ANNUAL REPORT

2018-2019

NEW ZEALAND
AUTOMOBILE ASSOCIATION
INCORPORATED

1.73M AA MEMBERS

3.55% Membership growth

$74.50 average
AA Member saving

$21.02 more than average
Membership subscription

139,000 free eye tests with Specsavers
$8M saving for Members

1.477M
Member calls assisted

NEW
MEMBER BENEFITS
INTRODUCED:

Diagnostic Hearing Test with Bay Audiology and Dilworth Hearing

5-spot Skin Check with Skin Institute

Discounted MOTAT tickets

Discounted Kelly Tarlton's tickets

$68M

in fuel discounts through AA Smartfuel

Front page photo: AA Members who are passionate about the AA. Photo: Alex Wallace.

AA Chief Executive **Brian Gibbons**

TURN OF THE DECADE:

Looking back, looking ahead

As we reflect on the successful year that has come to an end, it is also a good time to consider the key strategies adopted over the last ten years that we now take for granted as part of normal operations, and that make us what we are today.

The key strategy has been to continually build on established services, introduce new Member benefits wherever we can, and expand on the diversity of the overall Membership offer, whilst holding the subscription to a level that has not increased for nearly three decades.

To highlight the expanding range of benefits on offer new Membership renewal notices, launched this year, demonstrate at a glance the value of those discounts and benefits Members have used, where the average value of benefits sits at more than $20 more than the average cost of Membership. That expanding value equation is directly attributable to the growth in benefits.

As well as a helping hand in their time of need with Roadservice, AA Members now enjoy a greater range of discounted and free services than ever before such as free health check-ups, discounted movie tickets and fuel savings. This is in addition to the value of any Roadservice callouts, free motoring advice, the popular AA Directions magazine, as well as maps and regional guides.

YOUR MEMBER BENEFITS

You've saved $263.04 in benefits
over the year with your AA Membership

AA Member Benefits

AA MEMBER DISCOUNTS (Received since xx/xx/xx)	
AA Insurance	$ 60.00
Bike Barn	$ 4.50
AA SMARTFUEL DISCOUNTS (Received since xx/xx/xx) Earned at: Countdown, participating GAS outlets, BP, Contact Energy and 1 more resulting in total fuel discounts of	$ 198.54
YOUR TOTAL SAVINGS From 1 December 2018 to 9 December 2019	$263.04

An example summary of benefits saved through an AA Membership

The last decade has also seen strong growth from the Association's commercial services, with that income underpinning our ability to offer increased benefits to Members at no additional subscription cost. A good example is AA Insurance, the growth and success of which has delivered its strongest return since it started 25 years ago.

The benefit of this strategy is that it continues to attract record levels of Membership enrolments, with a total affiliation this year reaching 1.733M.

On the eve of another decade we believe the Association's relevance to New Zealanders will continue to grow, as new initiatives building Member value come into their own. An example of this is the AA Home Response service which replicates Roadside Assistance for the home and now has more than 100,000 subscribers nationwide after launching just one year ago.

Underpinning that continual diversification is our prime focus on being a Member-centric organisation, placing quality and putting Members first, at the heart of all we do and offer.

Looking toward the coming decade those Member values will not change and will only be enhanced. We have every confidence that with the Association's focus on the core assistance areas of Mobility and Safety, Home and Living, and Wellbeing and Rewards that New Zealanders will increasingly see the benefit of belonging to the country's largest Membership club.

AA President **Roger Bull**.

AA MEMBERSHIP is why we exist

Ensuring continual growth in Membership is a passion for AA General Manager of Club Developments Dougal Swift.

"As New Zealand's largest club the AA exists to provide value to our Members," Dougal said. "For many years our Membership offering revolved around traditional benefits like our iconic Roadservice and maps and guides.

"With new technology emerging and our rapidly changing lifestyles, we've focused on adding new Member benefits to deliver Members greater value. We still attend nearly half a million Roadservice callouts a year but Members are now also using their AA Membership for the range of new benefits we've added over recent years. In the 117 years of the Association's history our Membership value proposition has never been stronger."

During the year under review, the Association launched a range of new Member benefits in the health space.

"I have been an AA Member for about 20 years. I've mainly used my AA Membership when I've had battery issues or I've locked keys in my car. I've also used my AA Membership for other areas, for example the free Specsavers test, and I've used it for Rainbow's End. I've got two young boys who love anything around adventure and rides so we've gone and used that [benefit] as well."

*- AA Member **Mereana Hawthorn***

"We launched our offer of a free Specsavers eye test every two years back in 2012 and that's been very popular, with 139,000 Members receiving a free eye test in the past year. During the year, we supplemented that benefit with free hearing checks at Bay Audiology and Dilworth Hearing, and free skin checks at Skin Institute where Members can get a free 5-spot check.

"Being able to extend the care that we offer our Members at the roadside into the health space to help look after their physical wellbeing is really exciting," Dougal added.

Part of that excitement stems from the flood of positive feedback from AA Members who've utilised their benefits.

"The best feedback was in the case of two Members whose lives were saved through the Specsavers eye test, where a routine test identified a tumour which might otherwise not have been picked up – it's hard to beat saving someone's life! Members value the fact that we can provide them a service where they can go get something checked out that has been bugging them, and as a Member to not have to pay is that extra reason to go and do it."

The AA also achieved a significant milestone – reaching 1.73 million Members.

"In 2003, we hit 1 million Members. My initial target was to get 50% of licensed drivers and now we're at 57%. It took us exactly 100 years to get our first million Members, but at the current run rate we're going to join our second million in only 20 years."

MOBILITY AND SAFETY

AA Roadservice and AA Battery Service

Supporting Members' changing assistance needs

AA Roadservice is the most well-known of our service promises and the main reason people join the AA. It's highly praised by AA Members, regularly receiving monthly "world class" Net Promoter Scores of over 80. AA Roadservice also won Gold in the Roadside Assistance category of the Reader's Digest Awards in 2018 for the third year running.

While the bulk of the 487,005 callouts nationwide in the last year were related to mobilising the motor car, AA Roadservice is constantly looking at ways to offer Members convenient options and value.

This drove the introduction of AA Tyre Service in select areas of Auckland in September 2018, and later a nationwide rollout of temporary foam tyre repairs. Callouts for tyre-related breakdowns were increasing, while at the same time Service Officers were often attending vehicles that didn't have a spare tyre, so there was no option but to arrange a tow truck.

The entirely mobile AA Tyre Service (which includes one fully electric service vehicle) will either fit a temporary tyre so the Member can drive to a place of repair, or sell, fit and balance a replacement tyre at the roadside if their tyre is irreparable. Meanwhile, Holts Tyreweld foam which all Service Officers now carry temporarily repairs the tyre. The foam doesn't render the tyre irreparable, so Members are able to drive to a place of repair.

AA Roadservice also continued to support the growing interest in alternative mobility options among Members by attending motorhomes, motorbikes, mobility scooters, electric vehicles, e-bikes and even bicycles when assistance was required.

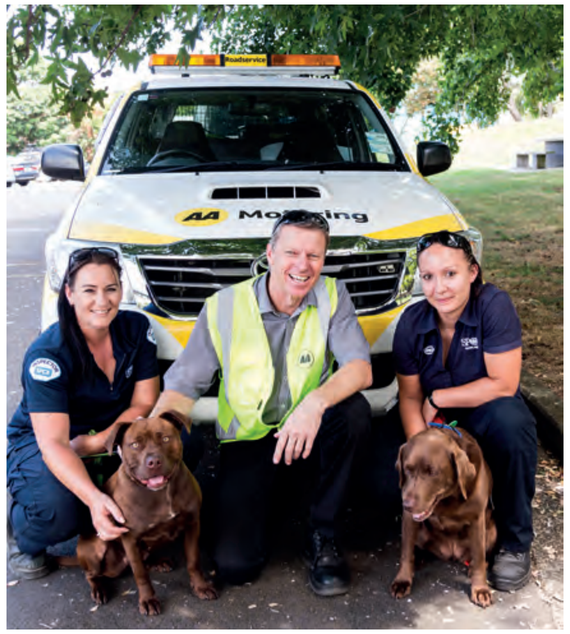
Supporting the wider community was another focus of the year, with Service Officers going to 773 emergency callouts for children locked in vehicles and 636 for pets – a service provided free of charge, regardless of whether the caller is a Member or not.

After delivering a training programme at the SPCA, Service Officer Brett Swanson suggested working together and soon after, the SPCA began to call us when they required assistance getting a trapped pet out of a vehicle.

Meanwhile, AA Battery Service ran a successful campaign promoting it as a destination to drop off old vehicle batteries for recycling. Members who brought an old battery to AA Battery Service's Mt Wellington, Auckland premises went in the draw to win a Velectrix Electric Bike worth $1799, thanks to Member benefit partner Bike Barn. At the end of the six week campaign, 143 batteries had been handed in, far exceeding expectations. |

"I used AA Roadservice when my friend borrowed my car and he slashed two tyres on the kerb. The lovely AA man came, put the car up on jacks, and took the two tyres off. I went and got two new tyres and drove off again… it was a really good thing because there was no way I could change two tyres or drive anywhere with two flat slashed tyres."

*- AA Member **Laura Noblejas***



AA Motoring Services

The continuing growth of AA Auto Centres

AA Motoring Services increased its accessibility for New Zealanders with the opening of two new AA Auto Centre sites, one in Shirley, Christchurch and the other in the heart of Auckland's CBD on Hobson Street.

Those sites helped add to the successful year for the division, with AA's Auto Centres continuing to grow and outstrip New Zealand retail sales growth.

There were more than 145,000 transactions throughout the network, with over 90,000 Warrant of Fitness (WoF) transactions and more than 50,000 menu board services purchased.

At the same time, AA Motoring Services continued to improve its existing network, with the successful relocation of the Whanganui site from an older building that had primarily focused on its WoF offering, to a newer building well placed to deliver all AA Auto Centre products and services including Menu Board Servicing, WoF, Pre-Purchase Inspections and Batteries.

