ANNUAL Report

2020-2021

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED

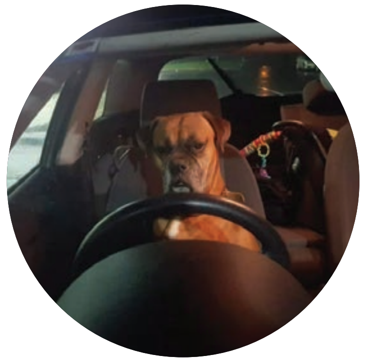
OUR *Sustainability* JOURNEY HIGHLIGHTS

At the New Zealand Automobile Association we look at everything we do with a sustainability lens to ensure our activities demonstrate the care we show for our Environment, investment in our Community by ensuring safer roads and drivers, fostering a diverse and inclusive AA through our Culture, and that our Operations use only what is needed, reducing our energy consumption and recycling where we can.

Our Environment

As well as introducing a new fast charge EV service (pictured on front), a partnership with carbon offsetting company CarbonClick launched via AA Smartfuel, giving Kiwis the ability to choose to convert some or all of their AA Smartfuel discounts into carbon offsets that fund New Zealand and the world's top climate projects.

Our Community



This handsome canine was one of 600 pets AA Roadservice rescued from vehicles during the year; we also rescued 593 children locked in vehicles. We attend locked vehicle callouts free of charge, regardless of whether the caller is an AA Member or not. We also provide lockout assistance to the SPCA.

Our Operations

FIA ACTION FOR ENVIRONMENT

We joined the FIA's Environmental Accreditation programme, which offers a certification framework, to measure and improve our environmental performance. The FIA programme will focus on energy use, water use, waste management, transport/commuting, noise, air quality and carbon management and provide a framework against which to accredit activities.

Our Culture

A Diversity and Inclusion policy launched recognising our commitment to treating individuals equally, respecting the differences of our people, contractors. AA Members, customers and other stakeholders, and ensuring we have a collaborative, supportive and respectful work environment that increases the participation and contribution of all employees.

AA President
Gary Stocker

Continuing to ADAPT AND THRIVE IN CHALLENGING TIMES

The Association rose to the challenges presented by Covid-19 again this year, adapting operations as required, reaching another AA Membership milestone of 1.8 million Members, introducing exciting new initiatives and growing strongly in several commercial areas.

This was despite of localised alert level changes forcing AA Centres to close and driving lessons to be postponed, among other service changes, and continued knock-on effects of the pandemic such as border closures and supply chain issues.

I am proud of the decisions made operationally regarding Covid-19, such as the decision to pay all employees in full throughout the year, including those who could not work from home when required. This was the continuation of a decision made and implemented very early on in the pandemic in 2020 by outgoing Chief Executive Brian Gibbons and supported by the Board. The Board and National Council also adapted, holding meetings virtually during the year, while the 2021 AA Annual Conference was also held virtually.

Hanmer Springs
IN CANTERBURY

The continued growth in AA Membership is testament to the Association's rich history, the faith New Zealanders have in the organisation and value they continue to see in belonging to the club. Providing top-rate service, whether at the roadside, over the phone, in an AA Centre or other touchpoints, is hugely important to the Association and it's fantastic to see Members' appreciation of that through complimentary feedback and in strong Net Promoter Score results, including during lockdowns.

A great new service introduced for Wellington AA Members was a mobile electric vehicle charging van, which could give EV owners who get "caught short" on their journeys a boost at the roadside, ensuring they get safely home or to a nearby charging station. This was not only a fantastic extension of existing mobile roadside services, but one that personified the Association's Sustainability commitment to providing New Zealanders renewable energy mobility assistance and advice.

A Member Benefit partnership with Hanmer Springs was launched in the year, along with the AA Preferred Dealer Network which gave the 'AA seal of approval' to quality, licenced Motor Vehicle Traders, and AA Money Secured Personal Loans which allowed customers to use a vehicle they own as security against a personal loan.

In response to the increased demand for home renovation and maintenance jobs stemming from lockdowns, AA Home launched a new 'Book a Job' service making it easier for customers to find an expert and trusted tradesperson for work around the home. It was also a significant year for AA Smartfuel, which for the first time in its nearly 10 years' history gave customers the option to redeem their AA Smartfuel discounts on something other than fuel, following new partnerships with Qantas Frequent Flyer and the carbon offsetting company, CarbonClick.

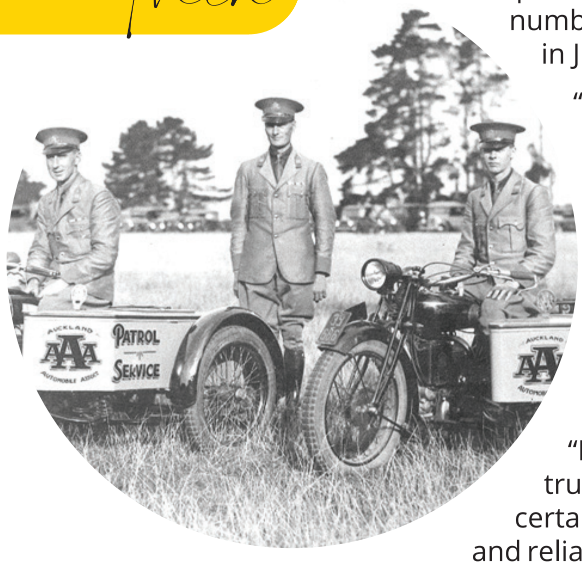
Elsewhere, AA Insurance had its strongest year on record, despite the impacts of Covid-19 and multiple significant natural weather events over the year. AA Insurance remained the only insurer to freeze car, home and contents premiums and did so until August 2020 for home and contents and November 2020 for motor. It also gave a rebate of over $19 million to all car customers and waived $200,000 premium payments for 1,800 customers who would otherwise have become uninsured, as part of its $2 million hardship fund.

As a final note, I would like to pay tribute to Brian Gibbons whose last full Financial Year as Chief Executive of the Association was this year. Brian has steered the Association to success for nearly four decades, including holding off his retirement an additional calendar year following the emergence of Covid-19. Brian's leadership since the New Zealand Automobile Association was formed in 1991 has played a huge role in the Association's successful position today, including the ability to weather the impacts of the pandemic, and he leaves us in 2022 in good stead for the years to come.

Wellbeing Benefits

POPULAR AS AA MEMBERSHIP REACHES ANOTHER MILESTONE

Then



Despite the continuing challenges imposed by Covid-19, AA Membership numbers grew to a new record, passing 1.8 million for the first time in June.

"We undoubtedly felt the effects of Covid-19 again this year, for example with our Centres having to close during localised lockdowns, yet Membership retention improved and we continued to sign up new Members," said AA Club Developments General Manger Dougal Swift.

"It took us 100 years to get our first million Members, but just 18 years to add another 800,000."

Dougal puts the growth in AA Membership down to two key factors.

"During the pandemic, there's been a clear gravitation towards trusted brands and organisations which provide consumers certainty in an uncertain world. The AA is synonymous with trust and reliability and we had our best ever brand results in the year, which shows Kiwis' faith in the AA and support for our brand is only increasing.

"Secondly, Members now get so much more than our iconic Roadservice from their AA Membership thanks to our ever-growing range of discounts and benefits for Members, giving Kiwis more reasons to belong."

Perhaps not surprisingly given Covid-19, Wellbeing Benefits were particularly popular during the year, with Members receiving over $2.3 million value from Wellbeing Member Benefits.

"Specsavers provided a record 155,845 free eye exams to Members in the year, while Members' utilisation of free diagnostic hearing tests at Bay Audiology and Dilworth Hearing and free spot checks at Skin Institute grew strongly during the year."

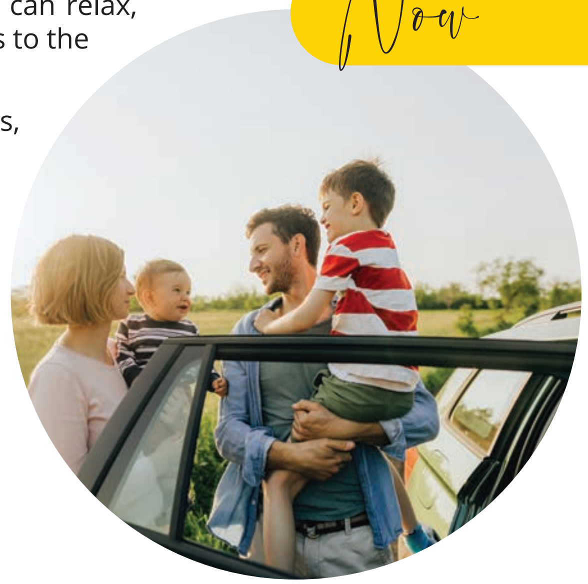
A new Member Benefit with Hanmer Springs was also added in the year.

"We already had benefits with several tourism attractions in the North Island such as SEA LIFE Kelly Tarlton's and MOTAT; now Members can relax, play, indulge and unwind with 20% off any single entry tickets to the pools at Hanmer Springs in Canterbury too."

Nearly a third of personal Members are now AA Plus Members, meaning they receive a host of additional benefits such as emergency rental car or accommodation and an extended towing allowance.

"AA Plus is another success story, up 7.2% year-on-year," Dougal said. "Members see value in paying a little bit extra for the peace of mind of extra benefits that will minimise costs and disruption if they have a major breakdown while travelling away from home."

Now



AA ROADSIDE SOLUTIONS

Adapting to New Zealand's roadside requirements

The year was certainly not without Covid-19 disruption for AA Roadside Solutions. Despite the challenge, it demonstrated how the division showed resilience and adaptability to change for the greater good of Members and the Association.

Throughout all regions and levels of lockdown, AA Service Officers maintained their essential worker status, mobilising Members' vehicles on their trips to essential services or work. Although, after the first significant lockdown last year, this was no longer unfamiliar territory.

AA Roadside Solutions General Manager Bashir Khan said AA Roadservice has certainly evolved.

"Moving into and out of lockdowns, particularly for Auckland, adjusting to new processes and the working environment became second nature as we got accustomed to dealing with these challenges. This has been no easy feat and our teams worked hard, with health and safety at the fore, to ensure we continued to offer exemplary service despite the difficult times."

Overall, AA Roadservice attended 451,668 roadside jobs during the year, the most common, as in previous years to be flat battery-related with over 90,000 callouts.

"With the borders closed and domestic travel now the preferred option for Kiwi families, we expected to see some new trends in regional areas of New Zealand, outside of major city centres. Compared with last year's numbers, we saw an increase in callouts in Hawke's Bay, Whanganui, Wairarapa and tourism hotspot Northland," said Bashir.

