



**MOVING FORWARD:**  
AA Chief Executive Brian  
Gibbons (right) and AA  
President Geoff Lange

## ANNUAL REPORT 2007 / 2008

# Challenging Times

**WITHOUT A DOUBT**, the last 12 months have been a challenging time for motorists, as a result of the tougher economic climate and its impact on the cost of motoring. The cost of fuel hit a record high in July and, while the prices have eased slightly since then, the wider economic environment has slowed, especially in relation to the sale of new and used cars.

Your Association has not been immune to these external factors, as many of our services revolve

around the sale, purchase and driving of motor vehicles. That said, the current economic climate has also served to reinforce the need for a motoring assistance organisation such as the AA.

When one reflects on the diversity of services we provide to Members, most of which are free, the importance of the AA in less buoyant economic times is even more apparent. We launched a new brand campaign, Keeping New Zealanders Moving, during the

year, emphasising the role the Association has in providing motoring support, advice and assistance.

At the heart of Keeping New Zealanders Moving is the active promotion of our five cornerstone services – Advocacy, Roadservice, Tourism, Motoring and Insurance. These are the five key reasons for belonging to the AA.

### **ADVOCACY**

One of the AA's long-standing and most trusted roles is that of the motorist's advocate – looking after motorists' interests on matters involving the car and road safety, and generally promoting the pleasure, security and freedom of

**In March 2008, Geoff Lange was elected President of the New Zealand Automobile Association. Geoff is based in Invercargill; however, his business interests and AA responsibilities see him travel regularly around New Zealand and overseas. We congratulate Geoff on his appointment and wish him well for his term as President.**

motoring. The year was extremely successful for the Motoring Affairs team, and our National and District AA Councils, all of whom are responsible for the AA's advocacy activity.

Following some 75 years of seeking to have all fuel excise go back into the National Land Transport Fund, we were delighted that legislation enacting this came into force in August. New Zealand is now the only country in the OECD to have its fuel excise linked entirely to transport expenditure.

We were also pleased to launch KiwiRAP, becoming part of an international Road Assessment Programme designed to measure and publish the personal and collective safety of our roads. This was undertaken in partnership with government agencies – an international first for the programme.

Another positive outcome for Motoring Affairs was hosting the FIA Foundation's international launch of the Make Cars Green campaign on World Environment Day. Make Cars Green is a global initiative to improve the environmental footprint of the automobile and, with the support of Governments, manufacturers and our sister motoring organisations throughout the world, to promote sensible ways for motorists to receive all the benefits of driving while at the same time making a positive contribution to greener motoring.

This year's turbulent oil prices put considerable pressure on motorists and their budgets. During this period, the AA Motoring Affairs team successfully called for an independent review of domestic fuel prices to provide greater consumer confidence.

Our solid working relationship with the Government and its agencies means several important safety initiatives, originally sought by the Association, are likely to progress over the next 12 months,

including improvements to the Graduated Driver Licensing System and a ban on using handheld mobile phones while driving.

## ROADSERVICE

For the year under review, the focus of AA Roadservice was to deliver exemplary service, added value and Member satisfaction. Success has been reflected in the feedback surveys which have seen an increase in the number of Members who would recommend the AA service.

Our Service Response Centre received 675,000 calls from Members in need of assistance, 67% of which were answered within 20 seconds. Our Roadservice officers, together with the Battery

## MEMBERSHIP HAS GROWN TO NEARLY 1.26 MILLION

Service team and breakdown contractors network, attended 485,000 jobs, of which 65% were responded to within 30 minutes, and we successfully mobilised 93% of vehicles at the side of the road.

These statistics reflect our continuing desire to minimise wait times and have Members back on their way as soon as possible after a breakdown.

Other service initiatives have been introduced during the year, including the use of location contractors (especially at popular ski fields and camping grounds), increased use of AA Battery Service vans in busy metropolitan areas, and increased use of Roadservice officers for breakdowns in districts that would normally be serviced by contractors.

Our world-leading programme of fine-tuning processes and measuring management practices

will ensure AA Roadservice continues to be the number one breakdown assistance provider in New Zealand.

## TOURISM

The challenge for AA Tourism has been to help stimulate demand and encourage New Zealanders to travel domestically.

In March, we launched 101 Must-Do Weekends in partnership with regional tourism organisations and operators. This followed the immensely successful 101 Must-Do's for Kiwis domestic tourism campaign of the previous year.

In August, we introduced Hot Travel Deals to entice New Zealanders to make the most of the off-peak travel seasons. Both campaigns showed excellent results and led to record advertising support for our guides business.

Partnering with others means much more can be achieved than when 'going it alone'. This year AA Tourism established a strong partnership with media company APN. APN's core print products, such as The New Zealand Herald, together with other external web partners, such as MSN and Eventfinder, provided your Association with new channels to implement the large-scale media campaign for AA Tourism's 101 Must-Do Weekends. A series of supplements, contextual display advertising, nationwide radio interviews, the enhancement of online accommodation booking capabilities, and the incredibly supportive response from our Members, were all positive outcomes of this approach.