For Members and customers alike, customer experience improved with a new digital innovation allowing customers to input their number plate into the website to confirm the service best suited to their car.

The AA Auto Centre network attracted a Net Promoter Score of 61 for the group, confirming its position as a trusted and loved brand, and making it well placed to offer AA Members great value, transparency and sound advice into the future.

Meanwhile, AA Pre Purchase Inspections were rejuvenated during the year, ensuring the AA remains the number one provider in the motor industry and thus front-of-mind for AA Members and the wider public when they are purchasing a secondhand vehicle.

The first AA Driven New Zealand Car of the Year also took place to industry acclaim, with a new format that puts each of the top 10 finalists to the test both on-road and at the Pukekohe Park Raceway. The awards saw more than 53,000 Kiwis vote in the People's Choice Award, making it the biggest public motoring vote to date.

Finally, an AA End-to-End Vehicle Importing Package, introduced in January 2018, continued to be popular, alongside the offer of free motoring advice for Members online and via an 0800 helpline. AA Motoring Services also provided motoring advice and consumer advice on vehicle safety (through support of the Australasian New Car Assessment Programme (ANCAP) and the Used Car Safety Ratings) via the AA Motoring blog, AA Directions and the media. |

AA Driving School

Championing driver education

As the leading provider of driver training in New Zealand, AA Driving School (AADS) assisted thousands of New Zealanders to enhance their driving abilities through a range of service offerings and a $3.8 million investment in community programmes.

AADS's 120 professional instructors nationwide delivered more than 150,000 lessons to 30,000 students, and more than 15,000 students completed AADS Defensive Driving Courses. This included 51,000 free driving lessons for 19,000 learner licence holders who were AA Members, or had a family member who was a Member, through the AA Ignition programme, and 3,000 free lessons for Members over the age of 74 years through the AA Senior Driver programme.

AADS also went into four low decile Auckland high schools during the year on behalf of the Ministry of Social Development to help prepare students for their learner licence tests. Later, an AA Driver Licensing Agent went into the schools with mobile equipment so students could complete their computerised theory test.

AADS also launched a programme called Accelerate with Manukau Institute of Technology (MIT) to help Trades and Hospitality students gain their driver licences, greatly improving their chances of employment. Accelerate will provide up to 75 MIT students with three free driving lessons; some will also receive a year's free AA Membership. Meanwhile, AADS's Motorcycle Training arm grew in November 2018 when AADS became a facilitator of the ACC-funded Ride Forever programme.

Behind the scenes, AADS was called on by the ACC, the NZ Transport Agency and industry groups to provide expert insights for improving driver education and road safety in New Zealand. It continued to also share this expertise online, in AA Directions magazine, in the media and with Students Against Dangerous Driving (SADD).

On another note, AADS's Fleet and Business training arm saw significant growth during the year with large organisations such as WorkSafe, ANZ and Goodman Fielder becoming clients, and a growing focus on building long-term relationships with Fleet Managers and Health & Safety Managers. |

"I used AA Ignition to get the three free driving lessons and I thought it was really helpful in terms of when you're starting off and you learn the basics and you don't pick up any bad habits. It's a supportive environment to intro you to driving and I got to know my instructor and felt very comfortable and safe in the learning environment."

- AA Member ***Farin Dickinson****, 19*

Government Services

Celebrating 20 years of driver licensing

May 3, 2019 marked 20 years since the AA became the leading driver licensing provider in New Zealand.

The anniversary was of particular significance to a group of employees still with the AA who were involved in the "absolute chaos" of the launch in 1999 when every New Zealander of driving age rushed to an AA Centre to get a new plastic photo driver licence.

In the first 15 months of photo licences, the AA completed 2.8 million driver licensing transactions across 100 sites, with the help of 200 new employees, 40 new Agents and 200 new computers.

Today, 20 million driver licensing transactions later, the AA holds 70% of the market share.

During the year, the AA completed 1.3 million driver and vehicle licensing transactions, at a rate of about 111,000 a month. This included learner licence tests taken via a new computerised theory test that began to be rolled out in the year.

Maintaining a regional presence is of vital importance to the AA, General Manager of Government Contracts Roger Venn said.

"We're looking to grow the in-person and ID verification transactions we process. Because of this, we added a fourth Mobile Licensing Agent in the year."

Mobile Agents take licensing equipment to locations not serviced by an AA Centre or Agency such as Great Barrier Island, Waiheke Island, Twizel and Wanaka. They also go to groups with specific needs, including into prisons, so prisoners have a valid licence when they're released. |

Advocacy and AA Research Foundation

Advocating for better and safer transport

"What would the reasonable motorist's view on this issue be?"

That is the question that AA Motoring Affairs General Manager Mike Noon often comes back to as his team works to be a voice for AA Members to the Government and authorities.

Right from its genesis as a collection of local motoring clubs more than a century ago, a core purpose of the AA has been to advocate for the interests of its Members and we have built a strong reputation in the media and with officials. With the Government and local councils constantly considering changes to transport laws, systems and funding, it is important work.

"Everyone wants to make transport better and safer, and there are always new ideas and proposals being discussed by the Government," Mike said.

"Transport is something where changes made by authorities can have big impacts on people's day-to-day lives. Different people can have completely different views on whether a proposed change would be a positive or negative thing, so my team runs regular surveys to random samples of our Members, as well as research and policy analysis to form the position we take on an issue.

"Our aim is to know how the majority see things and be a moderate and balanced voice."

The year just gone has been another busy one for the AA in terms of its advocacy and research.

Roadside drug testing

The AA has been the leading voice for the introduction of roadside drug testing in New Zealand for many years and the Government finally announced in 2019 that it is going to do it.

Renewed highway projects

AA Motoring Affairs pushed for the Government to deliver a number of desperately needed new highway projects that were stuck in limbo – such as SH2 near Tauranga, SH1 south of Whangarei and SH1 south of Levin – and they now have funding and a commitment to be built.

New road safety strategy

The AA was a voice for Members in the development of the Government's new Towards Zero road safety strategy, which has set ambitious goals for reducing deaths and injuries from crashes by 2030.

Alongside these, AA Motoring Affairs has had success on many other advocacy issues, including a limit on wheel clamping fines, requiring service stations to display a premium price on their boards, and a commitment to signpost future speed cameras. The team also represented Members' views in numerous consultations on speed limit changes around the country.

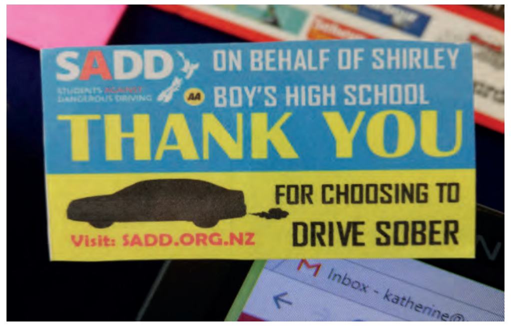
AA Motoring Affairs also conducted a dozen Member surveys across many topics, which identified issues like widespread concern at the maintenance of roads. Plus the team established an AA Auckland

Panel to give regular insights into transport issues in our biggest city and co-hosted a forum for Auckland mayoral candidates in the lead-up to local body elections, to focus on actions needed to address Auckland's congestion problem.

Meanwhile, the AA Research Foundation continued to be a leader in the field of practical road safety research and completed studies into how effectively the change to mandatory alcohol interlock sentences was working in New Zealand and whether different types of road markings affected the travel speeds of drivers.

SADD

A prominent voice on road safety issues



Students Against Dangerous Driving (SADD) gained significant traction in the year, helped greatly by the AA's $200,000 grant for the not-for-profit.

SADD is a student-led, peer-to-peer programme, which advocates for the safety of all road users, with a particular focus on empowering young New Zealanders to make safer and better choices on the road.

The SADD team ran two campaigns during the year - Phone Free 48 and Remember September – and took part in Road Safety Week, NZ Police checkpoints and much more. The team also collaborated with national and local road safety groups, and presented their ideas on improving road safety to the Ministry of Transport group tasked with shaping the Government's new Towards Zero road safety strategy.

"It was a fantastic year for SADD, driven by a very passionate group of Year 12 and 13 National Leaders who led regular road safety awareness activities and campaigns in their schools and communities," SADD National Manager Donna Govorko said.

"SADD has six principles which are the foundation of all activities and campaigns: sober drivers; safe speeds; no distractions; avoiding risks; driving to the conditions and building experience."

Phone Free 48 saw students across the country go 48 hours phone-free, with students aiming to show "going without your phone for small amounts of your day won't harm you, but using your phone while driving might".

Remember September saw students run a variety of activities to promote SADD's key messages, from handing out pamphlets with those messages in their communities, to challenging people to navigate an obstacle course while distracted.

SADD also supported Road Safety Week for the first time, with students again raising awareness of key road safety issues, and SADD National Leader Kelsey Beet, 17, appearing on The AM Show to talk about the difference the programme is making.

Lastly, SADD National Leaders created Driver Education Packs for their peers and video resources to ignite the passion among SADD groups and other students nationwide.

HOME AND LIVING

AA Insurance

Our strongest return in history

While New Zealand may have experienced the worst and most expensive natural weather events on record during the previous financial year, this year was the exact opposite. In fact, it was the most benign period on record, meaning AA Insurance, a joint venture between the AA and Suncorp New Zealand, delivered its strongest return in history, and continues to contribute positively to the Association's funding.

Influences of note include AA Insurance's continued status as one of New Zealand's top motor insurers, protecting almost 540,000 Kiwi vehicles, and its enhanced digital capability.

Despite the rising cost of vehicle repairs, there was a notable reduction in claims. Together with its network of high-quality collision repairers and Capital SMART partnership, AA Insurance ensured customer vehicles were repaired swiftly, to a high standard and with minimal impact on financial performance.

The significant uplift in customers wanting to use digital capability also allowed the company to make better use of resources. AA Insurance responded with a 'self-serve' login portal, supported by Live Chat and switchboard.