"We expect these domestic travel trends to continue over the coming year as borders remain closed and are ensuring to keep roadside coverage in both urban centres and more remote regions around the country."

Business Vehicle Solutions, an arm of Roadside Solutions, saw 3.86% growth in Business Membership during the year, despite being heavily impacted by Covid-19.

Many small and medium enterprises, and used car sales were affected, however new car sales held up well, which Bashir believed was potentially due to less people spending money on international holidays and choosing to spend their money on vehicles instead.

It was also the first full year of AA Auto Glass operating as a fully AA-owned business. "When tourism bounces back, we expect to see significant growth in AA Auto Glass due to the large number of rental car client accounts it has acquired in the last few years," Bashir said.

"Change is essential for any business to meet present and future needs in an industry that has shifted significantly over the last 12 months. The digital world has made huge leaps, as has vehicle technology, and we are determined to make the upcoming years a period of transformation to ensure we maintain our position as the best Roadside Solutions provider in New Zealand."

AA MOTORING SERVICES

A fantastic period of growth for AA Motoring

In an exciting development, AA Motoring launched an AA Preferred Dealer Network in May that gives the 'AA seal of approval' to quality, licenced Motor Vehicle Traders.

AA Motoring Services General Manager Jonathan Sergel said, "As a trusted and expert motoring voice, AA Members and motorists often asked us for dealer recommendations. Now there are 26 reputable dealers that we've taken through a thorough review and selection process who we can personally recommend.

"The vehicles in AA Preferred Dealer yards not only have to have gone through a series of checks by the AA; they also offer a level of service which we back and trust."

AA Motoring would continue to grow the Network to help motorists nationwide have extra confidence when choosing their next car.

A cornerstone of the AA Preferred Dealer Network was the requirement for dealers to have AA Odometer Verified window stickers on their freshly imported vehicles. This prompted AA Motoring to sign on two new Odometer Verification partners in February, Bordercheck and Jacanna, in addition to JEVIC, which AA Motoring had previously had an exclusive partnership for many years.

AA Auto Centre also continued to go from strength-to-strength with the 39th AA Auto Centre opening in Wānaka in March - the first in the Lakes District.

"At the rate we're going, and with the strong team and brand we have, we hope to have 50 AA Auto Centres nationwide in a few years," said Jonathan.

"We're continuing to invest in our existing AA Auto Centres by providing greater support, new procurement partners and making plans to enhance our product and serving offerings, and develop new ones."

Elsewhere, there was a nearly 10% year-on-year growth in Entry Compliance and two new Entry Compliance sites were opened in Auckland – one in Penrose and one in Wairau Valley on the North Shore. It was likewise a strong year for Pre-Purchase Inspections, up 12.5% year-on-year, and WoFs and CoF B were also up.

"Importantly, we also continued to support our Members' motoring needs, not only through product and service discounts, but also more than 7500 free motoring advice consultations, weekly motoring advice articles on our AA Motoring blog, articles in AA Directions and providing advice in the media," Jonathan added.

"Our AA Ask An Expert online forum alone had more than 100,000 unique visitors a month on average, while our AA Car Reviews and AA Motoring blog had around 50,000 a month each – showing there's strong interest in our motoring expertise."

The new Wānaka AA Auto Centre

AA DRIVING SCHOOL

Driver training making moves online

There was a few bumps in the road in the form of various Auckland lockdowns for AA Driving School, but that didn't stop them continuing to drive forward this year.

Even with Auckland in-car lessons forced to be postponed in lockdowns, the team of AA Driving School Instructors delivered over 100,000 lessons to more than 25,000 students, while more than 13,000 students completed the AA Defensive Driving Course.

AA Driving School General Manager Roger Venn said, "Our operating procedures adjusted to stricter health and safety procedures, focussing on increased sanitisation, mask-wearing and pre-lesson health checks to keep our students and instructors safe. Safety is paramount to us, whether it's while driving on the road ahead, or simply inside the vehicle."

Seeing the need for a focus on online and distanced capability in the age of a pandemic, there was a move towards e-learning and modules for AA Driving School's B2B corporate customers.

"We've seen more success with online learning where people can dip in and out of a session when it suits them. It's do-able at any stage of lockdown restrictions and though it will never fully replace in-car and practical training, it does allow for more flexibility and for our customers to go at their own pace, which we are seeing a stronger appetite for."

Following the suspension of AA Ignition in the March 2020 lockdown, the AA Driving School team has undertaken a body of research leading to the formulation of what they believe will be a much improved Member Benefit product due to launch next year.

Roger summed it up as, "We're keeping what we've learnt from the six years of running AA Ignition, and making it better.

"We've undertaken comprehensive research and talked to many stakeholders including Waka Kotahi NZTA, students, Instructors, AA Members and parents, to work out the new systems we need. With the efficiencies we're making, we think we'll be able to promote the new programme effectively and reach more people."

Roger said AA Driving School wanted to raise the bar for tuition for young Kiwi drivers and it's not enough to just do the minimum of training to pass through each stage of driver licensing.

"We will be encouraging a programme of professional lessons, ideally with parents/caregivers participating in them, so they can then provide higher-quality, complementary supervised practice in between lessons, which we believe will ultimately lead to safer drivers."

AA GOVERNMENT SERVICES

Increasing the regional spread of services

The AA's Government Services made big strides into more Kiwi communities this year, furthering its spread of regional service and accessibility.

The AA opened five Driver and Vehicle Licensing Agencies in Kawerau, Opotiki, Hokitika, Wairoa and Paeroa.

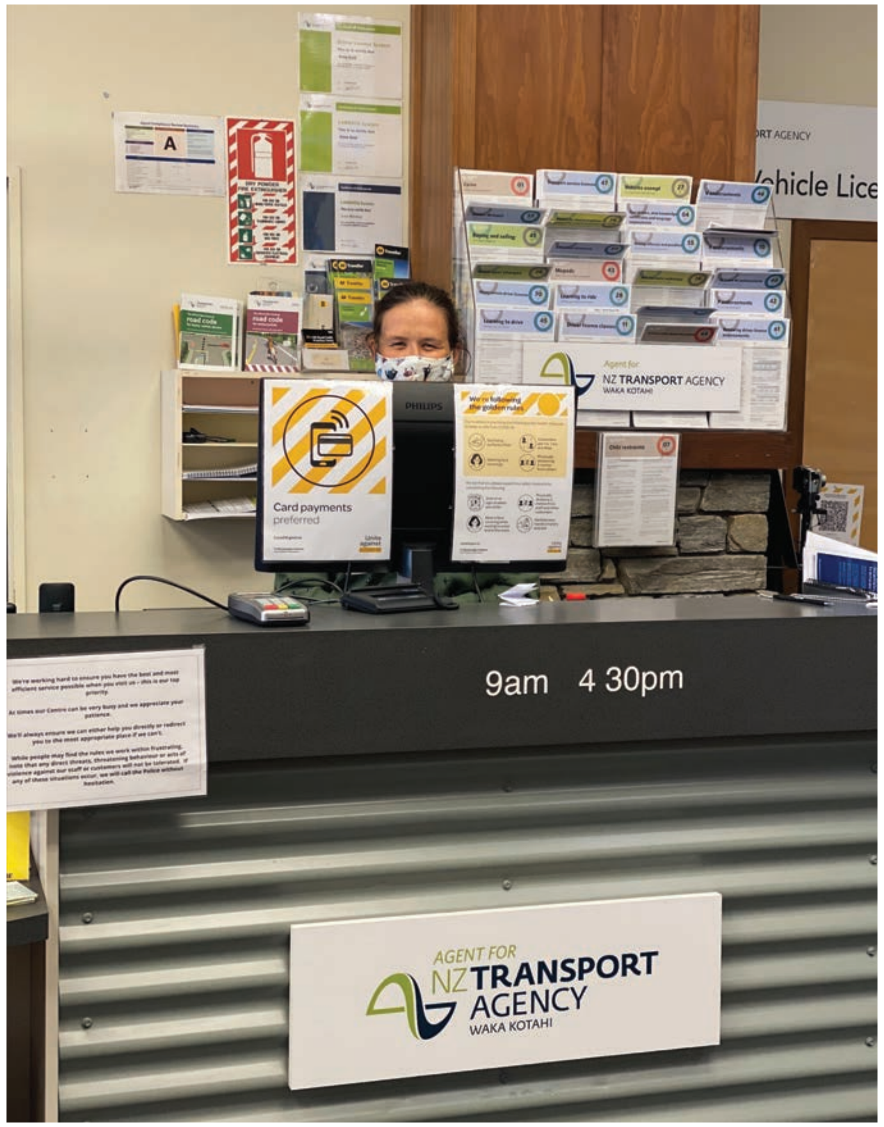
Government Contracts General Manager Roger Venn said the move proved very beneficial to small towns throughout the country.

"For many people in remote areas, they would need to drive an hour or more to a bigger town to renew their licence or for their other transactions. The Agencies have become very valuable in these smaller communities and we are thrilled to have opened five more."

In addition to driver and vehicle licensing, these Agents also provide a suite of identification services not previously available in their respective areas, including personal IRD number applications, RealMe identity verification, Kiwi Access Card applications and the ability to add a photo to SuperGold cards.

AA's Government Services has also continued to reach more New Zealanders via its mobile units which go to Corrections facilities and offer these services.

Roger said, "We pride ourselves on our network providing access to these products and services for all Kiwis."



It was also the first full year the AA has been offering RealMe identity verification and Kiwi Access Card services in AA Centres and Agencies.

"These services were added to the existing array in early 2020 and we did over 37,000 RealMe transactions this year alone, adding to the previous 22,000 from the year we first introduced it. We also issued 3716 Kiwi Access cards which replaced what was formerly known as the 18+ card for a form of ID."

There were also more than 13,500 IRD personal number applications undertaken.

As a whole, AA Government Services carried out over 950,000 transactions during the year, translating to roughly 80,000 a month, the majority being driver licensing related.

The AA is now nearing a total of 23.2 million driver licensing transactions over the last 22 years since it became New Zealand's leading driver licensing provider.

ADVOCACY AND AA RESEARCH FOUNDATION

The ongoing global pandemic meant many of the Government's plans in the transport space slowed down but the AA continued to be a strong voice for our Members around road maintenance, safety and reducing transport emissions in particular.

Increase in road maintenance funding

Improving our current roads was the top priority AA Members wanted this Government to deliver in transport and we strongly championed this cause during the year.

We undertook analysis that identified a need for $900m extra in road maintenance investment for the next three years and urged Ministers, MPs and officials to increase the funding available in the 2021-24 transport budget.

A media campaign in Northland on the deteriorating quality of roads and AA Member concerns put a real spotlight on the issue and showed the impact that our local district councils combining with our national policy team can have.

