closed Group	
Consolidated Income Statement	**2016 $000**	**2015 $000**
Profit from operations before income tax	**31,767**	70,385
Income tax (expense)	**(1,139)**	(10,338)
Profit after income tax	**30,628**	60,047
Actuarial (loss)/gain	**(1,895)**	601
Retained earnings at the beginning of the year	**839,722**	779,074
Retained earnings at the end of the year	**868,455**	**839,722**
Consolidated Statement of Financial Position		
Cash and cash equivalents	**28,534**	40,533
Trade and other receivables	**32,898**	36,010
Inventories	**1,026**	952
Other financial assets	**11,829**	10,424
Non-current assets classified as held for sale	**3,596**	1,305
Total current assets	**77,883**	89,224
Other financial investments	**487,217**	478,948
Available for sale financial assets	**98,094**	101,480
Property, plant and equipment	**235,716**	218,751
Investment property	**69,000**	69,000
Investments in associates and joint ventures	**194,858**	184,052
Defined benefit plan asset	**2,375**	4,847
Intangible assets and goodwill	**139,880**	121,717
Non-current assets	**1,227,140**	1,178,795
Total assets	**1,305,023**	1,268,019
Trade and other payables	**68,829**	59,106
Provisions	**31,681**	28,507
Unearned income	**128,380**	126,613
Deposits held	**4,362**	4,149
Interest bearing loans and liabilities	**36,767**	37,877
Current liabilities	**270,019**	256,252
Provisions	**4,803**	4,492
Deferred tax liabilities	**66,353**	66,899
Derivative financial instruments	**134**	100
Unearned income	**11,724**	11,670
Deposits held	**6,455**	6,791
Interest bearing loans and liabilities	**71,028**	73,903
Non-current liabilities	**160,497**	163,855
Total liabilities	**430,516**	420,107
Net assets	**874,507**	**847,912**
Reserves	**6,052**	8,190
Retained earnings	**837,827**	779,675
Current year profit	**30,628**	60,047
Total equity	**874,507**	**847,912**

37 Closed Group class order disclosures (continued)

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.

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 a Notice of Disposal dated 31 October 2013.

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 2016 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 and the Group will be able to pay its' debts as and when they become due and payable.

Note 2 (b) confirms that the financial statements also comply with International Financial Reporting Standards as issues by the International Accounting Standards Board.

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 2016.

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 37 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 M Mastroianni**
President	Director

Sydney, 31 August 2016

Building a better working world

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

Report on the financial report

We have audited the accompanying financial report of National Roads and Motorists' Association Limited, which comprises the consolidated statement of financial position as at 30 June 2016 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 financial report.

Opinion

In our opinion:

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

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 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 J Simmonds
Partner
Sydney

Sydney, 31 August 2016

Segment Reporting

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

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

The Consolidated Entity operates 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	
	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000	2016 $000	2015 $000
Revenue								
External segment revenue	**317,127**	303,979	**48,938**	47,027	**191,519**	181,280	**557,584**	532,286
Results								
Results								
Segment result	**(34,885)**	(24,715)	**51,747**	62,725	**18,300**	35,340	**35,162**	73,350
Income tax expense							**(1,051)**	(10,338)
Net profit attributable to the Members of the Parent entity							**34,111**	**63,012**
Assets								
Segment assets	**123,010**	106,297	**720,168**	703,595	**294,858**	285,570	**1,138,036**	1,095,462
Equity accounted investments	**-**	-	**21,276**	19,325	**173,582**	164,727	**194,858**	184,052
Consolidated total assets							**1,332,894**	**1,279,514**
Liabilities								
Segment liabilities	**173,300**	175,386	**101,401**	93,987	**174,159**	156,663	**448,860**	426,036
Consolidated total liabilities							**448,860**	**426,036**