"I've been an AA Member for about 15 years. Certainly my experience with car insurance has been very good. When I did have a crash they took the car away, they fixed it, they brought it back, without me even having to pick up the phone after the first call."

*- AA Member **David George***

The strong return also meant considerable growth in customer and insurance policy numbers, as well as staff numbers. By June 2019, more than 720 staff were dedicated to looking after almost 410,000 customers and over 810,000 policies.

"By the end of the year we had almost 20,500 more customers, and around 58,500 more policies than last year, and the needs of every customer continued to be our key focus," said CEO, Chris Curtin. "It's the foundation of AA Insurance's growth and reputation as an award-winning insurer and one of New Zealand's most trusted companies."

AA Insurance maintained its position for the fifth consecutive year in the Colmar Brunton Corporate Reputation Index, ranking fifth among 100 of New Zealand's most successful companies. The company also won the 2018 Canstar Blue Most Satisfied Customers Award for Home and Contents Insurance, for the sixth year running.

Finally, the extensive media coverage that stemmed from the Australian Royal Commission into misconduct in banking and financial services, and the performance review of New Zealand life insurance products over the past five years, has resulted in impending regulatory changes for all insurers. The resulting internal review at AA Insurance showed the company to be in a good position. One reason is that for over a decade AA Insurance has not had a "catch all" requirement for customers to disclose any information an insurer might deem material aside from the specific underwriting questions asked.

AA Finance

Lending a hand

For AA Finance General Manager David McLister, 2018-2019 year was a mixed bag in the world of lending.

While car ownership in New Zealand continues to be amongst the highest in the world, there was a clear softening in the market for the year when compared to the prior year.

"Total lending reduced by almost a quarter, principally in the second half of the year. However the outlook continues to be positive overall. The AA Finance proposition of market competitive interest rates, plus a full seven day a week call centre, means we are well positioned as a significant provider of car finance to both Members and the general public alike," David said.

It was also a year in which the AA announced a new partnership to be launched in the next financial year with Suncorp New Zealand to jointly explore how both organisations can expand financial service offerings.

The objective of the joint venture, AA Money, will be to provide affordable finance for all Kiwis, with AA Members as the primary beneficiaries, and will build on an existing successful partnership with Suncorp New Zealand jointly providing general and life insurance through AA Insurance and AA Life.

AA Home

Help in your hour of need

It was a significant year for AA Home – one of the AA's newest joint ventures – as it rolled out nationwide and also achieved a combined subscriber base for AA Home Response and AA Home Response Plus of more than 100,000.

Initially launched in select areas of Auckland in February 2018, AA Home Response provides 24/7 expert tradesperson assistance for emergency plumbing, electrical and locksmith jobs. It is the AA's first foray into supporting Members' assistance needs around the home.

While the bulk of the 104,419 subscribers to date were from the support of joint venture partner, AA Insurance, the subscriber base across Membership continued to grow. This was helped by the rollout to all 37 locations nationwide where there is an AA Centre. As it rolled out, regional pricing was introduced alongside joint after hours/public holiday rates.

"It was absolutely thrilling to hit our year-end milestone of rolling out AA Home Response nationwide," AA Home Commercial Manager Bek Wall said.

"The reception we received in AA Centres in regional New Zealand was incredible as team members were so excited we would be offering AA Home Response in their towns. We look forward to continuing to grow our subscriber base in the year to come as we grow awareness of AA Home Response. We will also explore new product offerings under the AA Home umbrella which could provide additional value to Members."

Behind the scenes, AA Home dispatch and servicing transferred from Global Home Response (GHR) in Melbourne, to the AA Contact Centre in Auckland in April 2019. The AA Home team also grew from just a Commercial Manager to four employees, including a Trade Manager who helped grow the AA Home Tradespeople network to 76 contracted trade companies nationwide.

The highly skilled tradespeople attended 463 callouts during the year: 368 for plumbing, 71 for electrical and 24 requiring a locksmith.

"For many of our subscribers, having AA Home Response is like an insurance," Bek said. "It gives them peace of mind that if something goes wrong any time of the day or night, they can count on us to provide emergency assistance, usually within the hour." |

WELLBEING AND REWARDS

Wellbeing Protection

Pet Insurance added to successful portfolio

It was the most successful year ever for AA Partner Insurances, which comprises AA Life (life insurance underwritten by Suncorp New Zealand); AA Health (medical insurance underwritten by nib); AA Travel Insurance and the new AA Pet Insurance (both underwritten by Allianz Partners).

Asked what he believed was behind the success, AA Partner Insurances General Manager Mark Savage put it down to a combination of factors.

"We are connected to the highly trusted AA brand and have discounts for AA Members; we have comprehensive, well-rounded products which are good value for money, and we provide a fantastic digital experience, as well as touchpoints throughout New Zealand through the AA Centre Network."

With those factors in play, AA Pet Insurance launched in October 2018. It includes protection for cats and dogs; helping owners cover the cost of unexpected vet bills.

"While it can be hard to think about bad things happening to a beloved pet, it's great to know we're there for pet owners when they need us," Mark said.

"Take for example, Charlie, a 6-month-old Border Collie who stole a sushi ball from the dining table and swallowed it whole. His owners took him to a vet, who discovered a skewer from the sushi ball had become wedged in his stomach. Thankfully, they had AA Pet Insurance so we covered the $3,787 cost of emergency surgery to have the skewer removed – and now Charlie is fine."

In the eight months since launch, the number of policies written increased month-on-month. Thousands of dollars were also paid out in claims, with the largest single claim coming to $4,979.

Meanwhile, AA Travel Insurance continued to be popular with millions of dollars also paid out in claims, including one single claim payment of $258,801.

It was also a good year for AA Life and AA Health, which were voted Highly Commended in their respective categories in the Reader's Digest Trusted Brands survey. AA Life also achieved a positive Net Promoter Score of 37 in June, which is incredibly strong for the life insurance category.

In the year ahead, AA Partner Insurances will continue to focus on enhancing the digital experience it provides (already, online policy sales have increased by more than 15 per cent across the partnerships year-on-year, while 71 per cent of Pet Insurance sales in the first eight months were online). It will also focus on meeting the needs of a changing regulatory environment and continuing to provide good outcomes for all customers. |

MEMBER BENEFITS

AA Smartfuel

AA Smartfuel charts a course for the future

It was a year of big changes for the programme, according to AA Smartfuel Managing Director Scott Fitchett.

"Caltex exited the programme, so we now have BP and GAS as our exclusive fuel partners," he said. "GAS provides a large network (120 sites) in rural and regional New Zealand. With this change, it is time to focus on the next decade and how we can continue to support AA Members in the cost of transportation.

"We know fuel is and will be an essential part of everyday life for the foreseeable future. In the past 12 months we issued $68 million in fuel discounts to AA Members, with the total value of discounts earned by all cardholders sitting at $123 million."

Also on the agenda is a drive to offer cardholders rewards in other areas.

"We are thinking now about the growing number of Members who drive an EV or use public transport, and what they would find of most value. We want to offer a relevant and alternative benefit that reflects the changing world and delivers more value in their lives," Scott said.

Meanwhile, AA Smartfuel is continuing to focus on adding more retail partners to the programme to grow Member value.

"BP is doing more 10cpl discount days and has added more stations to its network which supports the programme growth and accessibility. Our non-fuel partners such as Countdown, Contact Energy, PlaceMakers and Repco are doing more promotions, which is key to adding increased value to Members from their everyday spend.

"We were also pleased to welcome AA Insurance and ASB credit cards as new partners during the past year, both of which also offer increased value to Members from their everyday spend," Scott added. |

AA Tourism Benefits

Growing value for AA Members

The 2018-2019 year saw a number of changes for AA Tourism Benefits to provide greater value to AA Members across the AA's Travel & Tourism portfolio, so remaining their first port of call when they require information and recommendations to plan their journeys.

On the one hand, there was a shift in focus from providing accommodation listings to providing new guides with wider appeal, while on the other, significant work went into scoping out new rental car and accommodation booking partnerships to competitive offers to Members, effective 2019-2020.

During the year, more than two million maps, guides and atlases were printed and distributed in AA Centres, i-SITES, airports and many accommodation, attraction and tour operators so that both Members and international visitors could make the most of their time when travelling around New Zealand.

This included new North Island and South Island guides, which are full of information to help travellers plan their journeys, niche walking and cycling guides, and a new Auckland Official Visitor Guide in partnership with the Auckland Council-controlled organisation Auckland Tourism, Events and Economic Development (ATEED).

In March 2019, the Member benefit partnership with Bookeasy ended; this was a precursor to a new partnership offering Members a global travel services portfolio from November 2019.

Another highlight was the return of AA Traveller's 101 Must-Do's, to inspire New Zealanders to explore world-class attractions close to home. To make the experience even sweeter, AA Traveller gave away prizes to people who posted a photo of themselves turning a Must-Do into a #mustdone online, including holiday packages, Must-Do experiences, event tickets, free tanks of fuel and, for one lucky entrant, a brand new Suzuki Vitara. The campaign highlighted AA Traveller as a strong advocate for domestic tourism to an audience of approximately 1.4 million people through media and social media.

Lastly, a new AA Traveller app was launched, providing AA Members an easy way to research what to see and do when they're on holiday. |

Financial Results

Financially the Association had another successful year, recording a net surplus of $31.5M.

AA General Manager of Finance John Ramaekers said the overall result can be summarised across four distinct areas.

"The Automobile Association's Club activities recorded a small surplus of $1.9M. The commercial joint ventures contributed $27.5M, and investment funds saw a return of $6.3M. This enabled sizeable grants to be made to both the AA Research Foundation and SADD of $200,000 each, and $3.8M to be paid back to AA Members by way of free driving lessons. Compared to the prior year, the results from the joint ventures were considerably better, however, due to the volatile nature of the sharemarket, the returns from investment funds were significantly less," John said.

It's that mix within the Association that John believes provides a unique ability to balance its activities.

