

## ANNUAL REPORT 2009/2010

# A winning formula



**ONE OF OUR** Association's greatest strengths is the founding notion that providing a quality service for Members is paramount. That continued focus on service excellence and the fact that we deliver on our promises, ensures that increasing numbers of New Zealanders choose to be Members of the AA. The evidence for this is in the growing Membership base and the growing demand for our roadside breakdown and other services.

Another of our strengths is our diversity, reflected in the growing range of products and services we offer Members. The Association's diverse portfolio satisfies the changing demands of our Membership and also provides a reliable and cost efficient 'safety net' during volatile times. So much so that it must be credited for seeing our organisation and our Members through another tough year.

## "IN THE LAST 12 MONTHS NEARLY 100,000 NEW MEMBERS JOINED THE AA"

Our Association has remained strong during the economic downturn and has not lost sight of the goal to enhance Membership value through the quality of the services and benefits provided to Members. This has proved to be a winning formula. In the last 12 months nearly 100,000 new Personal Members joined the Association, and we ended the year in good shape financially.

### Insurance

AA Insurance experienced strong customer growth and profit performance met expectations.

Customer growth was particularly

strong for car insurance. A new advertising campaign, continuing with the 'pit-crew' theme, is credited for much of this success.

AA Insurance also actively promoted issues of interest in relation to car insurance, and consequently featured regularly in the media.

For AA Insurance customers, the Canterbury earthquake in September was traumatic, and the long-term effects will be apparent for years. AA Insurance will continue to provide support to both customers and staff in the region. Our conservative reinsurance arrangements continue to provide financial security, both for AA Insurance and its customers.

AA Insurance continued to contribute to the industry through significant lobbying and preparation for the introduction of the new regulatory environment for the New Zealand insurance industry.

Other highlights for AA Insurance included achieving third place in the JRA Best Workplaces Survey in the medium to large workplace category, and the opening of a purpose-built Customer Service Centre in Glenfield to cater for the growth in customer numbers.

### Membership

AA Membership continued its upward trend with a record number of new Members joining, and Membership numbers passing the 1.3 million mark.

Length of tenure discounts and AA Rewards both contributed to another year of strong Membership retention and new Member growth. Growth can also be attributed to the tough financial climate resulting in motorists delaying upgrading their



vehicles and taking out AA Membership to counter the risks involved in owning older vehicles.

AA Rewards welcomed six new Partners this year – Kitchen Studio, JR/Duty Free, Teleflora NZ, The Edge, Fairfax Media and Swandri NZ – each adding value for AA Members. This year 86% of Members swiped their Membership cards to collect AA Rewards Points. AA Members have received nearly \$100 million in AA Rewards benefits to date, statistics that reflect the programme's popularity.

## Tourism

AA Tourism continued its quest to increase demand for domestic tourism. This year's Great Kiwi Road Trips campaign focused on the enjoyment involved in planning and experiencing a journey in New Zealand. The campaign included free maps and a competition, with major prizes of two Mazda2s.

A new range of Regional Visitor Guides proved popular among Members and travellers. Over two million guides were printed in a new magazine-style format and incorporated tips from local residents,

## "AA MEMBERS HAVE RECEIVED NEARLY \$100 MILLION IN AA REWARDS BENEFITS"

101 Must Do's, and editorial content tailored for each region.

Recognising the growing popularity of online consumer reviews when planning travel, AA Tourism launched 'Been There' traveller reviews. This online tool enables travellers to rate accommodation and tourist attractions based on set criteria. Since its launch in June, 'Been There' has received more than 5,000 traveller reviews. Tourism operators and properties also have the ability to publish the 'Been There' reviews on their websites and to invite guests and customers to complete the review survey.

Pleasingly, [www.aatravel.co.nz](http://www.aatravel.co.nz) continues to rank as the number one New Zealand travel website for domestic travel (2010 Nielson NetRatings).

Since partnering with the Australian

Automobile Association in 2009, more than 1.5 million AAA Tourism travel publications have been published. The AAA Tourism website has been redesigned with a new reservation engine, new attraction listings, 'hot deals' and a Great Aussie Destinations section.