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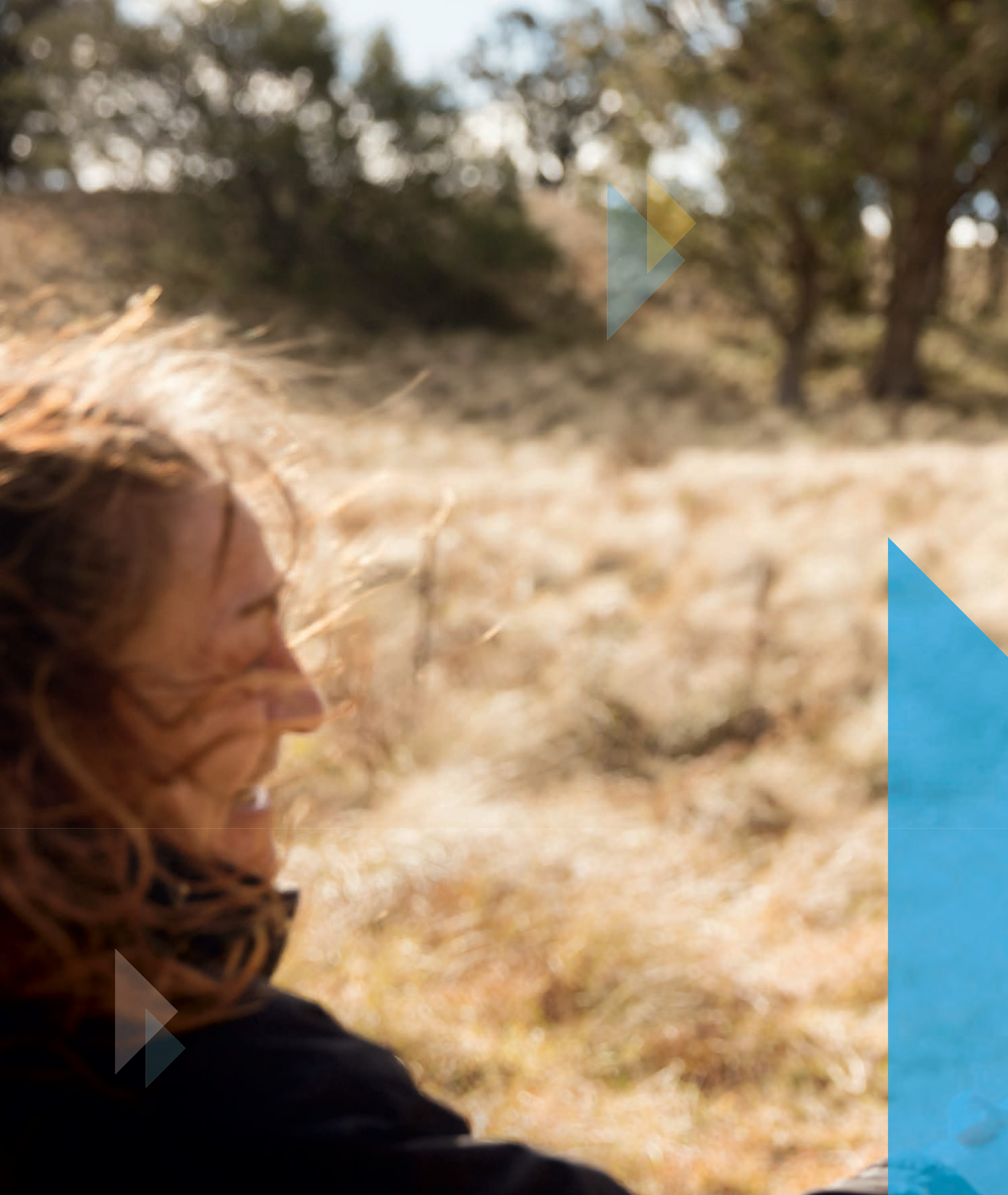

2016 Annual report of National Roads and Motorists' Association Limited and its Controlled entities

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.