"Our diverse range of revenue streams - motoring services, driver licensing, an insurance company, a rewards scheme, to name a few - is a real strength for the Association. The commercial activities, for example, have helped us maintain our Membership subscriptions at the same level for nearly 30 years, while Members are earning more in discounts and rewards than ever before," John added.

The result has further strengthened the Association's financial position with net assets increasing to $282M.

"This strong position sets the Association up well for the future, and provides the financial resource necessary to make new investments which will add further diversification of our revenue streams," John said.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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FOR THE YEAR ENDED 30 JUNE 2019

DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2019

BOARD MEMBERS		Appointed	Resigned
R K Bull	President	29/03/2008	
G T Stocker	Vice President	28/03/2009	
B H Flintoff		27/03/2010	
S J Grant		22/03/2014	
W S Masters		19/03/2011	
A G McKillop		25/03/2017	
L J Tait		18/04/2002	
M R Winger		25/06/1993	

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AUDITORS
Deloitte Limited

BANKERS
ANZ

SOLICITORS
Holmden Horrocks

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
BOARD MEMBERS' STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

Disclosure to the National Council and Members

The Board Members have pleasure in presenting the Annual Report for the year ended 30 June 2019.

The Board Members have approved the financial statements of The New Zealand Automobile Association Incorporated for the year ended 30 June 2019.

For and on behalf of the Board.

R K Bull, President	M R Winger, Board Member
27 September 2019	*27 September 2019*
Date	Date

Approved for distribution by the National Council on 27 September 2019.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Revenue	1	137,168	132,978
Share of profit or loss in joint ventures	19	27,467	19,704
Other gains / (losses)	2	5,456	11,774
Total revenue		170,091	164,456
Employee entitlements		72,099	69,846
Delivery and distribution		33,453	32,972
Plant, office and property overheads		8,024	7,882
Advertising and promotion		3,945	3,802
IT and telecommunications		8,729	8,475
Motor vehicle expenses		2,893	2,950
Driver education programs		3,400	3,325
Other expenses		6,501	6,347
Total expenses	3	139,044	135,599
Operating surplus before tax and grants		31,047	28,857
Grant to NZAA Research Foundation		200	400
Grant to SADD Aotearoa - Students Against Dangerous Driving Charitable Trust		200	200
Taxation benefit/(expense)	4	-	-
Net surplus for the year attributable to the association acting in the interests of members		30,647	28,257
Other comprehensive revenue and expense net of tax			
Gain/(loss) on revaluation of properties	16	793	941
Share of other comprehensive revenue and expense of joint ventures	19	43	1
Other comprehensive revenue and expense for the year net of tax		836	942
Total comprehensive revenue and expense for the year attributable to the association acting in the interests of members, net of tax		31,483	29,199

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Asset revaluation reserve $'000	Accumulated comprehensive revenue and expense $'000	Total $'000
Balance at 30 June 2017		10,800	185,094	195,894
Net surplus for the year attributable to the association acting in the interests of members		-	28,257	28,257
Other comprehensive revenue and expense				
Gain/(loss) on revaluation of properties	16	941	-	941
Share of other comprehensive revenue and expense of joint ventures	17	-	1	1
Total other comprehensive revenue and expense		941	1	942
Total comprehensive revenue and expense, net of tax		941	28,258	29,199
Balance at 30 June 2018	16 & 17	11,741	213,352	225,093
Net surplus for the year attributable to the association acting in the interests of members		-	30,647	30,647
Other comprehensive revenue and expense				
Gain/(loss) on revaluation of properties	16	793	-	793
Share of other comprehensive revenue and expense of joint ventures	17	-	43	43
Total other comprehensive revenue and expense		793	43	836
Total comprehensive revenue and expense, net of tax		793	30,690	31,483
Balance at 30 June 2019	16 & 17	12,534	244,042	256,576

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	22	37,714	34,607
Other financial assets	5	162,334	146,632
Taxation receivable		9	5
Sundry receivables & prepaid expenses	6	9,294	9,011
Dividend receivable	19	165	169
Inventories	7	1,092	1,259
Total current assets		210,608	191,683
Non-current assets			
Property, plant and equipment	8	35,215	34,892
Investment properties	11	220	200
Investments accounted for using the equity method	19	56,076	43,370
Capitalised lease		11	31
Goodwill	9	3,118	3,118
Other intangible assets	10	2,995	3,283
Total non-current assets		97,635	84,894
Total assets		308,243	276,577
Current liabilities			
Payables	12	12,629	12,573
Employee entitlements		5,252	5,187
Unearned revenue	15	695	991
Deferred income	14	4,162	4,296
Total current liabilities		22,738	23,047
Non-current liabilities			
Make good provision	13	155	120
Deferred income	14	2,802	2,984
Total non-current liabilities		2,957	3,104
Total liabilities before subscriptions in advance		25,695	26,151
		282,548	250,426
Association funds			
Accumulated comprehensive revenue and expense	17	244,042	213,352
Asset revaluation reserve	16	12,534	11,741
Total association funds		256,576	225,093
Subscriptions in advance		25,972	25,333
Total association funds and subscriptions in advance		282,548	250,426

For and on behalf of the Board:

R K Bull, President

27 September 2019

Date

M R Winger, Board Member

27 September 2019

Date

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from members and customers		135,996	133,643
Interest received		891	878
Dividends received		5	5
Payments to suppliers and employees		(133,893)	(130,938)
Grant to the NZAA Research Foundation		(200)	(400)
Grant to Students Against Dangerous Driving Trust		(200)	(200)
Net cash flows from/(used in) operating activities	23	2,599	2,988
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		528	842
Dividends received from joint ventures		15,059	16,741
Other taxes received		-	4
Payments for property, plant and equipment		(3,388)	(3,019)
Payment for intangible assets		(1,437)	(2,111)
Payments for purchase of equity accounted investments		(254)	(250)
(Increase)/decrease in other financial assets		(10,000)	(15,000)
Net cash flows (used in)/from investing activities		508	(2,793)
Cash flows from financing activities			
Net cash flows from/(used in) financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		3,107	195
Cash and cash equivalents at the beginning of year		34,607	34,412
Cash and cash equivalents at the end of year	22	37,714	34,607

The accompanying notes form an integral part of these financial statements and should be read in conjunction with them.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Summary of significant accounting policies

Reporting entity

The New Zealand Automobile Association Incorporated (the 'Association') is an Incorporated Society registered under the Incorporated Societies Act 1908, and domiciled in New Zealand, and is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act (2013).

The Association business is in providing motoring and auxiliary services to its members and the public within New Zealand.

The financial statements of the Association and its subsidiaries (the "Group") are for the year ended 30 June 2019. The financial statements were issued by the Board, and approved for distribution by the National Council, on the 27 of September 2019.

Statement of compliance

The statutory base for the Association is the Incorporated Societies Act 1908. The statutory base for the Association's subsidiaries is the Companies Act 1993 and the Financial Reporting Act 2013.

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable Financial Reporting Standards as appropriate for Tier 1 not-for-profit public benefit entities.

Measurement base

The financial statements have been prepared on the historical cost basis except for investment properties, land and buildings classified as property, plant and equipment and managed fund investments, which have been measured at fair value.

Functional and presentation currency

The financial statements are presented in New Zealand Dollars (NZD) and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated. The functional currency is New Zealand Dollars (NZD).

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2019 and in the comparative information presented in these financial statements.

Summary of significant accounting policies (continued)

Significant accounting policies

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Association and entities controlled by the Association (its subsidiaries). Control is achieved where the Association has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive revenue and expense from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Entities controlled by the same party before and after a business combination are considered to be entities under common control, as the business combination does not result in a transfer of control. A business combination involving entities under common control involves assets and liabilities being transferred at carrying amounts with any difference resulting in an adjustment to equity.

All subsidiaries are accounted for under the group policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Refer to note 18 for a full listing of subsidiaries at balance date.

Only the group results have been presented as under the Incorporated Societies Act 1908 parent results are not required.

b) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The group has no investment in associates.

c) Interest in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and strategic operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The results and assets and liabilities of joint ventures are incorporated in the Group financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Statement of accounting policies (continued)

c) Interest in joint ventures continued

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in surplus or deficit (refer to (d)).

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture. However, where the Group provides loans to its jointly controlled entities interest earned is recognised within the group and it is not eliminated on consolidation. Also, where the Group charges its jointly controlled entities for service fees, for example brand fees, the service fee revenue is recognised within the group and it is not eliminated on consolidation. There were no loans outstanding to joint ventures at the end of the financial year.

The financial statements of the joint venture are prepared for the same reporting periods as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Refer to note 19 for a full listing of joint ventures at balance date.

d) Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the surplus or deficit on disposal.

The Group's policy for goodwill arising on the acquisition of a joint venture is described at (c) above.

Statement of accounting policies (continued)

e) Revenue from exchange transactions

Rendering of services

Revenue from the rendering of services is measured at the fair value of the consideration received or receivable, net of returns and allowances, discounts and volume rebates. Depending on contractual arrangements, revenue is recognised either when services are rendered, or when the period of cover is complete.

Subscription income

Members' subscriptions are paid annually in advance throughout the year and are allocated to revenue on a daily pro rata time basis. The proportion of subscriptions received, which relate to the period after balance date, are included in the financial statements as subscriptions in advance.

Unearned income

Advertising revenue is earned through two sources, web and publications.

Advertising revenue for publications is deferred and classified as unearned revenue on the statement of financial position until completion of delivery to the users of the publications at which point it is recognised in surplus or deficit.

The cost of publications in development at balance date is recognised as an asset where the costs directly attributable to the development of the publication can be measured reliably. The development costs mainly comprise the direct costs of certain personnel dedicated to developing adverts and creating the content for the publications, artwork and other publication production and development costs, including appropriate and directly attributable overheads. The asset is amortised to surplus or deficit on completion of delivery of the relevant publication when the related revenue is recognised. The asset is set off against the related unearned income in the statement of financial position until recognition in surplus or deficit.

Deferred income

Deferred income from corporate membership is recognised in surplus or deficit over the period to which the service relates which may be longer than a year. It is classified as liabilities on the statement of financial position and allocated between current and non-current.