Our efforts saw the Government increase the possible investment in road maintenance over the next three years by $500m. This was a good result (especially in an environment where transport funding is very stretched) and will mean a number of critical roads get work they would not have otherwise had. However, it still leaves a shortfall for what we calculate is needed to keep the roads up to standard and we will continue to push Government for more investment to bring the roads up to standard.

Funding for reducing transport emissions

The largest issue in transport over the year (and for many more to come) was how to reduce greenhouse gas emissions from the sector. If New Zealand is to achieve the country's emission reduction targets it will need a big drop in the use of petrol and diesel – either by people driving less or vehicles switching to alternative fuels like electricity.

Motorists have already been collectively paying $400m a year to the Government for their carbon emissions through the Emissions Trading Scheme and, as the levy increases, this may soon rise to $800m a year.

We made the case that these funds needed to not go into general Government funds as they have been collected for a specific purpose to offset emissions. We asked for them to be ring-fenced for use on measures that will help reduce the emissions from transport – like investigating scaling up biofuel production in New Zealand for example.

The Government made this change, meaning motorists will hopefully get benefits back for the money they pay in terms of greener transport options in the future.

We undertook multiple surveys of our Members' views on climate change actions during the year as well as carefully analysing the Government's landmark plans for emissions reductions and new clean car standards for vehicles.

We advocated for a path that we see as giving the best reductions in emissions with the least negative impacts and unintended consequences.

Improving road safety

The AA's long campaign to see roadside drug testing introduced in New Zealand moved another step closer with Parliament's Transport Select Committee progressing the legislation that will allow it to happen. The AA has been the leading voice calling for this change and it is now hopeful that Police may start being able to test for the presence of drugs within the next 12 months.

We put a spotlight on the massive drop in alcohol testing of drivers that has taken place in recent years – falling from 3 million tests a year in 2014 to about 1.5m a year recently. At the same time, the number of road deaths involving a drunk driver has increased substantially. Our efforts helped make this area a key focus for road safety authorities and there is a commitment to bring the number of alcohol tests back up from here.

The Government has been developing a new approach to speed management as part of its plans to improve road safety, involving new rules for setting speed limits and the use of speed cameras. The AA reviewed the proposals closely, as well as surveying our Members for their views, and continued to urge authorities to take a balanced approach on speed that targets highest-risk roads, includes roading upgrades as well as lower limits and is credible and understandable to road users.

Research Foundation and District Councils

The uncertain and difficult environment of the pandemic meant many research projects were put on hold in the year but plans advanced for future studies into driving for work, older drivers and speed changes. We conducted surveys of our Members on a number of issues including transport technology, congestion charging, climate change and speed.

Almost all the AA's 17 District Councils across the country made submissions to local councils as the important Regional Land Transport Plans were developed that set local transport priorities for the years ahead.

SADD

Working together for greater collective impact

Despite instances of Covid-19 Alert Level restrictions and the pandemic's ongoing impacts, SADD (Students Against Dangerous Driving) continued to go from strength-to-strength, with a particular focus on nourishing partnerships and developing collective activities to drive meaningful change.

This included continuing to share SADD's wider wellbeing messages devised in early 2020, encouraging communities to look out for each other through Covid-19 and on our roads.

At a local level, SADD groups worked together and in collaboration with community road safety partners to raise awareness of issues in their communities. For example, Oamaru SADD groups from three different schools (pictured) identified that distracted driving was a big problem locally so they each created a billboard to challenge motorists to drive distraction-free. The billboards were displayed on the side of the local Police station, capturing the attention of the local newspaper which did a story about the initiative.

At a national level, SADD signed a Letter of Agreement with NZ Police formalising the organisations' partnership after many years of working together to achieve better outcomes for young road users. The agreement ensured SADD would continue to attend Police road safety events, and Police would likewise attend and support SADD events where possible, and that they'd both contribute to sharing road safety messages.

"We also successfully held events in between lockdowns including important SADD components such as our Annual Conference and National Leadership events, and participated in both Road Safety Week and Rail Safety Week, including attending the Rail Safety Week opening event at parliament," said SADD National Manager Donna Govorko.

"Plus we extended our reach with our 'Train the Trainer' pack for other youth organisations to use to raise awareness about SADD'S kaupapa, initiated our Māori engagement strategy and worked closely with the Australian Automobile Association to launch its Drive in the Moment toolkit in New Zealand, a tool designed to help people break the habit of distracted driving."

In another significant milestone for SADD, the first youth representative on the SADD Board of Trustees was appointed after two years' of work, strengthening SADD's commitment to being youth-led.

The first youth representative, Sterling Maxwell, had recently graduated from SADD's National Leader Programme and wanted to continue to stay connected to SADD during her university studies.

"Finally, we continued to respond to road safety issues in the media, among other channels, through leading discussion around mobile phone fines and putting out a call to action to be safer on our roads after the deadliest Easter in a decade," Donna concluded.

AA INSURANCE

The strongest year on record

In a year punctuated by significant natural weather events, regional Covid-19 lockdowns and increasing pressure on supply chains, AA Insurance delivered the strongest growth in its history. The joint venture between the AA and Suncorp New Zealand contributed positively to the Association's funding, while continuing to showcase its award-winning customer service, and company purpose; to care, help and get things sorted.

During this financial year AA Insurance handled over 180,000 car, home and contents claims, including more than 1,700 claims from 11 events including flooding, hail, storms, high winds, bushfire, earthquake, and tornado. Some of these events occurred during, or just before, the Auckland-only lockdown, and teams worked hard to action all make-safe measures, temporary accommodation, and claims as quickly as possible despite Covid-19-related restrictions, supply chain issues for parts and materials, as well as labour shortages.

Notwithstanding these challenges, AA Insurance's Net Promotor Score, which measured customer experience and loyalty, remained world class at 69. The company's overall customer satisfaction, through its Voice of Customer surveys, also performed extremely well with an average of 90 percent, which also remained stable over the year.

The economic impact of job losses and employment uncertainty on the company's sales and customer retention was not as impactful as first estimated. AA Insurance retained profitability, achieved customer and policy growth, and hired 234 additional people during the year, including 20 recruits for new roles open to Palmerston North staff for a virtual call centre.

The company experienced 10% policy growth to reach almost 960,000 policies at the end of June 2021, as well as 9% customer growth to reach 478,000 customers. The FY21 Gross Written Premium of $550 million equated to 21% growth in revenue compared to FY20.

AA Insurance reiterated its focus on looking after the environment and community, as well as customers and staff as part of its Corporate Social Responsibility (CSR).

"To communicate our CSR approach and progress on a range of environmental and social topics that impacted the business and our customers we released our inaugural CSR approach in January 2021," said Chris Curtin, Chief Executive of AA Insurance. "Showcasing our strong focus on our people and, following the general principles of sustainability reporting, the report also shared the results of measuring our first year of carbon emissions, evidencing our commitment to a low-carbon future, regardless of what happens in the world."

During the year AA Insurance also supported its Manaakitia programme (as part of CSR) by giving four New Zealand charities (Age Concern, The People Project, Auckland City Mission and KidsCan) $10k each in what was a difficult year. This was in addition to its $30k donation to Women's Refuge as part of its focus on supporting staff against domestic violence. For its commitment to raising awareness against domestic violence, the company was highly commended for its first-time entry into the Diversity Awards for the Emerging Diversity and Inclusion Award category.

AA Insurance received significant positive media coverage over the past year for the way it looked after customers and new recruits during difficult times, as well as its customer-focused initiatives and customer service awards, all contributing to the company's significant growth.

Following AA Insurance's 2020 announcement to financially support customers with three key initiatives, it remained the only insurer to freeze car, home and contents premiums and did so until August 2020 for home and contents and November 2020 for motor. The company also gave a rebate of over $19 million to all car customers and waived $200,000 premium payments for 1,800 customers who would otherwise have become uninsured, as part of its $2 million hardship fund.

AA Insurance's focus on insurance affordability meant it became one of the first New Zealand insurers to introduce a Limited Contents option, and like-for-like premium comparisons on renewal notices. The company received hundreds of positive customer comments about its support initiatives and their impact, including its charity donations, through social media, digital channels, Net Promoter Scores (NPS) and Voice of Customer (VOC).

Finally, AA Insurance continued to receive external recognition for its outstanding customer service. It maintained its position for the seventh consecutive year in the Colmar Brunton Corporate Reputation Index to again rank fifth among New Zealand's 50 most successful companies. It was also first over more than 50 of the country's strongest brands for its customer experience by Kantar NZ. In March the company was voted the Reader's Digest Most Trusted General Insurance Brand by New Zealanders for the 11th consecutive year and won gold twice at the 2021 Reader's Digest Quality Service Awards (QSA) for its car, and home and contents insurance. AA Insurance was also named Consumer NZ's People's Choice award winner for car, home and contents for the second year running.

"Our reputation as being a trusted insurer, that stays true to our promise of doing the right thing for our customers, has meant we've remained resilient through the Covid-19 crisis," said Chris.

AA HOME

Scheduled services a welcome addition to AA Home

As scattered Auckland lockdowns and flexible working became the norm for many Kiwis, it meant more time spent at home and more chance appliances might start acting up.

In response to the increased demand for home renovation and maintenance jobs stemmed from lockdowns, AA Home successfully launched its new 'Book a Job' service making it easier for customers to find an expert and trusted tradesperson for work around the home.

AA Home Book a Job covers minor home repairs, installation and maintenance services related to electrical, plumbing and locksmith jobs by AA approved tradespeople.

AA Home Commercial Manager Bek Wall said scheduled home services were a natural next step to meet the growing demand for home services in New Zealand.

"We launched AA Home Response in 2018 as research had shown AA Members were frustrated by the difficulty of getting a tradesperson when they had a home emergency - like a blocked toilet, burst water pipe or being locked out.

"Subscribers often asked if we can also do non-emergency jobs such as installing a new tap, replacing a dishwasher or power points. With this in mind, we felt the time was right to introduce a service for non-emergency jobs. With AA Home Book a Job, we are now able to do that."

Since its launch, AA Home has completed 158 Book a Job jobs, close to half of which were plumbing-related.

After a successful Auckland trial, Book a Job rolled out to more regions around New Zealand starting with Hamilton, Tauranga and Rotorua. The roll out will continue over the next year to more regions.

Coupled with the launch of Book a Job, AA Home Response saw a significant jump in subscribers and callouts over the last financial year.

"Since last year, the active subscriber count for AA Home Response and AA Home Response Plus grew by 11,374 to a now total of over 131,000. There was also a significant uptake in emergency response callouts, increasing by 44% compared with last year," said Bek.

AA MONEY

AA Money grows with customer focus at the core

Providing first-rate customer service and an always-improving customer experience are at the heart of the AA's newest joint venture, AA Money.