## Roadservice

Continuous measurement of Member satisfaction, through surveying Members who have used AA Roadservice, enables us to make ongoing improvements. We aim to ensure that we exceed our Members' expectations in every respect. This year we received 622,000 roadservice calls from Personal Members, of which 76% were answered within 20 seconds. Of these calls, 61% were attended within 30 minutes, and 90% within the hour. Our team of roadservice officers, battery van operators and contractors assisted 462,000 Members. As with the previous year, 92% of our Members were successfully mobilised on the roadside, with an average of 15 minutes spent at each call.

AA Roadservice continues to refine and develop innovative ways of improving the service we provide to Members and business customers. This year Business Assist was introduced to our corporate and manufacturer customers, to create a more streamlined approach when responding to their calls.

AA Roadservice this year invested in an upgrade of its mapping systems using GeoSmart's extensive mapping data and functionality, and significantly improved our ability to locate and respond to breakdown calls.

## Advocacy

Motoring Affairs and AA Councillors continue to ensure that AA Members' interests are well represented in issues that affect them as motorists.

This year the Government released its 10-year road safety strategy Safer Journeys. Having submitted proposals during the drafting of the strategy, our

Association has been involved in the implementation of a number of initiatives. Specifically, we have been consulted on legislative amendments related to young drivers, reducing drink-driving and increasing motorcycle safety.

The AA has advocated for tougher measures to target serious repeat drink-drivers – such as introducing alcohol interlocks in cars and improving alcohol and drug addiction assessment and treatment. Motoring Affairs publicised an ESR report emphasising the seriousness of drugged driving, and called for the Government to introduce roadside saliva tests to identify drugged drivers.

The AA contributed to discussions on driver education, and published the discussion document *Driving Ourselves*, to stimulate new thinking.

As a continuation of the New Zealand Road Assessment Programme (KiwiRAP), and the 2008 Risk Maps, the Star Ratings for State Highways was launched. KiwiRAP has become invaluable in identifying priorities for road infrastructure safety improvements and for raising public awareness about how road design can affect safety. The KiwiRAP partnership, which includes the AA and four Government agencies, is being portrayed by iRAP as the ideal strategy to ensure success. In September, KiwiRAP won the TRAFINZ (NZ Local Authority Traffic Institute) Safety Leadership Award.

Research was undertaken this year by the AA Driver Education Foundation (AADEF) into CarFit, a programme developed in the USA for older drivers. The programme involves carrying out voluntary check-ups to assist older drivers in making the best use of their vehicle's safety features. For young drivers, AADEF maintained the AA's 24-year involvement with Students Against Driving Drunk (SADD).

Our Association continues to monitor fuel prices, changes to ACC motor vehicle levies and Road User Charges. Pleasingly, after years of

lobbying, the Government introduced a ban on the use of hand-held mobile phones while driving and, in 2012, the right hand (give way) rule will be changed to align with the rest of the world. The AA has also taken opportunities to raise public awareness about what people can do to be safer and more fuel-efficient drivers. Meanwhile, AA District Councils continued their work of monitoring transport and road safety developments in their regions.

## Motoring services

This year has been a positive one for Motoring Services, thanks to a strong trading result. From the issuing of driver licences to driver training and vehicle testing, the AA continues to provide a wide range of Motoring Services to meet the needs of motorists.

The increase in the number of imported used cars resulted in an increased demand for entry certification. A new WoF AA Testing Station opened at Bell Block in New Plymouth and it immediately proved to be a more suitable location for heavy trucks and buses than one in a congested inner-city area.

AA Driver Training experienced a mixed year. Demand for driver training was up as a result of uncertainty about changes to the driving age. However, demand for employee driver training was down, due to businesses having less discretionary income.

Since the introduction of photographic driver licences in May 1999, the AA has completed more than 13 million transactions. This year the AA also began processing identity cards for the Real Estate Agents Authority (REAA) and the NZ Law Society.

Our relationship with MARAC and the development of further financial products led to the AA purchasing a 50% ownership of MARAC Insurance Limited.