Rental income

Rental income is recognised on a straight line basis over the period of the lease.

Dividend and interest revenue

Dividend revenue from investments is recognised when the right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and call and term deposits < 3 months, net of outstanding bank overdrafts.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Statement of accounting policies (continued)

g) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through surplus or deficit' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest method less impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial asset.

Financial assets at fair value through surplus and deficit (FVTSD)

Financial assets are classified as at FVTSD where the financial asset is designated as at FVTSD.

A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTSD are stated at fair value, with any resultant gain or loss recognised in surplus or deficit. The net gain or loss recognised in surplus or deficit incorporates any dividend or interest earned on the financial asset.

Impairment of financial assets

Financial assets other than those at fair value through surplus or deficit are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit.

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, the previously recognised impairment loss is reversed through surplus or deficit to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Statement of accounting policies (continued)

h) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

i) Property, plant and equipment

Carrying amount

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by independent registered valuers and with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the statement of financial position date.

Refer to the accounting policy critical accounting judgments and key sources of estimation uncertainty policy for methods and significant assumptions used in the valuations.

Any revaluation increase arising on the revaluation of such land and buildings is credited in equity to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in surplus or deficit, in which case the increase is credited to surplus or deficit to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to surplus or deficit to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to surplus or deficit. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive revenue and expense.

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land.

Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

Statement of accounting policies (continued)

i) Property, plant and equipment (continued)

The following estimated useful lives are used in the calculation of depreciation.

• Buildings - Retail/Administration	50 years
• Buildings - Technical	25 years
• Leasehold Improvements	10 years
• Plant & Equipment	10 years
• Motor vehicles	6 years
• Furniture and Fittings	5 years
• Computer Equipment	3-5 years

The residual value of assets is reassessed annually.

j) Investment property

Investment property is property held to earn rental income. Investment property is measured initially at its cost including transaction costs. Subsequent to initial recognition, investment property is measured at fair value with any change therein recognised in surplus or deficit.

Investment property revaluations are performed annually. The values are based on market values being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared using a discounted cashflow methodology based on the estimated rental cash flows expected to be received from the property adjusted by a discount rate that appropriately reflects the risks inherent in the expected cash flows. Refer to the accounting policy critical accounting judgments and key sources of estimation uncertainty policy for methods and significant assumptions used in the valuations.

Investment properties are derecognised when they have been disposed of and any gains or losses incurred on disposal are recognised in the statement of comprehensive revenue and expense in the year of derecognition.

k) Intangible assets

Computer software acquired, which is not an integral part of a related hardware item, is recognised as an intangible asset. The costs incurred internally in developing computer software are also recognised as intangible assets where the Group has a legal right to use the software and the ability to obtain future economic benefits from that software. Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These assets have a finite life and are amortised on a straight line basis over their estimated useful life of 3 or 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Statement of accounting policies (continued)

l) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease liability.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset or the lease term, whichever is shorter.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

m) Trade payables and other accounts payable from exchange transactions

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables and other accounts payable are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

A provision for make good is recognised when there is a present obligation as a result of a property lease, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably.

n) Taxation

The Group is liable for taxation on its commercial trading activities, interest and rental income under section CB33 of the Income Tax Act 2007. The Group is exempt from taxation on membership related activities.

Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive revenue and expense because it excludes items of income or expense that are deductible in other years and it further excludes items that are never taxable or deductible. The Group's provision for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Statement of accounting policies (continued)

n) Taxation (continued)

Deferred tax

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than as a result of a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such 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.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group 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 there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in surplus or deficit, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Imputation credits

No disclosure is made in respect of imputation credits, since these are not utilisable by parties external to the Group.

Statement of accounting policies (continued)

o) Goods and services tax

"Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. 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 operating cash flows.

p) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Defined contribution plans

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

q) Statement of cash flows

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. The following terms are used in the statement of cash flows:

Operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of members' funds and borrowings of the entity.

r) Foreign currencies

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of comprehensive revenue and expense in the period in which they arise.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Statement of accounting policies (continued)

s) Impairment

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in surplus or deficit immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying value does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Board Members are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

There were no critical judgments made in applying the accounting policies above.

Statement of accounting policies (continued)

Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Fair value of land and buildings and investment property

The fair value of land & buildings and investment properties is determined at balance date using market values determined by independent registered valuers. In the absence of current prices in an active market, the valuations are prepared using a discounted cashflow methodology based on the estimated rental cash flows expected to be received from the property adjusted by a discount rate (ranging from 5.75% to 9.25% (2018: 5.75% to 9.30%)) that appropriately reflects the risks inherent in the expected cash flows. The most significant property is Albert Street and the effective market yield ranges from 6.49% to 6.77% as at 30 June 2019 (2018: 6.54% to 6.78%). Valuations are completed in accordance with the New Zealand Institute of Valuers (NZIV) and Property Institute of New Zealand (PINZ) Code of Ethics, and Valuation Standards, including API and NZPI Professional Practice Fifth Edition, New Zealand Valuation Guidance Note 1 and International Valuation Application 1. Refer to note 8 and 11 for valuations.

Joint Ventures

Although the Group holds less or more than 50% ownership interest in some of their investments (refer to note 19), these are classified as joint ventures as there is a contractual arrangement and the Group holds 50% of the voting rights and hence has joint control in all cases. The carrying value of investments in joint ventures is reviewed at balance date to determine whether or not any losses over and above the carrying amount of the investment should be recognised. If the Group determines there is a constructive obligation to the joint venture then the Group will continue to recognise their share of the losses.

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Board members to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, refer note to 9.

Accounting Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective. Management has yet to determine the impact of the new standards.

Major new standard, interpretation or amendment	Effective date (period beginning on or after)
PBE IFRS 9 Financial Instruments	1 January 2021
PBE FRS 48 Service Performance Reporting	1 January 2021

1. Revenue

	2019 $'000	2018 $'000
Revenue from exchange transactions:		
Membership fees and subscriptions	59,013	57,005
Sale of goods	6,348	5,923
Rendering of services to members and public	70,907	69,143
Dividends	5	5
Interest revenue (loans and receivables)	895	902
	137,168	132,978

2. Other gains / (losses)

	2019 $'000	2018 $'000
Revaluation of investment properties	20	5
Change in fair value of financial assets classified as fair value through surplus or deficit	5,974	12,476
Impairment reversal / (losses) on revalued land and buildings	(538)	(707)
	5,456	11,774

3. Expenses

		2019 $'000	2018 $'000
	Net surplus for the year has been arrived at after charging/(crediting):		
(a)	***General expenses***		
	Depreciation of property, plant and equipment (note 8)	3,099	3,053
	Amortisation - Software (note 10)	1,459	1,393
	Operating lease expense	3,313	3,047
	Raw materials and consumables used	3,731	3,606
	(Gain)/loss on disposal of property, plant and equipment	(306)	(449)
	(Gain)/loss on disposal of intangible assets	266	1
	Legal expenses	192	312
(b)	***Personnel expenses***		
	Employee benefits expense	65,374	63,068
	Defined contribution plans	3,334	3,162

4. Taxation

4a. Income tax expense

	2019 $'000	2018 $'000
Current tax (expense)/benefit	-	-
Deferred tax	-	-
Income tax (expense)/benefit for the year	-	-

Income tax (expense)/benefit for the year can be reconciled to the accounting profit as follows:

	2019	2018
Operating surplus/(loss) from continuing activities before tax and grants	31,047	28,857
Less grants to NZAA Research Foundation	(200)	(400)
Less grant to Students Against Dangerous Driving Trust	(200)	(200)
	30,647	28,257
Income tax using company tax rate 28%	8,581	7,912
Effect of exempt (surplus)/deficit	(9,093)	(7,279)
Effect of permanent differences	7,220	5,785
Effect of temporary differences	114	109
Effect of prior period adjustments	(1,493)	(666)
Effect of unused tax losses not recognised as deferred tax assets	239	331
Effect of imputation credits recognised	(5,568)	(6,192)
	-	-

4b. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are offset on the face of the Statement of Financial Position where they relate to entities within the same taxation authority.

The following is the analysis of temporary differences relating to deferred tax balances (after offset) for statement of financial position purposes:

	1-Jul-18 $'000	Charge to profit or loss $'000	Charge to equity $'000	30-Jun-19 $'000
Gross deferred tax liabilities				
Property, plant and equipment	(2,988)	252	-	(2,736)
Investment Property	(54)	(6)	-	(60)
Tax liabilities	(3,042)	246	-	(2,796)
Set off of tax losses	3,042	(246)	-	2,796
Net tax liabilities	-	-	-	-
Gross deferred tax assets				
Employee provisions	868	(49)	-	819
Doubtful debts provision	16	2	-	18
Inventory provisions	1	-	-	1
Other	87	40	-	127
Brought forward tax losses recognised	2,070	(239)	-	1,831
Tax assets	3,042	(246)	-	2,796
Set off of tax losses	(3,042)	246	-	(2,796)
Net tax assets	-	-	-	-

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4b Deferred tax assets/ (liabilities) (continued)

	1-Jul-17 $'000	Charge to profit or loss $'000	Charge to equity $'000	30-Jun-18 $'000
Gross deferred tax liabilities				
Property, plant and equipment	(3,150)	162	-	(2,988)
Investment Property	(53)	(1)	-	(54)
Tax liabilities	(3,203)	161	-	(3,042)
Set off of tax losses	3,203	(161)	-	3,042
Net tax liabilities	-	-	-	-
Gross deferred tax assets				
Employee provisions	693	175	-	868
Doubtful debts provision	19	(3)	-	16
Inventory provisions	6	(5)	-	1
Other	84	3	-	87
Brought forward tax losses recognised	2,401	(331)	-	2,070
Tax assets	3,203	(161)	-	3,042
Set off of tax losses	(3,203)	161	-	(3,042)
Net tax assets	-	-	-	-

The Association has unrecognised New Zealand tax losses of approximately $16.95 million (2018: $22.20 million). Refer statement of accounting policies Taxation note (n). Losses continue to be subject to the approval of the Inland Revenue Department.