"Our focus is on our customers; ensuring we are fair and transparent in all our fees and interactions, and that we are always striving to provide our customers with exceptional service," said AA Money General Manager Ana-Marie Lockyer

"This includes discussing our customers' needs and financial situations clearly with them, to ensure we provide a loan that is both affordable and suitable for them, as well as automating processes to improve the customer journey."

AA Money launched in February 2020 with competitive vehicle finance offers and in September 2020 introduced a second product – secured personal loans. The products offer no ongoing account fees and no termination fees, which is really important to AA Members.

"A Secured Personal Loan uses a vehicle owned by the customer as security against their loan, thereby allowing us to offer a more competitive interest rate," Ana said.

"We launched this product on the back of requests from customers to borrow money for reasons other than purchasing a vehicle, such as debt consolidation, refinancing and home renovations."

"As well as always-on savings and benefits for AA Members, we had multiple targeted campaigns over the year with discounted rates on our products which have proven very popular."

"Whether a vehicle loan or secured personal loan, customers really appreciate that AA Money manages the entire journey for them, from application to loan funding to customer care and servicing of the loan on an ongoing basis," said Ana.

"That is shown in our 94% customer satisfaction rating, and Net Promoter Score of 79 – a much higher NPS than the Financial Services industry benchmark NPS score of 26* (car loans is 48, while personal loans is 19)."

Elsewhere, the AA Money team began a significant amount of work preparing for the 1 December 2021 introduction of new consumer lending laws.

"This included ensuring our systems, processes and procedures will meet the new responsible lending obligations, so we can continue to help our customers in their borrowing needs," concluded Ana.

AA Money is a joint venture between the AA and Suncorp New Zealand.

*According to Perceptive Group's New Zealand 2021 Industry Benchmarks NPS report.

WELLBEING PROTECTION

Channel alignment and online delivery success

This year, the Channel Strategy and Delivery division saw significant restructure accommodating the new compliance requirements for insurance and financial products that came into effect this year, and with it, an alignment of delivery channels.

General Manager Channel Strategy and Delivery Mark Savage said, "This alignment of our phone, digital, and Centre Network channels stems from the desire to make products easier to access for Members and customers. It has been a collaborative effort by all involved."

Coming within the umbrella of Channel Strategy and Delivery, the AA Partner Insurances portfolio represents AA Life Insurance (with Asteron Life), AA Travel Insurance (with Allianz partners), AA Health Insurance (with nib) and AA Pet Insurance (with PetSure).

With sporadic super city lockdowns, the nine Auckland AA Centres had to close their doors for periods throughout the year, affecting overall face-to-face sales; however there was strong growth in online policy sales.

"The percentage of total online policy sales for Life, Health, Travel and Pet Insurance all grew. The most significant being Pet Insurance which had 74% of its policies sold online and Travel with 78%," said Mark.

"Overall, our online policy sales jumped from 53% to 59% of the total, highlighting the strength of our digital channels and popularity of online experience, which comes as no surprise in the age of Covid-19.

"We recognise our Members and customers want different channels through which to deal with us, depending on their preferences. In addition to online channels, our 36 AA Centres remain a stable and strong presence in communities all across New Zealand and local AA Members know they can still visit the Centres to get their insurance needs taken care of, as well as driver licensing, AA Membership and so much more."

It was a record year of growth for AA Pet Insurance, which celebrated its second full year in business. It was also the first full year of the changed partnership between the AA and Asteron Life, now working directly together to bring AA Life Insurance to the market.

"The adapted partnership has helped us bring efficiency and consistency across all channels when working with Members and customers," said Mark.

The Partner Insurances each scooped up their share in awards during the year too.

Now for the eighth time, AA Life was voted New Zealand's most trusted brand in the category of life insurance in the Reader's Digest Trusted Brand Awards.

In addition, AA Health was voted highly commended as one of New Zealand's top three most trusted brands in the competitive category of health insurance.

In the Reader's Digest Quality Service awards which celebrate premium standards of customer service, AA Health Insurance and AA Travel Insurance also won silver in their respective categories.

Mark said, "Our Member-centric strategy continues to be a top focus – these awards reflects the commitment from both the AA and our insurance partners to consistently offer the best service we can. It is a testament to us valuing and understanding our customers and placing them at the heart of everything we do."

MEMBER BENEFITS

AA Smartfuel reward options expand beyond the pump

For the first time in AA Smartfuel's almost 10-year history Kiwis have the option to redeem the AA Smartfuel discounts they earn on something other than fuel, all from within the AA Smartfuel app.

AA Smartfuel Managing Director Scott Fitchett said, "Fuel discounts at our fuel partners' bp and GAS are still extremely popular; with $83.8 million of fuel discounts issued in the year still disrupted by Covid-19 lockdowns.

"We simply wanted to give our 2.8 million customers other options for how they can redeem the AA Smartfuel discounts they earn."

First off the rank in March was a new partnership with Qantas Frequent Flyer making travel more accessible for Kiwis, allowing them to connect with family and friends and support local tourism operators.

Scott said, "You can now link your Qantas Frequent Flyer account to your AA Smartfuel account and instantly turn some or all of your AA Smartfuel discounts into Qantas Points.

"Qantas Points can be used to book flights with Qantas, Jetstar and more than 50 premium partner airlines and affiliates around the world. You can also use Qantas Points to book accommodation through Qantas Hotels, or treat yourself to the thousands of products available on the Qantas Rewards Store."

Kiwis can earn 15 Qantas Points for every 1 cent per litre AA Smartfuel discount they convert.

Secondly, AA Smartfuel launched a partnership with carbon offsetting company CarbonClick, giving Kiwis the ability to choose to convert some or all of their AA Smartfuel discounts into carbon offsets that fund New Zealand and the world's top climate projects.

A 1 cent per litre AA Smartfuel discount can be converted to $0.25 CarbonClick credits. This offsets 12.5kg of carbon - enough to offset 50km of driving in an average medium-sized car.

The credits go to certified and gold standard projects that make a real traceable difference, like regenerating and reforesting New Zealand's native forests and international clean energy projects.

Scott said, "We really liked how easy and transparent CarbonClick was to use and knew many of our customers would like it too. Anyone who offsets some of their AA Smartfuel discounts becomes an AA Smartfuel Climate Friendly Traveller and can see the impact they and other members are having."

If just 5% of AA Members and AA Smartfuel customers choose to turn a 10 cent per litre AA Smartfuel discount into CarbonClick credits monthly, more than 210,000t of carbon would be offset - which is equivalent to how much CO_2 is absorbed from 10.5 million trees in a year.

AA TOURISM BENEFITS

Strong uptake in AA Tourism Benefits as Kiwis explore their backyard

Over the year, a surge in domestic tourism saw Kiwis enjoy everything from campervan trips, to discovering Kiwi Gems as international borders remained closed.

"That's reflected in the strong utilisation of our tourism partners and the exclusive offers that we provide to AA Members," said AA Travel and Tourism General Manager Greig Leighton.

"AA Members took advantage of their benefits on the road (with Hertz, GO Rentals, Maui, Britz and Mighty), by rail (with Scenic Trains) and by water (with Interislander), as well as accommodation offers through our AA Traveller booking platform (powered by Expedia).

"We also inspired Kiwis with a new campaign called We Love You New Zealand! which celebrated fresh ideas and lesser known spots that make our country really special, as well as new ways of approaching travel to familiar places."

We Love You New Zealand! complemented Tourism New Zealand's Do Something New, New Zealand campaign; AA Traveller's first campaign with Tourism New Zealand to support domestic tourism and local operators.

"We've played an active role in domestic tourism for more than 90 years, have over 900 webpages of domestic travel content, as well as digital guides and a range of quality and reliable printed travel guides, so we could easily turn our hands to shining a light on Kiwi Gems as people looked for New Zealand travel inspiration."

Also in the year, AA Traveller did a survey of more than 3500 AA Members about the information and resources they want and use for trips within New Zealand.

"The results showed Members still value free printed travel guides and maps, which the industry still strongly support too, but there's growing interest in digital copies and further content online as well.

"So, we will continue to refresh our content both in print and online, as we grow our portfolio of AA Tourism Benefits for Members.

"The majority of domestic travel in New Zealand is by road and mainly by car; meaning Traveller continues to support and be an active component of the overall AA mobility offering," Greig concluded.

FINANCIAL RESULTS

For the Association another very challenging financial year has been weathered with a record surplus for the second successive year of $46.3 million.

Finance General Manager John Ramaekers believed the result could be broken down into three very distinct business areas, each worthy of separate comment.

"Firstly the Association's Club activities recorded a loss of $3.2m, a slight increase on the loss recorded in the previous year. Revenue, including subscription income, increased year-on-year, as did expenses, particularly the cost of our Roadservice activities," said John.

"However, the largest impact on the result has been the continued closure of New Zealand's international border for the whole of the financial year as opposed to only part of the previous financial year. The border closure continues to significantly impact our international travel related revenue streams."

The second significant business area was the Association's five commercial Joint Ventures.

"Our equity share from the results of those Joint Ventures contributed $18.4m to the overall result. The diversity of business activity across these ventures continues to serve the Association well with consistent year on year results.

"Finally, the Association has benefited significantly from the unprecedented recovery in the financial markets in the 12 months to June 2021. Unlike the Joint Ventures this revenue stream can be a bit more fickle year on year as highlighted by the fact that this year this business area contributed $31.1m compared to $8m in the previous financial year."

Overall another very successful year which once again highlighted the benefit of the diversity of the Association's numerous business activities, particularly when considering that this period also encapsulated three further periods of heightened Alert Levels in the Auckland region and one in Wellington.

The result also saw a further strengthening of the Association's financial position with net assets increasing by $48m to $369m.

"This places the Association in a strong position to meet the trading challenges ahead and also to continue to invest in new initiatives and technologies thus ensuring we continue to remain relevant and deliver the services and products our Members have come to rely on," John concluded.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
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FOR THE YEAR ENDED 30 JUNE 2021

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THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2021

BOARD MEMBERS		Appointed	Resigned
G T Stocker	President	28/03/2009	
M R Winger	Vice President	25/06/1993	
A G McKillop		25/03/2017	
B H Flintoff		27/03/2010	
L J Tait		18/04/2002	
M K Corse-Scott		19/03/2020	
R L Carter		19/03/2020	
S J Grant		22/03/2014	
G R Judge		11/12/2020	
R K Bull		29/03/2008	19/03/2020
W S Masters		19/03/2011	19/03/2020

REGISTERED OFFICE
Level 17
AA Centre
99 Albert Street (corner Albert and Victoria Streets)
Auckland

INCORPORATED SOCIETY NUMBER
215426

POSTAL ADDRESS
The New Zealand Automobile Association Inc.
Head Office, Level 17
AA Centre
99 Albert Street (corner Albert and Victoria Streets)
PO Box 5
Auckland, 1010

AUDITOR
Deloitte Limited

BANKER
ANZ

SOLICITOR
Holmden Horrocks

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
BOARD MEMBERS' STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

Disclosure to the National Council and Members

The Board Members are pleased to present the Annual Report for the year ended 30 June 2021.