Through the relationship with MARAC Finance Limited, a new 12-month Mechanical Breakdown Insurance product was introduced

exclusively for the AA Motoring Services, Centre Network and online customers. A full range of new Business Finance products is now on offer.

## Finance

The Association ended the year with a very strong financial result, arising from a combination of cost containment and success across virtually all of the Association's commercial divisions. The result was enhanced by the profitability on the sale of half of AA Guides to facilitate our new partnership with the Australian Automobile Associations in respect of Club Tourism Publishing.

This pleasing result, principally generated by the commercial activities of the Association, including our joint ventures, enabled Membership fees to be held for a further year. This is a deliberate strategy to use commercial activities to subsidise Member services without the need for increasing Member dues.

## OUR ASSOCIATION'S JOINT VENTURES

As our Association has grown and diversified, so too have our Joint Venture relationships. The major benefits in becoming a Joint Venture partner is the combined business strength through sharing expertise and technical assets. However, the most important feature of our Joint Ventures is that they enable our Association to offer Members more choice, quality products and services, and competitive rates.

### Our Joint Ventures include:

- **AA Auto Glass:** formed in 2010
- **AA Battery Service:** formed in 2007
- **AA Bookabach:** JV interest acquired in 2009
- **AA Insurance:** formed in 1994
- **AA Life:** formed in 2004
- **Club Tourism Publishing:** formed in 2009
- **MARAC Insurance:** JV interest acquired in 2010
- **Qualmark:** formed in 1993

## Farewell

This will be Geoff Lange's final report as President of the AA Board. I would like to extend a special appreciation for his commitment over a three-year term by way of time and enthusiasm for the enhancement of the Association's profile and services. On a personal note, I would like to thank Geoff for being very supportive of a management team that has seen, over the course of his Presidency, the Association grow in relevance, service diversity and financial wellbeing. 📧

**BRIAN GIBBONS, CHIEF EXECUTIVE**



**Geoff Lange**  
President

## SUMMARISED FINANCIAL STATEMENTS

### THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2010

	2010 \$	2009 \$
<b>INCOME WAS RECEIVED FROM:</b>		
Revenue	110,588,336	105,724,437
Share of profit or loss in joint ventures	5,835,177	6,792,642
Other Income	8,651,394	434,353
<b>INCOME FROM CONTINUING ACTIVITIES</b>	<b>125,074,907</b>	<b>112,951,432</b>
<b>EXPENDITURE WAS INCURRED BY:</b>		
Employee entitlements	56,261,231	55,149,527
Delivery and distribution	17,143,858	15,738,800
Plant, office and property	8,327,867	8,273,702
Advertising and promotion	7,081,005	7,266,618
IT and telecommunications	7,023,994	6,699,116
Motor vehicle expenses	2,958,138	2,931,527
Other Expenses	7,518,712	8,399,032
<b>EXPENSES FROM CONTINUING ACTIVITIES</b>	<b>106,314,805</b>	<b>104,458,322</b>
Operating surplus from continuing activities before tax	18,760,102	8,493,110
Taxation benefit / (expense)	383,687	-
<b>NET SURPLUS FOR THE YEAR ATTRIBUTABLE TO THE ASSOCIATION FOR THE BENEFIT OF MEMBERS</b>	<b>19,143,789</b>	<b>8,493,110</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>54,838</b>	<b>(171,261)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE ASSOCIATION FOR THE BENEFIT OF MEMBERS</b>	<b>19,198,627</b>	<b>8,321,849</b>

### THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 30 SEPTEMBER 2010

	2010 \$	2009 \$
<b>ASSETS</b>		
Cash and cash equivalents	20,487,494	18,333,556
Other financial assets	22,355,298	21,061,541
Sundry receivables & prepaid expenses	6,403,776	14,619,333
Related Party Receivable	2,238,609	-
<b>TOTAL CURRENT ASSETS</b>	<b>51,485,177</b>	<b>54,014,430</b>
Property, plant and equipment	31,598,442	30,872,632
Investments	44,704,059	39,140,331
Related Party Receivable	4,737,247	-
Capitalised lease	5,760	23,040
Deferred Tax Asset	383,687	-
Goodwill	6,089,912	6,389,912
Other intangible assets	3,347,074	4,484,966
<b>TOTAL NON CURRENT ASSETS</b>	<b>90,866,181</b>	<b>80,910,881</b>
<b>TOTAL ASSETS</b>	<b>142,351,358</b>	<b>134,925,311</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>	<b>18,187,012</b>	<b>31,969,947</b>
NON CURRENT LIABILITIES	3,630,418	2,203,645
<b>TOTAL LIABILITIES</b>	<b>21,817,430</b>	<b>34,173,592</b>
<b>NET ASSETS</b>	<b>120,533,928</b>	<b>100,751,719</b>

### ASSOCIATION FUNDS AND SUBSCRIPTIONS IN ADVANCE

Accumulated funds	91,316,524	72,204,095
Asset revaluation reserve	9,226,944	9,199,739
Foreign Currency Translation Reserve	58,993	-
<b>Total association funds</b>	<b>100,602,461</b>	<b>81,403,834</b>
Subscriptions in advance	19,931,467	19,347,885
<b>TOTAL ASSOCIATION FUNDS AND SUBSCRIPTIONS IN ADVANCE</b>	<b>120,533,928</b>	<b>100,751,719</b>

For and on behalf of the National Council, G B Lange, President  
MR Winger, Board Member, 10 February 2011.

### THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2010

	2010 \$	2009 \$
<b>ASSOCIATION FUNDS AS AT 1 OCTOBER</b>	<b>81,403,834</b>	<b>73,081,985</b>
Net profit for the year attributable to the association for the benefit of members	19,143,789	8,493,110
<b>OTHER COMPREHENSIVE INCOME:</b>		
Revaluation of properties	27,205	(171,261)
Gain arising on translation of foreign associate	58,993	-
Share of other comprehensive income of associates	(31,360)	-
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>54,838</b>	<b>(171,261)</b>
Total comprehensive income	19,198,627	8,321,849
<b>ASSOCIATION FUNDS AS AT 30 SEPTEMBER</b>	<b>100,602,461</b>	<b>81,403,834</b>

### THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2010

	2010 \$	2009 \$
Net cash used from operating activities	8,260,541	3,584,887
Net cash used in investing activities	(6,024,142)	(3,438,310)
Net cash used in financing activities	(82,461)	(269,306)
Net increase in cash and cash equivalents	2,153,938	(122,729)
Cash and cash equivalents at the beginning of year	18,333,556	18,456,285
Effects of exchange rate changes on cash held in foreign currencies	-	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>20,487,494</b>	<b>18,333,556</b>
Represented by cash and cash equivalents	<b>20,487,494</b>	<b>18,333,556</b>

### NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

#### MEASUREMENT BASE

The reporting currency is New Zealand Dollars.

#### ACCOUNTING POLICIES

There have been no material changes in accounting policies covered by these financial statements.

#### EVENTS SUBSEQUENT TO BALANCE DATE

There have been no significant events subsequent to balance date.

#### RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2010 \$	2009 \$
Operating Surplus after taxation	19,143,789	8,493,110
Movement in non cash items	(2,629,592)	(3,312,823)
Movement in assets and liabilities	(1,299,101)	(3,000,280)
Movement in Financing/Investing activities	(6,954,555)	1,404,881
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>8,260,541</b>	<b>3,584,888</b>

#### FULL FINANCIAL STATEMENTS AVAILABLE

These summarised financial statements are unaudited and have been extracted from the full financial statements for the Association for the year 30 September 2010. The full financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for public benefit oriented entities. The full financial statements comply with International Financial Reporting Standards.

The full financial statements were authorised for issue on 10 February 2011. The summarised financial report may not contain sufficient information for a full understanding of the financial affairs of the Group but copies of the full financial statements and the unqualified auditors' opinion, dated 10 February 2011, can be obtained by members from: The Secretary, The New Zealand Automobile Association Incorporated, P.O. Box 5, Auckland.