5. Other financial assets

	2019 $'000	2018 $'000
Investment managed funds	162,334	146,632
	162,334	146,632

Investment managed fund represents the Group's investment in three diversified portfolios managed by JMI Wealth Limited, Nikko Asset Management New Zealand Limited and ANZ Investments New Zealand Limited. The portfolios consist of equities, trust units and fixed interest investments.

6. Sundry receivables, prepaid expenses and other current assets

	2019 $'000	2018 $'000
Sundry receivables - from exchange transactions	5,860	5,949
Allowance for doubtful debts	(65)	(56)
Prepayments	1,996	1,684
Other	1,503	1,434
	9,294	9,011

The average credit period on sales of goods and service is 60 days (2018: 60 days). Interest is charged only when the customers go beyond their agreed credit period. The Group provides for doubtful debts on a customer by customer basis. Payment terms are determined by contractual arrangements.

The receivables balance is made up of a large number of low-value receivables; there are no customers who represent more than 4% (2018: 5%) of the total balance of trade receivables. Before accepting a new customer the Group assesses the potential customer's credit quality and defines credit limits by customer.

Included in the Group's sundry receivables balance are receivables with a carrying amount of $1,519,252 (2018: $1,480,682) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

6. Sundry receivables, prepaid expenses and other current assets (continued)

Ageing past due sundry receivables that are not impaired	2019 $'000	2018 $'000
30-60 days	983	981
60-90 days	306	355
90+ days	230	145
	1,519	1,481

Movement in the allowance for doubtful debts	2019 $'000	2018 $'000
Balance at beginning of the period	56	68
Impairment losses recognised on receivables	25	43
Amounts written off as uncollectable	(4)	(43)
Amounts recovered during the year	-	-
Impairment losses reversed	(12)	(12)
Balance at end of period	65	56

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Board members believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The Group does not hold collateral over these balances. The net carrying amount is considered to approximate their fair value.

The doubtful debt provision of $65,299 (2018: $55,920) is applicable to invoices aged 30+ days (2018: 30+ days).

7. Inventory

	2019 $'000	2018 $'000
Retail stock	699	832
Consumables	393	427
	1,092	1,259

The cost of inventories recognised as an expense during the period was $3,731,925 (2018: $3,605,972). The cost of inventories recognised as an expense includes $3,255 (2018: $2,245) in respect of write-downs of inventory to net realisable value, and has increased by $1,010 (2018: -$15,424) in respect of the Increase of such write-downs.

8. Property, plant and equipment

	Freehold Land	Buildings	Leasehold Improvements	Plant and Equipment	Furniture & Fittings	Motor Vehicles	Computer Equipment	Work in Progress	Total
	at fair value	at fair value	at cost	at cost	at cost	at cost	at cost	at cost	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount									
Balance at 1-July-17	11,621	13,514	6,563	3,064	9,813	9,649	3,687	821	58,732
Net additions / (transfers)	-	617	103	118	533	1,913	348	(613)	3,019
Disposals	-	-	(83)	(221)	(566)	(2,332)	(787)	-	(3,989)
Revaluation increase / (decrease)	645	(727)	-	-	-	-	-	-	(82)
Balance at 30-June-18	12,266	13,404	6,583	2,961	9,780	9,230	3,248	208	57,680
Net additions / (transfers)	-	231	82	150	432	1,360	650	483	3,388
Disposals	-	-	(19)	(36)	(9)	(1,574)	(542)	-	(2,180)
Revaluation increase / (decrease)	856	(917)	-	-	-	-	-	-	(61)
Balance at 30-June-19	13,122	12,718	6,646	3,075	10,203	9,016	3,356	691	58,827
Accumulated depreciation									
Balance at 1-July-17	-	-	5,394	2,255	8,488	4,435	3,075	-	23,647
Depreciation expense	-	317	220	137	533	1,543	303	-	3,053
Eliminated on disposals	-	-	(77)	(220)	(569)	(1,948)	(782)	-	(3,596)
Eliminated on revaluation	-	(317)	-	-	-	-	-	-	(317)
Balance at 30-June-18	-	-	5,537	2,173	8,452	4,030	2,596	-	22,787
Depreciation expense	-	317	184	134	566	1,498	400	-	3,099
Eliminated on disposals	-	-	(8)	(36)	(9)	(1,366)	(539)	-	(1,958)
Eliminated on revaluation	-	(317)	-	-	-	-	-	-	(317)
Balance at 30-June-19	-	-	5,713	2,271	9,009	4,162	2,457	-	23,612
Carrying amount									
As at 30-June-18	12,266	13,404	1,046	789	1,328	5,200	652	208	34,892
As at 30-June-19	13,122	12,718	933	804	1,194	4,854	899	691	35,215

8. Property, plant and equipment (continued)

Valuation of land & buildings

Land & buildings were last revalued by independent registered valuers at 30 June 2019. The total value as per valuer was as follows:

	Date of Inspection	30 June 2019 $'000	30 June 2018 $'000
Colliers International	9/07/2019	14,000	14,225
Morgan Property Advisors	30/06/2019	340	360
Telfer Young	8/07/2019	3,250	3,150
Chadderton & Associates Ltd	8/07/2019	840	775
SW Binnie	9/07/2019	795	795
Telfer Young	25/06/2019	345	375
Duke & Cooke	22/07/2019	1,725	1,625
Alexander Hayward Limited	19/07/2019	2,200	2,100
Telfer Young	18/07/2019	470	440
Telfer Young	17/07/2019	1,875	1,825
		25,840	25,670

Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	2019 $'000	2018 $'000
Freehold land	1,464	1,464
Buildings	7,206	7,439
	8,670	8,903

9. Goodwill

	2019 $'000	2018 $'000
Cost		
Balance at 1 July	10,911	10,911
Balance at 30 June	10,911	10,911
Accumulated impairment losses		
Balance at 1 July	(7,793)	(7,793)
Impairment losses charged to surplus or deficit	-	-
Balance at 30 June	(7,793)	(7,793)
Carrying amount		
As at 1 July	3,118	3,118
As at 30 June	3,118	3,118

9. Goodwill (continued)

Allocation of goodwill to cash-generating units ("CGU's")

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU's) that are expected to benefit from that business combination. After recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2019 $'000	2018 $'000
New Zealand Automobile Association Inc	3,118	3,118
	3,118	3,118

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

For all CGU's above, the recoverable amounts of the cash-generating units are determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors. The period is a five year period and the discount rate used is 10% (2018: 10% per annum).

For the New Zealand Automobile Association Inc the cash flow projections during the budget period are based on the same expected gross margins during the budget period and price inflation during the budget period. The cash flows beyond that five year period have been extrapolated using a 2% per annum growth rate which is less than the projected long-term average growth rate. The Board members believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

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10. Other intangible assets

	Computer Software $'000
Gross carrying amount	
Balance at 30-June-17	14,138
Additions	2,111
Disposals	(138)
Balance at 30-June-18	16,111
Additions	1,437
Disposals	(639)
Balance at 30-June-19	16,909
Accumulated amortisation and impairment	
Balance at 30-June-17	11,572
Amortisation expense	1,393
Eliminated on disposals	(137)
Balance at 30-June-18	12,828
Amortisation expense	1,459
Eliminated on disposals	(373)
Balance at 30-June-19	13,914
Carrying amount	
As at 30-June-18	3,283
As at 30-June-19	2,995

11. Investment properties

	2019 $'000	2018 $'000
At fair value		
Balance at start of period	200	195
Change in fair value	20	5
Balance at the end of the period	220	200

The Association holds the freehold to all investment properties.

Valuation of investment properties

All investment properties were valued by independent registered valuers as at 30 June 2019. The total value per valuer was as follows:

	Date of Valuation	2019 $'000	2018 $'000
Telfer Young	30/06/2019	220	200
		220	200

12. Accounts payable

	2019 $'000	2018 $'000
Trade payables - from exchange transactions	5,642	4,958
Accrued expenses	4,378	3,832
Goods and services tax (GST) payable	575	579
Other	2,034	3,204
	12,629	12,573

The average credit period on purchases is up to one month. No interest is charged on trade payables as the Group always pays by due date. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13. Make good provision

The make good provision relates to make good requirements under property leases.

	2019 $'000	2018 $'000
Balance at beginning of period	120	119
Movement for period	35	1
Balance at end of period	155	120

14. Deferred income

This is deferred income relating to corporate subscriptions. Income is recognised in surplus or deficit over the period to which the service relates which may be for more than a year.

This is disclosed as:	2019 $'000	2018 $'000
Current portion	4,162	4,296
Non-current portion	2,802	2,984
	6,964	7,280

15. Unearned revenue

Unearned revenue represents the deferral of licence fees received and the impact on the statement of financial position of deferring the advertising revenues and directly attributable development costs relating to undistributed publications.

	2019 $'000	2018 $'000
This is disclosed as:		
Current portion	695	991
Non-current portion	-	-
Total unearned revenue	695	991

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16. Asset revaluation reserve

	2019 $'000	2018 $'000
Balance at beginning of period	11,741	10,800
Increase on revaluation of properties	891	1,028
Decrease on revaluation of properties	(98)	(87)
Balance at end of period	12,534	11,741

The asset revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the asset revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to accumulated funds.

17. Accumulated comprehensive revenue and expense

	2019 $'000	2018 $'000
Balance at beginning of period	213,352	185,094
Net surplus for the year ended attributable to the Association acting in the interest of members	30,647	28,257
Share of other comprehensive revenue and expense of joint ventures	43	1
Balance at end of period	244,042	213,352

In the event the Association is wound up, the residual assets are to be applied towards an entity having substantially similar objectives and activities.