The Board Members have approved the financial statements of The New Zealand Automobile Association Incorporated for the year ended 30 June 2021.

For and on behalf of the Board:

DocuSigned by: Gary Stocker 71CEC4D2852E465...	DocuSigned by: Mark Winger 93BE670640AE4D6...
G T Stocker, President	M R Winger, Vice President
24 September 2021	*24 September 2021*
Date	Date

Approved for distribution by the National Council on 24 September 2021.

DocuSign Envelope ID: 6897E993-0FB7-4EFA-80DE-36E6D4F70084

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2021

Deloitte. for Identification

	Note	2021 $'000	2020 $'000
Revenue	1	145,161	137,437
Share of net surplus/(losses) in joint ventures	21	18,441	23,992
Other gains/(losses)	2	31,128	21,408
Total revenue		194,730	182,837
Employee entitlements		78,378	75,891
Delivery and distribution expenses		38,289	35,149
Plant, office and property overheads		7,991	7,591
Advertising and promotion expenses		4,621	3,686
IT and telecommunications expenses		10,975	9,139
Motor vehicle expenses		2,957	2,848
Driver education programs		72	2,926
Other expenses		6,713	6,298
Total expenses	3	149,996	143,528
Operating surplus before tax and grants		44,734	39,309
Grant to NZAA Research Foundation		125	188
Grant to SADD Aotearoa - Students Against Dangerous Driving Charitable Trust		400	400
Taxation benefit/(expense)	4	-	-
Net surplus for the year attributable to the Association acting in the interests of members		44,209	38,721
Other comprehensive revenue and expense net of tax			
Gain/(loss) on revaluation of properties	18	2,240	500
Gain/(loss) on revaluation of available-for-sale assets	18	(122)	-
Share of other comprehensive revenue and expense of joint ventures	21	(16)	5
Other comprehensive revenue and expense for the year net of tax		2,102	505
Total comprehensive revenue and expense for the year attributable to the Association acting in the interests of members, net of tax		46,311	39,226

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 2021

	Note	Asset revaluation reserve $'000	Accumulated comprehensive revenue and expense $'000	Total $'000
Balance at 1 July 2019		12,534	244,042	256,576
Net surplus for the year attributable to the Association acting in the interests of members		-	38,721	38,721
Other comprehensive revenue and expense				
Gain/(loss) on revaluation of properties	18	500	-	500
Gain/(loss) on revaluation of available-for-sale assets	18	-	-	-
Transfer to retained earnings	18 & 19	775	(775)	-
Share of other comprehensive revenue and expense of joint ventures	21	-	5	5
Total other comprehensive revenue and expense		1,275	(770)	505
Total comprehensive revenue and expense, net of tax		1,275	37,951	39,226
Balance at 30 June 2020	18 & 19	13,809	281,993	295,802
Net surplus for the year attributable to the Association acting in the interests of members		-	44,209	44,209
Other comprehensive revenue and expense				
Gain/(loss) on revaluation of properties	18	2,240	-	2,240
Gain/(loss) on revaluation of available-for-sale assets	18	(122)	-	(122)
Transfer to retained earnings	18 & 19	-	-	-
Share of other comprehensive revenue and expense of joint ventures	21	-	(16)	(16)
Total other comprehensive revenue and expense		2,118	(16)	2,102
Total comprehensive revenue and expense, net of tax		2,118	44,193	46,311
Balance at 30 June 2021	18 & 19	15,927	326,186	342,113

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 2021

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	24	41,655	65,396
Other financial assets	5	236,994	169,967
Taxation receivable		13	12
Sundry receivables and prepaid expenses	6	8,256	6,948
Inventories	7	1,189	1,342
Assets classified as held for sale	8	545	-
Total current assets		288,652	243,665
Non-current assets			
Property, plant and equipment	9	39,425	39,955
Investment properties	12	256	230
Investments accounted for using the equity method	21	60,214	61,531
Goodwill	10	3,118	3,118
Other intangible assets	11	4,729	2,874
Total non-current assets		107,742	107,708
Total assets		396,394	351,373
Current liabilities			
Payables	13	11,859	15,933
Employee entitlements		6,694	6,705
Clawback provision	14	370	145
Unearned revenue	17	921	519
Deferred income	16	4,029	3,837
Total current liabilities		23,873	27,139
Non-current liabilities			
Make good provision	15	162	169
Unearned revenue	17	6	-
Deferred income	16	2,953	2,562
Total non-current liabilities		3,121	2,731
Total liabilities before subscriptions in advance		26,994	29,870
		369,400	321,503
Association funds			
Accumulated comprehensive revenue and expense	19	326,186	281,993
Asset revaluation reserve	18	15,927	13,809
Total association funds		342,113	295,802
Subscriptions in advance		27,287	25,701
Total association funds and subscriptions in advance		369,400	321,503

For and on behalf of the Board:

DocuSigned by:
Gary Stocker
71CEC4D2852E465...
G T Stocker, President

24 September 2021

Date

DocuSigned by:
Mark Winger
93BE670640AE4D6...
M R Winger, Vice President

24 September 2021

Date

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

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THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from members and customers		145,740	137,783
Interest received		451	864
Dividends received		4	5
Payments to suppliers and employees		(148,660)	(134,013)
Proceeds from termination of brand licence agreement		-	13,000
Grant to NZAA Research Foundation		(125)	(188)
Grant to SADD Aotearoa - Students Against Dangerous Driving Charitable Trust		(400)	(400)
Net cash flows (used in)/from operating activities	25	(2,990)	17,051
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		598	495
Dividends received from joint ventures		21,742	21,705
Payments for property, plant and equipment		(2,682)	(7,298)
Payment for intangible assets		(3,409)	(1,287)
Payments for purchase of equity accounted investments		(2,000)	(3,000)
(Increase)/decrease in other financial assets		(35,000)	16
Net cash flows (used in)/from investing activities		(20,751)	10,631
Cash flows from financing activities			
Net cash flows (used in)/from financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(23,741)	27,682
Cash and cash equivalents at the beginning of year		65,396	37,714
Cash and cash equivalents at the end of year	24	41,655	65,396

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

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THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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's 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 2021. The financial statements were issued by the Board, and approved for distribution by the National Council, on the 24th of September 2021.

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.

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.

The financial statements have been prepared on a going concern basis. Whilst the impact of COVID-19 has continued to impact the Group negatively the Board has determined that it will not have a significant impact on the entity or its ability to continue operating as a going concern.

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).

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Summary of significant accounting policies (continued)

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 2021 and in the comparative information presented in these financial statements.

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 IPSAS 41 Financial Instruments	1 January 2022
PBE FRS 48 Service Performance Reporting	1 January 2022

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective from the year ending 30 June 2023, with earlier adoption permitted. The standard establishes a requirement that the Group select and present service performance information that is useful for accountability and decision-making purposes, within the same general purpose financial report as its financial statements. Application of PBE FRS 48 will mean that, as a public benefit entity, the Group will be required to prepare service performance information. The Group has not yet determined which service performance metrics will be presented and does not plan to early adopt the standard.

Consideration of the IFRS Interpretations Committee ('IFRIC') agenda decision

In April 2021, IFRIC issued an agenda decision clarifying its interpretation on how current accounting standards apply to configuration and customisation costs incurred in implementing Software-as-a-Service ('SaaS') cloud computing arrangements.

The IFRIC decision has clarified that because SaaS arrangements are service contracts that provide the Association with the right to access the cloud provider's application software over the contract period, costs to configure or customise this software should be recognised as operating expenses when the services are received. The Group's current accounting policy is to record these configuration and customisation costs as part of the cost of an intangible asset and amortise these costs over the useful life of the software assets.

The Association has commenced a review process to quantify the impact of this agenda decision on the financial statements of the Group; however, given the short timeframe and the complexity involved, this has not been finalised as at the date of this report.

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Significant accounting policies (continued)

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 consolidated 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's policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Refer to note 20 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; 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. The Group has no rights to the assets and no obligation to the liabilities of these joint ventures.

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 consolidated 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.

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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 ventures 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 21 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 in (c) above.

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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 consolidated 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 consolidated 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 a liability on the consolidated statement of financial position and allocated between current and non-current.

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and membership discounts.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measure reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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 less than three months, net of outstanding bank overdrafts.

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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 held for trading.

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 balance 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.

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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 consolidated 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 balance date.

Refer to the accounting policy 'critical accounting judgments and key sources of estimation uncertainty" 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 asset 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 consolidated 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.

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Statement of accounting policies (continued)

i) Property, plant and equipment (continued)

Depreciation (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 and 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) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

k) 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 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 consolidated statement of comprehensive revenue and expense in the year of derecognition.

l) 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.

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Statement of accounting policies (continued)

m) Leased assets

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.

n) Payables 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.

o) 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 surplus for the year. Taxable surplus differs from profit as reported in the consolidated 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 at balance date.

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 surplus, 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 surplus nor accounting surplus.

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 surpluses against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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Statement of accounting policies (continued)

o) Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance 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 balance 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 movements 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.

p) 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.

q) 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.

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Statement of accounting policies (continued)

q) Employee benefits (continued)

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.

r) Statement of cash flows

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 less than three months, net of outstanding bank overdrafts. The following terms are used in the consolidated 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 Group.

s) 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 consolidated statement of comprehensive revenue and expense in the period in which they arise.

t) Impairment

At each balance 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.

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Statement of accounting policies (continued)

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Board is 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.

Key sources of estimation uncertainty

Impact of Covid-19

The effects of Covid-19 continues to have an impact on the financial performance of Group's businesses. The Group has continued to heighten its financial reporting procedures and governance practices surrounding the preparation of the financial statements. The Group also continues to adopt prudent practices to manage liquidity risk and to ensure an adequate level of liquidity is maintained to meet obligations as they fall due across a wide range of operating circumstances.

Fair value of land and buildings and investment property

The fair value of land and 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 5.96% to 13.74% (2020: 5.96% to 11.35%)) that appropriately reflects the risks inherent in the expected cash flows. The most significant property is Great South Road (including Marei Road) in Penrose (2020: Albert Street) and the effective market yield was 5.01% as at 30 June 2021 (Albert Street 2020: 6.20% to 6.51%). Valuations are completed in accordance with the New Zealand Institute of Valuers (NZIV), 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. COVID-19 has created valuation uncertainty in the property market at balance date. Refer to note 9 and 12 for valuations and for further information on how COVID-19 has impacted valuations.