18. Subsidiaries
Details of the Group's significant subsidiaries at 30 June 2019 are as follows:

Name of Subsidiary	Place of Incorporation	Principle activity	Ownership interest and voting rights (%) 2019	2018
The New Zealand Automobile Association Limited	New Zealand	Brand Licensing	100	100
AA Tourism Publishing Limited	New Zealand	Publishing Guides and Maps	100	100
AA Auto Service Limited	New Zealand	Vehicle Servicing Franchise	100	100
AA Driver Training Limited	New Zealand	Driver Training Franchise	100	100
NZAA Assets Limited	New Zealand	Service Provider	100	100
AA2002 Limited (formerly AA Finance Limited)	New Zealand	Non Trading	100	100
AA Rewards Operations Limited	New Zealand	Non Trading	100	100
AA Tourism Limited	New Zealand	Non Trading	100	100
AA Vehicle Testing Limited	New Zealand	Non Trading	100	100
Geosmart Maps Limited	New Zealand	Non Trading	-*	100

* Geosmart Maps Limited was deregistered on 30 January 2019.

19. Investments accounted for using the equity method
Investments in joint ventures
Certain joint ventures have different year ends compared to the Group however these joint ventures are non-trading.

Name of Joint Venture	Financial year end	Place of Incorporation	Principle activity	Voting rights on significant transactions (%) 2019	2018	Ownership interest (%) 2019	2018
AA Insurance Limited	30 June	New Zealand	Insurance Provider	50	50	32	32
AA Battery Services Limited	30 June	New Zealand	Service Provider	50	50	60	60
AA Life Services Limited	30 June	New Zealand	Insurance Provider	50	50	50	50
AA Smartfuel Limited	30 June	New Zealand	Loyalty Program	50	50	50	50
AA Finance Marketing Partnership	30 June	New Zealand	Finance Marketing	50*	50	50*	50
AA Home Limited	30 June	New Zealand	Membership Program	50	50	66	66
Access New Zealand Limited	30 September	New Zealand	Non Trading	-**	-**	-**	-**
AA Finance Limited	30 June	New Zealand	Non Trading	50***	-	50***	-

Although the Group holds less or more than 50% ownership interest in two of the investments listed above, they are classified as a joint venture as there is a contractual arrangement and the Group holds 50% of the voting rights and hence has joint control in all cases. The ownership interest in AA Battery Service Limited increased to 60% on 30 June 2018.
* On the 20 December 2018 the Association gave notice under clause 10.2 of the AA Finance Marketing Partnership agreement which requires termination of the Partnership with effect from 31 December 2019.
** Access New Zealand Limited was deregistered on 21 June 2018 *** AA Finance Limited was registered on 21 January 2019.

19. Investments accounted for using the equity method
Summarised financial information in respect of the Group's joint ventures is set out below:

	2019 $'000	2018 $'000
Current assets	504,295	437,640
Long term assets	55,904	48,285
Total assets	560,199	485,925
Current liabilities	152,805	142,954
Long term liabilities	264,403	236,024
Total liabilities	417,208	378,978
Net assets	142,991	106,947
Group's share of net assets of joint ventures	56,076	43,370
Total revenue	497,726	448,318
Total expenses	(418,973)	(393,638)
Total profit	78,753	54,680
Group's share of profits of joint ventures	27,467	19,704

Movement in the carrying amount of the Group's investments in joint ventures:

	2019 $'000	2018 $'000
Carrying value of joint ventures		
Carrying value at beginning of period	43,370	40,142
Increase in shares	254	250
Share of net surplus/(losses)	27,467	19,704
Share of other comprehensive revenue and expense of joint ventures	43	1
Dividends received	(14,889)	(16,554)
Dividends owing	(165)	(169)
Distribution of tax credit	(4)	(4)
Carrying value at end of period	56,076	43,370

19. Investments accounted for using the equity method (continued)

	2019 $'000	2018 $'000
The carrying value is comprised of:		
Cost	21,565	21,311
Share of joint venture post-acquisition reserves	27,770	15,318
Goodwill	6,741	6,741
	56,076	43,370
Joint venture share of net surplus		
Share of surplus before taxation	37,529	26,322
Share of taxation expense	(10,062)	(6,618)
Share of total recognised revenues and expenses	27,467	19,704

20. Related parties

The Association is an incorporated society acting in the interest of its members.

Equity interest in related parties

Details of interests in subsidiaries and joint ventures are disclosed in notes 18 and 19 respectively.

Related party transactions and outstanding balances

Transactions with and amounts outstanding between the Group and related parties are:

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20. Related parties (continued)

Joint Ventures (Continued)

2019

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
AA Insurance Limited	Amount Owed to NZAA		288
	Amount Owed to AA Insurance Limited		-
	Service Commission and Operational Funding	6,331	
AA Life Services Ltd	Amount Owed to NZAA		247
	Service Commission and Operational Funding	1,609	
AA Battery Services Ltd	Amount Owed to NZAA		298
	Amount Owed to AA Battery Services		151
	Purchase of Battery Stock	1,764	
	Service Commission and Operational Funding	(1,244)	
AA Smartfuel Limited	Amount Owed to NZAA		111
	Amount Owed to AA Smartfuel Limited		17
	Service Provider and Operational Funding	677	
	Brand Licensing and Program Fees	(340)	

20. Related parties (continued)
Joint Ventures (Continued)

2019

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
AA Finance Marketing Partnership			
	Amount Owed to NZAA		208
	Service Provider and Operational Funding	688	
	Brand Licensing and Program Fees	536	
AA Home Limited			
	Amount Owed to NZAA		77
	Amount Owed to AA Home Limited		34
	Administrative Services and Operational Activities	340	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	3,334	
	Expenses	801	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		8
	Service Provider and Operational Funding	90	
	Grant paid to NZAA Research Foundation	200	
SADD Aotearoa - Students Against Dangerous Driving Charitable Trust			
	Amount Owed to NZAA		2
	Service Provider and Operational Funding	87	
	Grant paid to Students Against Dangerous Driving Aotearoa	272	

20. Related parties (continued)
Joint Ventures (Continued)

2018

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
AA Insurance Limited			
	Amount Owed to NZAA		302
	Amount Owed to AA Insurance		3
	Service Commission and Operational Funding	6,133	
AA Life Services Ltd			
	Amount Owed to NZAA		281
	Service Commission and Operational Funding	1,465	
AA Battery Services Ltd			
	Amount Owed to NZAA		129
	Amount Owed to AA Battery Services		163
	Purchase of Battery Stock	1,620	
	Service Commission and Operational Funding	(1,702)	
AA Smartfuel Limited			
	Amount Owed to NZAA		96
	Amount Owed to AA Smartfuel Limited		20
	Service Provider and Operational Funding	712	
	Brand Licensing and Program Fees	(389)	

20. Related parties (continued)

Joint Ventures (Continued)

2018

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
AA Finance Marketing Partnership			
	Amount Owed to NZAA		140
	Service Provider and Operational Funding	534	
	Brand Licensing and Program Fees	643	
AA Home Limited			
	Amount Owed to NZAA		58
	Amount Owed to AA Home Limited		3
	Service Commission and Operational Funding	316	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	3,162	
	Expenses	787	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		9
	Service Provider and Operational Funding	92	
	Grant paid to NZAA Research Foundation	400	
SADD Aotearoa - Students Against Dangerous Driving Charitable Trust			
	Amount Owed to NZAA		1
	Service Provider and Operational Funding	22	
	Grant paid to Students Against Dangerous Driving Aotearoa	260	

Any amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

20. Related parties (continued)

Key management personnel remuneration

The Group classifies its key management personnel into one of two classes:

- Members of the governing body
- Chief executive officer and senior executive officers, responsible for the operation of the Group's operating segments, and reporting to the governing body.

	2019		2018	
	Remuneration $'000	Number of Individuals	Remuneration $'000	Number of Individuals
Members of the governing body	384	8 people	371	8 people
CEO and senior executive officers	7,878	15.41 FTE's	7,678	15.48 FTE's
	8,262		8,049	

Legal and other consulting fees totalling $220,504 (2018: $92,626) were paid at market rates to a law firm associated with a member of the governing body for the provision of expert legal advice for specific matters outside of the scope of their normal duties.

Loans and advances to key management personnel amounted to $Nil (2018: $Nil).

21. Remuneration of auditors

	2019 $'000	2018 $'000
Audit of the financial statements	251	246
Taxation compliance services	38	40
Taxation advisory services	111	127
Non assurance related services	-	116
	400	529

The auditor of The New Zealand Automobile Association Incorporated and subsidiaries is Deloitte. Deloitte also provides consulting and advisory work which is captured under non assurance related services.

22. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash in banks and call deposits and fixed term deposits < 3 months, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the period as shown in the cash flow statement can be reconciled to the related items in the statement of financial position as follows:

	2019 $'000	2018 $'000
Cash on hand	44	45
Cash in banks	2,369	2,365
Fixed term deposits ≤ 3 months	26,703	24,299
Call deposits	8,598	7,898
Total cash and cash equivalents per statement of cash flows	37,714	34,607

23. Reconciliation of net surplus after taxation for the period to net cash

	2019 $'000	2018 $'000
Net surplus for the year attributable to the association acting in the interest of members	30,647	28,257
Adjustments for non-cash items:		
Depreciation expense	3,099	3,053
Amortisation expense	1,459	1,393
Impairment of goodwill recognised in surplus or deficit	-	-
Capitalised lease	20	19
Share of equity accounted joint venture (surplus)/deficit	(27,467)	(19,704)
Loss/(gain) on managed funds	(5,974)	(12,476)
Loss/(gain) of disposal of property, plant and equipment	(306)	(449)
Loss/(gain) of disposal of intangible assets	266	1
Loss/(gain) on revaluation of freehold land and buildings	538	707
Loss/(gain) on revaluation of investment property	(20)	(5)
Adjustments for movements in:		
Sundry receivables and prepayments	(283)	265
Inventories	167	(194)
Accounts payable	326	444
Employee entitlements	65	(36)
Make good provision	35	1
Unearned & deferred income	(612)	550
Subscriptions in advance	639	1,162
Net Operating cash inflow / (outflow)	2,599	2,988

24. Amount, timing and uncertainty of cash flows

The Group's revenue is widely sourced across a range of services, products and industries and as such the Board members consider the risk to cash flow is minimised.