Joint Ventures

Although the Group holds less or more than 50% ownership interest in some of their investments (refer to note 21), 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 to note 10.

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1. Revenue

	2021 $'000	2020 $'000
Revenue from exchange transactions:		
Membership fees and subscriptions	61,858	60,316
Sale of goods	5,009	6,570
Rendering of services to members and public	77,838	69,721
Dividends	5	5
Interest revenue (loans and receivables)	451	825
	145,161	137,437

2. Other gains/(losses)

	2021 $'000	2020 $'000
Revaluation of investment properties	26	10
Change in fair value of financial assets classified as fair value through surplus or deficit	32,510	8,029
Impairment (losses)/reversal on revalued land and buildings	(1,408)	369
Termination of brand licence agreement	-	13,000
	31,128	21,408

3. Expenses

		2021 $'000	2020 $'000
	Net surplus for the year has been arrived at after charging/(crediting):		
(a)	***General expenses***		
	Depreciation of property, plant and equipment (note 9)	3,238	3,209
	Amortisation of intangible assets (note 11)	1,554	1,408
	Operating lease expense	3,433	3,518
	Raw materials and consumables used (note 7)	3,499	3,870
	(Gain)/loss on disposal of property, plant and equipment	(459)	(275)
	Legal expenses	120	224
(b)	***Personnel expenses***		
	Employee benefits expense	71,305	68,946
	Defined contribution plans	3,951	3,447

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4. Taxation

4a. *Income tax expense*

	2021 $'000	2020 $'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:

	2021	2020
Operating surplus/(loss) from continuing activities before tax and grants	44,734	39,309
Less Grant to NZAA Research Foundation	(125)	(188)
Less Grant to SADD Aotearoa - Students Against Dangerous Driving Charitable Trust	(400)	(400)
	44,209	38,721
Income tax using company tax rate 28%	12,379	10,842
Effect of exempt (surplus)/deficit	(6,556)	(8,252)
Effect of permanent differences	2,922	4,419
Effect of prior period adjustments	41	360
Effect of losses utilised and imputation credits recognised	(8,786)	(7,369)
	-	-

4b. *Deferred tax assets/(liabilities)*

Deferred tax assets and liabilities are offset on the face of the consolidated 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 July 20 $'000	Charge to surplus or deficit $'000	Charge to equity $'000	30 June 21 $'000
Gross deferred tax liabilities				
Property, plant and equipment	(2,442)	(46)	-	(2,488)
Investment property	(64)	(9)	-	(73)
Tax liabilities	(2,506)	(55)	-	(2,561)
Set off of tax losses	2,506	55	-	2,561
Net tax liabilities	-	-	-	-
Gross deferred tax assets				
Employee provisions	1,104	22	-	1,126
Doubtful debts provision	63	(6)	-	57
Inventory provisions	1	25	-	26
Other	148	44	-	192
Brought forward tax losses recognised	1,190	(30)	-	1,160
Tax assets	2,506	55	-	2,561
Set off of tax losses	(2,506)	(55)	-	(2,561)
Net tax assets	-	-	-	-

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

	1 July 19 $'000	Charge to surplus or deficit $'000	Charge to equity $'000	30 June 20 $'000
Gross deferred tax liabilities				
Property, plant and equipment	(2,736)	294	-	(2,442)
Investment property	(60)	(4)	-	(64)
Tax liabilities	(2,796)	290	-	(2,506)
Set off of tax losses	2,796	(290)	-	2,506
Net tax liabilities	-	-	-	-
Gross deferred tax assets				
Employee provisions	819	285	-	1,104
Doubtful debts provision	18	45	-	63
Inventory provisions	1	-	-	1
Other	127	21	-	148
Brought forward tax losses recognised	1,831	(641)	-	1,190
Tax assets	2,796	(290)	-	2,506
Set off of tax losses	(2,796)	290	-	(2,506)
Net tax assets	-	-	-	-

The Group has unrecognised New Zealand tax losses of approximately $22.27 million (2020: $22.95 million). Refer statement of accounting policies note (o) Taxation.

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5. Other financial assets

	2021 $'000	2020 $'000
Fixed term deposits ≥ 3 months but ≤ 12 months	5,000	-
Investment managed funds	231,994	169,967
	236,994	169,967

Investment managed funds represent the Group's investment in three diversified portfolios managed by Milford Asset Management, Nikko Asset Management New Zealand Limited and ANZ Investments New Zealand Limited. The portfolios consist of equities, units trusts and fixed interest investments.

6. Sundry receivables and prepaid expenses

	2021 $'000	2020 $'000
Sundry receivables - from exchange transactions	4,918	4,247
Allowance for doubtful debts	(203)	(224)
Prepayments	1,684	1,502
Other	1,857	1,423
	8,256	6,948

The average credit period on sales of goods and service is 60 days (2020: 60 days). Interest is charged only when the customer goes 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% (2020: 4%) 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 $811,074 (2020: $1,031,149) which are past due at the reporting date for which the Group has not provided for 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.

Ageing past due sundry receivables that are not impaired	2021 $'000	2020 $'000
30-60 days	488	485
60-90 days	173	192
90+ days	150	354
	811	1,031

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6. Sundry receivables and prepaid expenses (continued)

Movement in the allowance for doubtful debts	2021 $'000	2020 $'000
Balance at beginning of the period	224	65
Impairment losses recognised on receivables	124	168
Amounts written off as uncollectable	(51)	(1)
Amounts recovered during the year	-	-
Impairment losses reversed	(94)	(8)
Balance at end of period	203	224

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 believes 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 $202,510 (2020: $223,716) is applicable to invoices aged 30+ days (2020: 30+ days).

7. Inventories

	2021 $'000	2020 $'000
Retail stock	750	911
Consumables	439	431
	1,189	1,342

The cost of inventories recognised as an expense during the period was $3,499,131 (2020: $3,870,126). The cost of inventories recognised as an expense includes $93,002 (2020: $3,580) in respect of write-downs of inventory to net realisable value, and has increased by $89,422 (2020: $325) in respect of the increase of such write-downs.

8. Assets classified as held for resale

	2021 $'000	2020 $'000
Buildings held for sale	545	-
	545	-

The valuation of the two buildings being held for sale have been based on vacant possession. The properties were used by AA Centres. There is $173,999 in cumulative balances of revenue or expense recognised in other comprehensive revenue and expense relating to buildings held for sale.

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9. Property, plant and equipment

Gross carrying amount	Freehold Land at fair value $'000	Buildings at fair value $'000	Leasehold Improvements at cost $'000	Plant and Equipment at cost $'000	Furniture and Fittings at cost $'000	Motor Vehicles at cost $'000	Computer Equipment at cost $'000	Work in Progress at cost $'000	Total $'000
Balance at 1 July 19	13,122	12,718	6,646	3,075	10,203	9,016	3,356	691	58,827
Net additions/(transfers)	1,507	986	64	338	349	1,891	722	1,441	7,298
Disposals	-	-	-	(168)	-	(1,443)	(531)	-	(2,142)
Revaluation increase/(decrease)	490	75	-	-	-	-	-	-	565
Balance at 30 June 20	15,119	13,779	6,710	3,245	10,552	9,464	3,547	2,132	64,548
Net additions/(transfers)	-	794	64	45	414	1,757	403	(793)	2,684
Disposals	-	-	(42)	(92)	(281)	(1,527)	(540)	-	(2,482)
Revaluation increase/(decrease)	1,617	(1,231)	-	-	-	-	-	-	386
Reclassified as held for sale	-	(545)	-	-	-	-	-		(545)
Balance at 30 June 21	16,736	12,797	6,732	3,198	10,685	9,694	3,410	1,339	64,591
Accumulated depreciation									
Balance at 1 July 19	-	-	5,713	2,271	9,009	4,162	2,457	-	23,612
Depreciation expense	-	305	169	120	521	1,515	579	-	3,209
Eliminated on disposals	-	-	-	(168)	-	(1,224)	(531)	-	(1,923)
Eliminated on revaluation	-	(305)	-	-	-	-	-	-	(305)
Balance at 30 June 20	-	-	5,882	2,223	9,530	4,453	2,505	-	24,593
Depreciation expense	-	323	163	126	442	1,605	579	-	3,238
Eliminated on disposals	-	-	(42)	(92)	(279)	(1,390)	(539)	-	(2,342)
Eliminated on revaluation	-	(323)	-	-	-	-	-	-	(323)
Reclassified as held for sale	-	-	-	-	-	-	-		-
Balance at 30 June 21	-	-	6,003	2,257	9,693	4,668	2,545	-	25,166
Carrying amount									
As at 30 June 20	15,119	13,779	828	1,022	1,022	5,011	1,042	2,132	39,955
As at 30 June 21	16,736	12,797	729	941	992	5,026	865	1,339	39,425

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9. Property, plant and equipment (continued)

Valuation of land and buildings

Land and buildings were last revalued by independent registered valuers at 30 June 2021. The total value as per each valuer was as follows:

	Date of Inspection	2021 $'000	2020 $'000
Colliers International	12/07/2021	17,000	16,728
Morgan Property Advisors	25/06/2021	-	340
Telfer Young	7/07/2021	3,430	3,300
Chadderton & Associates Ltd	9/07/2021	900	840
SW Binnie	30/06/2021	853	810
Telfer Young	24/06/2021	-	335
Duke & Cooke	24/06/2021	2,170	1,760
Alexander Hayward Limited	8/07/2021	2,300	2,250
Telfer Young	18/06/2021	505	485
Telfer Young	12/07/2021	2,375	2,050
		29,533	28,898

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

	2021 $'000	2020 $'000
Freehold land	2,948	2,948
Buildings	6,723	6,987
	9,671	9,935

The impacts of COVID-19 have resulted in elevated market risk at the reporting date. This market risk has been highlighted by the valuer reviewing the most significant portion of our portfolio and their comment is included below:

"The ongoing social and economic impact of COVID-19, both domestically and on a global basis, is providing elevated market risk at the current time.

In some markets there is more certainty regarding 'post-COVID pricing' than others due to the subsequent transactional evidence, however there is increased latent risk across all asset classes and property sectors due to the impact of the pandemic. This risk relates to how the future will play out over the coming weeks, months and even years. As such this is not a variable than can be explicitly priced.

As per the accepted definition, a market value is "as at the valuation date" and is based on events and evidence up to that date. It reflects the sentiment at that point in time and value on that day. Given these comments we note the current economic conditions and latent potential volatility should be considered by the reader(s) of this report and factored into future considerations when referring to this valuation."

All valuations have been reviewed by the Association's management who, notwithstanding the uncertainty due to COVID-19, have determined the valuation to be appropriate as at 30 June 2021.

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10. Goodwill

	2021 $'000	2020 $'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

Allocation of goodwill to cash-generating units

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

	2021 $'000	2020 $'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 the CGU above, the recoverable amounts of the CGU are determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Board. The period used is a five year period and the discount rate used is 10% per annum (2020: 10% per annum).

For the Association the cash flow projections during the budget period are based on the same expected gross margins 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 believes 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 CGU.

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11. Other intangible assets

	Computer Software $'000
Gross carrying amount	
Balance at 1 July 19	16,909
Additions	1,287
Disposals	(8)
Balance at 30 June 20	18,188
Additions	3,409
Disposals	(151)
Balance at 30 June 21	21,446
Accumulated amortisation and impairment	
Balance at 1 July 19	13,914
Amortisation expense	1,408
Eliminated on disposals	(8)
Balance at 30 June 20	15,314
Amortisation expense	1,554
Eliminated on disposals	(151)
Balance at 30 June 21	16,717
Carrying amount	
As at 30 June 20	2,874
As at 30 June 21	4,729

12. Investment properties

At fair value	2021 $'000	2020 $'000
Balance at 1 July	230	220
Change in fair value	26	10
Balance at 30 June	256	230

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 2021. The total value per each valuer was as follows:

	Date of Valuation	2021 $'000	2020 $'000
Telfer Young	30/06/2021	256	230
		256	230

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13. Payables

	2021 $'000	2020 $'000
Trade payables - from exchange transactions	5,075	6,893
Accrued expenses	4,895	4,952
Goods and services tax ("GST") payable	538	2,697
Other	1,351	1,391
	11,859	15,933

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

14. Clawback provision

The clawback provision relates to the expected clawback of commission earnt on life insurance policies within the first twelve months of the policy.

	2021 $'000	2020 $'000
Balance at 1 July	145	-
Movement for period	225	145
Balance at 30 June	370	145

15. Make good provision

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

	2021 $'000	2020 $'000
Balance at 1 July	169	155
Movement for period	(7)	14
Balance at 30 June	162	169

16. 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:	2021 $'000	2020 $'000
Current portion	4,029	3,837
Non-current portion	2,953	2,562
	6,982	6,399

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17. Unearned revenue

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

This is disclosed as:	2021 $'000	2020 $'000
Current portion	921	519
Non-current portion	6	-
	927	519

18. Asset revaluation reserve

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 comprehensive revenue and expenses. The transfer to accumulated comprehensive revenue and expenses during the prior year has arisen due to the reintroduction of depreciation on buildings.

	2021 $'000	2020 $'000
Balance at 1 July	13,809	12,534
Increase on revaluation of properties	2,240	505
Decrease on revaluation of properties	(122)	(5)
Transfer to accumulated comprehensive revenue and expenses	-	775
Balance at 30 June	15,927	13,809

19. Accumulated comprehensive revenue and expense

	2021 $'000	2020 $'000
Balance at 1 July	281,993	244,042
Transfer from asset revaluation reserve	-	(775)
Net surplus for the year ended attributable to the Association acting in the interest of members	44,209	38,721
Share of other comprehensive revenue and expense of joint ventures	(16)	5
Balance at 30 June	326,186	281,993

In the event the Association is wound up, the residual assets are to be applied towards an entity having substantially similar objectives and activities. The transfer from the asset revaluation reserve has arisen due to the reintroduction of depreciation on buildings during the prior year.

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20. Subsidiaries

Details of the Group's significant subsidiaries at 30 June 2021 are as follows:

Name of Subsidiary	Place of Incorporation	Principle activity	Ownership interest and voting rights (%) 2021	2020
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

21. Investments accounted for using the equity method

Investments in joint ventures

Name of Joint Venture	Financial year end	Place of Incorporation	Principle activity	Voting rights on significant transactions (%) 2021	2020	Ownership interest (%) 2021	2020
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	0*	50	0*	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
AA Finance Limited	30 June	New Zealand	Finance Provider	50	50	50	50

Although the Group holds less or more than 50% ownership interest in three of the investments listed above they are classified as a 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 Group has no rights to the assets and no obligation to the liabilities of these joint ventures except for AA Finance Limited. The Group is guarantor to 50% of a term loan facility agreement in place with ANZ Bank New Zealand Limited to which AA Finance Limited are a party. The Group's exposure to this facility is $9.98 million.

*On 1 July 2020 the AA Life Services joint venture agreement was terminated and on the 23 August 2021 an application to remove the company from the Companies Register was made.
** 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.

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

Summarised financial information in respect of the Group's joint ventures is set out below:

	2021 $'000	2020 $'000
Current assets	642,121	575,412
Non-current assets	70,171	90,000
Total assets	712,292	665,412
Current liabilities	232,411	206,871
Non-current liabilities	313,382	303,546
Total liabilities	545,793	510,417
Net assets	166,499	154,995
Group's share of net assets of joint ventures	60,214	61,531
Total revenue	576,521	527,164
Total expenses	(522,317)	(457,565)
Total net surplus/(losses)	54,204	69,599
Group's share of net surplus/(losses) of joint ventures	18,441	23,992

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

Carrying value of joint ventures	2021 $'000	2020 $'000
Carrying value at 1 July	61,531	56,076
Increase in shares	2,000	3,000
Share of net surplus/(losses)	18,441	23,992
Share of other comprehensive revenue and expense of joint ventures	(16)	5
Dividends received	(21,742)	(21,540)
Dividends owing	-	-
Distribution of tax credit	-	(2)
Carrying value at 30 June	60,214	61,531

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

	2021 $'000	2020 $'000
The carrying value is comprised of:		
Cost	26,565	24,565
Share of joint venture post-acquisition reserves	26,908	30,225
Goodwill	6,741	6,741
	60,214	61,531
Joint venture share of net surplus/(losses)		
Share of surplus before taxation	24,632	32,788
Share of taxation expense	(6,191)	(8,796)
	18,441	23,992

22. 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 20 and 21 respectively.

Related party transactions and outstanding balances

Transactions with and amounts outstanding between the Group and related parties are as per the following tables.

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22. Related parties (continued)

2021

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
AA Insurance Limited	Amount Owed to NZAA		772
	Amount Owed to AA Insurance Limited		-
	Service Commission and Operational Funding	11,148	
AA Life Services Ltd	Amount Owed to NZAA		-
	Service Commission and Operational Funding	(442)	
AA Battery Services Ltd	Amount Owed to NZAA		133
	Amount Owed to AA Battery Services		176
	Purchase of Battery Stock	1,828	
	Service Commission and Operational Funding	(1,607)	
AA Smartfuel Limited	Amount Owed to NZAA		50
	Amount Owed to AA Smartfuel Limited		16
	Service Provider and Operational Funding	537	
	Brand Licensing and Program Fees	(276)	
AA Finance Limited	Amount Owed to NZAA		115
	Amount Owed to AA Finance Limited		-
	Administrative Services and Operational Activities	909	

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22. Related parties (continued)

2021

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
AA Finance Marketing Partnership			
	Amount Owed to NZAA		-
	Service Provider and Operational Funding	33	
	Brand Licensing and Program Fees	-	
AA Home Limited			
	Amount Owed to NZAA		79
	Amount Owed to AA Home Limited		69
	Administrative Services and Operational Activities	85	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	3,951	
	Expenses	768	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		1
	Service Provider and Operational Funding	82	
	Grant paid to NZAA Research Foundation	125	
SADD Aotearoa - Students Against Dangerous Driving Charitable Trust			
	Amount Owed to NZAA		1
	Service Provider and Operational Funding	82	
	Grant paid to Students Against Dangerous Driving Aotearoa	472	

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22. Related parties (continued)

2020

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
AA Insurance Limited			
	Amount Owed to NZAA		56
	Amount Owed to AA Insurance Limited		-
	Service Commission and Operational Funding	9,959	
AA Life Services Ltd			
	Amount Owed to NZAA		120
	Service Commission and Operational Funding	1,778	
AA Battery Services Ltd			
	Amount Owed to NZAA		125
	Amount Owed to AA Battery Services		205
	Purchase of Battery Stock	2,161	
	Service Commission and Operational Funding	(1,653)	
AA Smartfuel Limited			
	Amount Owed to NZAA		46
	Amount Owed to AA Smartfuel Limited		18
	Service Provider and Operational Funding	838	
	Brand Licensing and Program Fees	(284)	
AA Finance Limited			
	Amount Owed to NZAA		125
	Amount Owed to AA Finance Limited		-
	Administrative Services and Operational Activities	724	

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22. Related parties (continued)

2020

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
AA Finance Marketing Partnership			
	Amount Owed to NZAA		11
	Service Provider and Operational Funding	522	
	Brand Licensing and Program Fees	226	
AA Home Limited			
	Amount Owed to NZAA		39
	Amount Owed to AA Home Limited		42
	Service Commission and Operational Funding	143	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	3,447	
	Expenses	768	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		8
	Service Provider and Operational Funding	89	
	Grant paid to NZAA Research Foundation	188	
SADD Aotearoa - Students Against Dangerous Driving Charitable Trust			
	Amount Owed to NZAA		2
	Service Provider and Operational Funding	37	
	Grant paid to Students Against Dangerous Driving Aotearoa	472	

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

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22. 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.

	2021 Remuneration $'000	2021 Number of Individuals	2020 Remuneration $'000	2020 Number of Individuals
Members of the governing body	407	9 people	384	8 people
CEO and senior executive officers	8,362	14.28 FTEs	8,219	15.03 FTE's
	8,769		8,603	

Legal and other consulting fees totalling $242,427 (2020: $214,124) 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 (2020: $Nil).

23. Remuneration of auditors

	2021 $'000	2020 $'000
Audit of the financial statements	280	264
Taxation compliance services	69	31
Taxation advisory services	32	62
Non-assurance related services	49	31
	430	388

The auditor of the Group is Deloitte. Deloitte also carries out other assignments for the Group in the areas of risk advisory, taxation compliance and taxation advice. Consulting and advisory work is captured under non-assurance related services.