The major source of revenue for the Group is membership subscription income. This risk is mitigated as there are a large number of personal members, who pay a comparatively low subscription, so to suffer a material change in membership subscription income would require a significant change in personal members.

The only significant risk to profit from membership subscription income is the cost of members' demand for road service. This risk is mitigated predominantly through the use of a fixed cost operating structure based on estimated future demand. The Group's budgets contain amounts conservatively calculated to cover the cost of such factors that in the past have generally proved more than adequate.

In addition, the method of calculating earned subscription income by it being spread using a time based formula so as to calculate that portion of the subscription applicable to the unexpired period of a membership term, adds certainty to the future revenue.

The income derived from other activities is spread across a wide range of business ventures, some involving a discretionary spend (tourism, vehicle inspections) and others where expenditure is unavoidable (Warrants of Fitness, Registration, and Licensing). The spread of income amongst these categories minimises the risk to the overall revenue received from the source, particularly where the transactions tend to be of small value but involve large numbers of customers.

25. Operating lease and capital commitments

The group as lessee:

Operating leases primarily relate to retail space with lease terms of between one month to 20 years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Obligations payable after balance date on non-cancellable leases are as follows:

	2019 $'000	2018 $'000
Within one year	3,518	3,313
Between one and five years	4,624	5,133
After five years	118	35
	8,260	8,481

Capital commitments

At balance date the Group had no capital commitments (2018: $Nil).

26. Contingent assets

At balance date the Group had no contingent assets (2018: $Nil).

27. Contingent liabilities

	2019 $'000	2018 $'000
Contingent liabilities are categorised as follows:		
Motorway emergency telephone service indemnity bond	8	8

28. Subsequent events

The Group received the following dividends post balance date from joint ventures; $11.2 million, net of imputation credits of $4.4 million, on the 27 August 2019 being their share of a dividend declared on 30 July 2019 and $1.5 million, net of imputation credits of $0.58 million, on the 20 September 2019, being their share of a dividend declared on 17 September 2019.

On the 28th August 2019 the Group paid $3m of capital to AA Finance Limited.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
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29. Financial instruments

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk including interest rate risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. Ageing analyses are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts. Levels of exposure to interest rate risk are monitored and assessments are made of market forecasts for interest rates.

The Board members review and agree policies for managing each of the risks identified below, including the setting of limits for interest rate risk, and future cash flow forecast projections.

Capital risk management
The Group manages its capital to ensure that the Group will be able to continue as a going concern while ensuring sufficient return in order to meet the objectives of the Group. The capital structure of the Group includes cash and cash equivalents and members' funds of the Association comprising accumulated funds and other reserves.

Credit risk
Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, sundry receivables and other current assets, and other financial assets. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board members. These risk limits are regularly monitored.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable, with the result that the Group's exposure to bad debts is not significant.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. 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 Group does not hold collateral over these accounts receivable.

29. Financial instruments (continued)

Liquidity risk
Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Contractual maturities of financial liabilities
The table below summarises the contractual maturities of financial liabilities (including interest payments) based on the remaining period at the balance date to the contractual maturity date:

As at 30 June 2019	Carrying amounts $'000	Contractual cash flows $'000	On demand $'000	1 to 12 months $'000	1 to 5 years $'000
Liabilities					
Accounts payable	12,053	12,053	12,053	-	-
Total financial liabilities	12,053	12,053	12,053	-	-

As at 30 June 2018	Carrying amounts $'000	Contractual cash flows $'000	On demand $'000	1 to 12 months $'000	1 to 5 years $'000
Liabilities					
Accounts payable	11,994	11,994	11,994	-	-
Total financial liabilities	11,994	11,994	11,994	-	-

29. Financial instruments (continued)

Categories of financial assets and financial liabilities

As at 30 June 2019	Loans and Receivables $'000	At fair value through surplus or deficit $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets				
Cash and cash equivalents	37,714	-	-	37,714
Other financial assets	-	162,334	-	162,334
Sundry receivables & other assets	7,463	-	-	7,463
Total financial assets	45,177	162,334	-	207,511
Liabilities				
Accounts payable	-	-	(12,629)	(12,629)
Total financial liabilities	-	-	(12,629)	(12,629)

As at 30 June 2018	Loans and Receivables $'000	At fair value through surplus or deficit $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets				
Cash and cash equivalents	34,607	-	-	34,607
Other financial assets	-	146,632	-	146,632
Sundry receivables & other assets	7,497	-	-	7,497
Total financial assets	42,104	146,632	-	188,736
Liabilities				
Accounts payable	-	-	(12,573)	(12,573)
Total financial liabilities	-	-	(12,573)	(12,573)

Market risks

Foreign currency risk
The Group has exposure to foreign exchange risk, through its investment in three managed funds. This exposure relates to the translation of assets invested globally.

The Group manages its foreign exchange risk exposure through its Statement of Investment Policy and Objectives for Investment Funds. Exposure is limited by putting in place hedging and an outcome of this is the additional return that normally arises from the forward contracts which implement the hedging.

Interest rate risk
Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in the market interest rates. The Group is exposed to interest rate risk primarily through its cash and investments.

29. Financial instruments (continued)

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the reporting date. The analysis is prepared assuming the balances of the financial instruments outstanding at the reporting date were outstanding for the whole year. A 100 basis point increase and decrease is used in the model to assess the impact on the income statement with all other variables held constant.

Equity price sensitivity analysis

The Group is exposed to equity price risks arising from equity investments.

Financial Assets

Financial Assets has a portfolio investment of cash and shares in managed fund. Risk analysis is therefore based on both changes in interest rate and equity price.

	Balance	Income impact of 1% fall in interest rate - deficit	Income impact of 1% increase in interest rate - (surplus)	Income impact of 5% fall in equity price - deficit	Income impact of 5% increase in equity price - (surplus)
As at 30 June 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Cash and cash equivalents	37,714	377	(377)	-	-
Other financial assets	162,334	156	(156)	7,339	(7,339)
Total financial assets	200,048	533	(533)	7,339	(7,339)
Total	200,048	533	(533)	7,339	(7,339)

	Balance	Income impact of 1% fall in interest rate - deficit	Income impact of 1% increase in interest rate - (surplus)	Income impact of 5% fall in equity price - deficit	Income impact of 5% increase in equity price - (surplus)
As at 30 June 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Cash and cash equivalents	34,607	346	(346)	-	-
Other financial assets	146,632	104	(104)	6,813	(6,813)
Total financial assets	181,239	450	(450)	6,813	(6,813)
Total	181,239	450	(450)	6,813	(6,813)

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29. Financial instruments (continued)

Fair Values

The fair value of financial assets with standard terms and conditions, and traded on active liquid markets, is determined with reference to quoted market prices. The financial asset in this category is the managed fund investment which is a portfolio consisting of equities, trust units and fixed interest investments.

The fair values of each class of financial instruments approximates to the carrying value as stated in the financial statements.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	26,901	135,433	-	162,334
Total financial assets	26,901	135,433	-	162,334

As at 30 June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	22,980	123,652	-	146,632
Total financial assets	22,980	123,652	-	146,632

There were no transfers between Level 1 and 2 in the period.

Reconciliation of Level 3 fair value measurements of financial assets	2019 $'000	2018 $'000
Balance at beginning of period	-	-
Purchases	-	-
Sales	-	-
Gains/(losses) recognised in surplus or deficit (note 2)	-	-
Balance at end of period	-	-

Commodity and other market risk

The group has no significant exposure to commodity or other market risk.

Deloitte.

Independent Auditor's Report

To the Members of the New Zealand Automobile Association

Opinion

We have audited the financial statements of the New Zealand Automobile Association and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 3 to 45, present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2019, and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for the group in the area of other assurance services, taxation compliance and taxation advice. These services have not impaired our independence as auditor of the group. In addition to this, partners and employees of our firm deal with the entity and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the entity and its subsidiaries. The firm has no other relationship with, or interest in, the entity or any of its subsidiaries.

Governing body's responsibilities for the consolidated financial statements

The Governing body is responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Governing body determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Governing body is responsible on behalf of the group for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing body either intend to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Members, as a body, in accordance with Rules of the Association. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

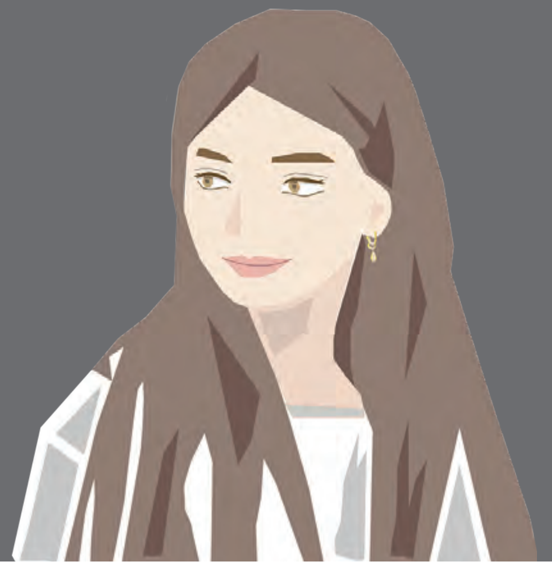
Auckland, New Zealand
27 September 2019

OUR COMMUNITY DIVIDEND

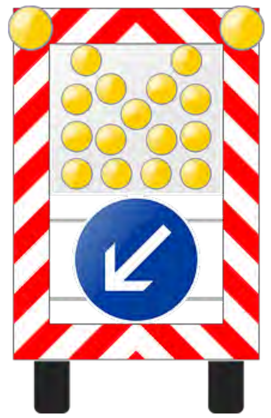
$3.8M
of free driving lessons

22,000
Members helped

$200,000
grant to
STUDENTS AGAINST DANGEROUS DRIVING



$200,000
GRANT TO ROAD SAFETY RESEARCH



773  & **636**  **rescued**

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