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24. 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 less than 3 months, net of outstanding bank overdrafts. Cash and cash equivalents at balance date as shown in the cash flow statement can be reconciled to the related items in the consolidated statement of financial position as follows:

	2021 $'000	2020 $'000
Cash on hand	25	44
Cash in banks	270	944
Fixed term deposits less than 3 months	32,600	37,670
Call deposits	8,760	26,738
Total cash and cash equivalents per statement of cash flows	41,655	65,396

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

	2021 $'000	2020 $'000
Net surplus for the year attributable to the Association acting in the interest of members	44,209	38,721
Adjustments for non-cash items:		
Depreciation expense (note 9)	3,238	3,209
Amortisation expense (note 11)	1,554	1,408
Capitalised lease	-	11
Share of equity accounted joint venture (surplus)/deficit (note 21)	(18,441)	(23,992)
Loss/(gain) on managed funds (note 2)	(32,510)	(8,029)
Loss/(gain) of disposal of property, plant and equipment	(459)	(275)
Loss/(gain) on revalued land and buildings (note 2)	1,408	(369)
Loss/(gain) on revaluation of investment property (note 2)	(26)	(10)
Adjustments for movements in:		
Taxation receivable	(1)	-
Sundry receivables and prepaid expenses	(1,309)	2,346
Inventories	153	(250)
Payables	(3,590)	3,681
Employee entitlements	(11)	1,453
Clawback provision	225	145
Make good provision	(7)	14
Unearned and deferred income	991	(741)
Subscriptions in advance	1,586	(271)
Net cash flows (used in)/from operating activities	(2,990)	17,051

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26. 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 considers the risk to cash flow to be minimal.

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 suffering 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, 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.

Income derived from other activities is spread across a wide range of business ventures, some involving a discretionary spend (Tourism and 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.

27. 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:

	2021 $'000	2020 $'000
Within one year	3,590	3,433
Between one and five years	4,080	4,881
After five years	81	14
	7,751	8,328

Capital commitments

At balance date the Group had no capital commitments (2020: $Nil).

28. Contingent assets

At balance date the Group had no contingent assets (2020: $Nil).

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29. Contingent liabilities

	2021 $'000	2020 $'000
Contingent liabilities are categorised as follows:		
Motorway emergency telephone service indemnity bond	8	8
Auckland International Airport performance bond	8	8

30. Subsequent events

On the 20th September 2021 the Group paid $1,750,000 of capital to AA Finance Limited.

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31. 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 the 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 reviews and agrees 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 its objectives. 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 prepaid expenses, 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. These risk limits are regularly monitored.

Sundry 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 sundry receivables.

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31. 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 2021	Carrying amounts $'000	Contractual cash flows $'000	On demand $'000	1 to 12 months $'000	1 to 5 years $'000
Liabilities					
Payables	11,321	11,321	11,321	-	-
Total financial liabilities	11,321	11,321	11,321	-	-

As at 30 June 2020	Carrying amounts $'000	Contractual cash flows $'000	On demand $'000	1 to 12 months $'000	1 to 5 years $'000
Liabilities					
Payables	13,236	13,236	13,236	-	-
Total financial liabilities	13,236	13,236	13,236	-	-

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31. Financial instruments (continued)

Categories of financial assets and financial liabilities

As at 30 June 2021	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	41,655	-	-	41,655
Other financial assets	-	236,994	-	236,994
Sundry receivables	6,572	-	-	6,572
Total financial assets	48,227	236,994	-	285,221
Liabilities				
Payables	-	-	(11,321)	(11,321)
Total financial liabilities	-	-	(11,321)	(11,321)

As at 30 June 2020	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	65,396	-	-	65,396
Other financial assets	-	169,967	-	169,967
Sundry receivables	5,446	-	-	5,446
Total financial assets	70,842	169,967	-	240,809
Liabilities				
Payables	-	-	(13,236)	(15,933)
Total financial liabilities	-	-	(13,236)	(15,933)

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 market interest rates. The Group is exposed to interest rate risk primarily through its cash and investments.

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31. Financial instruments (continued)

Interest rate risk (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 consolidated statement of comprehensive revenue and expense with all other variables held constant.

Equity price sensitivity analysis

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

Financial assets subject to interest rate risk

Financial assets subject to interest rate risk include cash and shares in managed funds. 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 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Cash and cash equivalents	41,655	417	(417)	-	-
Other financial assets	236,994	-	-	11,850	(11,850)
Total	278,649	417	(417)	11,850	(11,850)

	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 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Cash and cash equivalents	65,396	654	(654)	-	-
Other financial assets	169,967	-	-	8,498	(8,498)
Total	235,363	654	(654)	8,498	(8,498)

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31. 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 sitting in this category is the managed fund investment which is a portfolio consisting of equities, unit trusts 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 consolidated 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 2021	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Other financial assets	5,000	231,994	-	236,994
Total financial assets	5,000	231,994	-	236,994

As at 30 June 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Other financial assets	-	169,967	-	169,967
Total financial assets	-	169,967	-	169,967

There were no transfers between Level 1 and 2 during either period.

Reconciliation of Level 3 fair value measurements of financial assets	**2021 $'000**	**2020 $'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.

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Independent Auditor's Report

To the Members of the New Zealand Automobile Association Incorporated

Opinion

We have audited the financial statements of the New Zealand Automobile Association Incorporated (the 'entity') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 30 June 2021, 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 2021, 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, 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 risk advisory, 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 subdiaries 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.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors are 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 Board of Directors 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 Board of Directors are 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 Board of Directors either intend to liquidate the Group or to cease operations, or have 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.

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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 the 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.

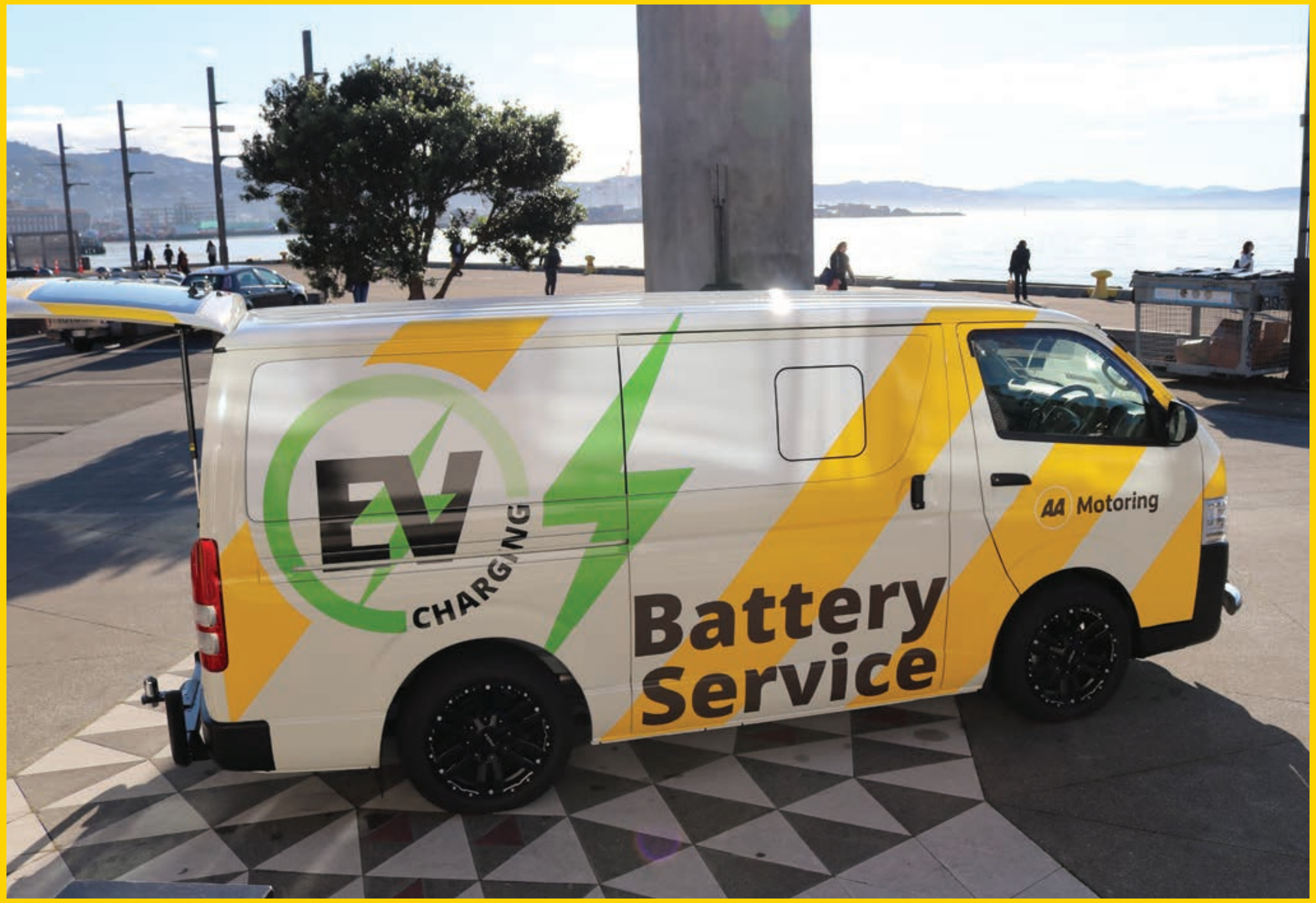
Deloitte Limited

Auckland, New Zealand
24 September 2021

This audit report relates to the consolidated financial statements of the New Zealand Automobile Association Incorporated (the 'entity') and its subsidiaries (the 'Group') for the year ended 30 June 2021 included on the entity's website. The Board of Directors are responsible for the maintenance and integrity of the entity's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 24 September 2021 to confirm the information included in the audited consolidated financial statements presented on this website.

AA BATTERY SERVICE

Introducing our mobile EV charger



As more and more Kiwis make the switch to an electric vehicle, the AA's promise to keep Kiwis moving has extended to include a new service for EV owners.

In July 2020, a mobile EV charging AA Battery Service breakdown van hit the roads of Wellington. In 20-25 minutes, its lightweight EV charger enables enough charge to drive up to 10 kilometres so AA Members can get home or to a nearby charging station.

In the first 11 months of the service, it gave EVs a boost at the roadside 2 to 3 times a month on average.

"Wellington AA Members who have used the service have been really impressed, and our Technician (pictured on the front cover) gets lots of questions about the van when he attends battery-related breakdowns of internal combustion engine vehicles," said AA Battery Service General Manager Mandy Mellar.

"When there was a wintry blast in the capital he went to several EV break down jobs. One was for a Member's car which was showing they still had 5km so they thought they'd make it home but because they were using their lights, heater etc. meaning a higher drain on the battery it ran out of juice.

"Another of the jobs was for a Member who knew about the service and specifically asked for the van to come; he was really impressed."

While she's remaining tight-lipped about details of the plans to expand the service, Mandy says it won't be long before more EV owners will benefit, hopefully helping to curb more Kiwis' range anxiety as they consider making the switch.

The van is available to AA Members between 7am and 11pm, 365 days of the year at no additional cost. Outside of these hours, and outside of Wellington, the AA currently provides Members whose EVs break down a tow.

We're **honest**

We're **friendly**

We're **experts**

We **solve it**

We're **a team**