Other AA Tourism developments included the growth of the live reservation system, an increase in accommodation bookings through [aatravel.co.nz](http://aatravel.co.nz), and the introduction of a quadruple AA Rewards Points travel programme.

The AA-owned GeoSmart mapping company launched

an upgraded online version of the AA Maps website; AA Bookabach was integrated with AA online information; and your Association, together with Tourism New Zealand, introduced Qualmark Green to recognise accommodation and tourism services operating in an environmentally responsible manner.

## **INSURANCE**

AA Insurance has continued to grow and perform well this year, despite a tough winter and the resulting number of claims. That success is largely attributed to the significant work undertaken to improve our service to customers.

Since February, the Penrose Customer Service Centre has provided Auckland-based AA Insurance customers with access to a car insurance claims service. The majority of Auckland-based customer claims are now directed through the Penrose and Albany centres.

AA Insurance has been active providing the Government with information relating to the proposed new financial services regulations, as well as contributing to the review of compulsory third party damage. The online introduction of third party insurance has made this product more accessible to customers.

AA Insurance continued to promote its Guaranteed No Claims Bonus For Life this year, as well as a new exclusive Lifetime Repair Guarantee product, offering customers a guarantee on all parts and workmanship for the lifetime of their vehicle, when repaired through an AA-Approved Repairer.

We are delighted to advise that employee engagement levels continued to improve this year and AA Insurance was selected as a finalist in the top 10 best places to work in New Zealand for medium to large organisations.

## **MOTORING**

Motoring Services continued to expand its profile during the year - developing an electronic inspection system and introducing an online tool to enable Members to have their motoring questions answered directly by an expert AA technical advisor.

Last year we launched the AA Defensive Driving Course for Experienced Drivers and it has been a huge success.

The 2008 AA Motoring Excellence Awards resulted in a record 89 entries and significant media coverage, highlighting why the event is now recognised as 'the Oscars of the New Zealand motoring industry'. Our General Manager of Technical Services, Stella Stocks, received the

## **THE AA WILL SUCCESSFULLY MEET THE CHALLENGES OF THE NEXT YEAR**

prestigious Neil Nelson Award from the New Zealand Motoring Writers Guild. The award recognises an outstanding contribution to the New Zealand motor industry and acknowledges the incredible work Stella and her team have done organising both the AA Energywise Rally and AA Motoring Excellence Awards.

Since becoming a driver licensing agent for the Government nine years ago, the AA has undertaken more than 11 million transactions. During that time we have maintained high standards of service excellence and become the place to go for these administrative motoring tasks. This is an achievement we can all be proud of.

## **MEMBERSHIP**

The true indication of our success is our Membership and we are delighted to report it grew to just under 1.26 million Members this year, some 40% of licensed drivers. Our enhanced Membership product, AA Plus, grew 13% with nearly 100,000 Members now benefiting from its additional Membership features. The growth we have experienced in business Memberships in recent years has continued, with vehicle-based Membership also increasing.

Four further AA Rewards partnerships were established during the year, and a record 86% of Members earned AA Rewards Points during the year.

Our Customer Call Centre continues to provide Members and the public with the best possible service. The calibre of our call centre staff was highlighted once again when we received the 2008 TUANZ Award for Customer Contact Centre of the year (under 25 seats).

## **FINANCE**

The Association finished the year with a satisfactory financial result given the tough economic times and the impact of the financial market on investment returns. A good financial result is important if Members are to continue receiving quality services, discounts, Rewards Points and benefits. Pleasingly, this result has been achieved without the need to increase Membership fees.

Despite the deteriorating economic conditions, we have pursued a number of initiatives to reduce costs and deliver greater value and service to our Members and New Zealand's motorists. Moreover, we have made solid investments in our business operations, giving us much confidence that your Association will successfully meet the challenges of the next financial year and beyond. ■



# SUMMARISED FINANCIAL REPORT

## THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2008

	2008 \$	2007 \$
<b>INCOME WAS RECEIVED FROM:</b>		
Revenue	105,144,044	100,714,629
Share of profit or loss in joint ventures	3,464,780	265,409
Other income	(885,983)	2,170,137
<b>INCOME FROM CONTINUING ACTIVITIES</b>	<b>107,722,841</b>	<b>103,150,175</b>
<b>EXPENDITURE WAS INCURRED BY:</b>		
Employee entitlements	55,322,875	50,490,604
Delivery and distribution	15,702,952	15,138,082
Plant, office and property	8,109,976	7,929,666
Advertising and promotion	9,860,809	9,561,475
IT and telecommunications	6,511,948	6,383,954
Motor vehicle expenses	3,205,489	2,745,726
Other expenses	7,786,903	6,392,770
<b>EXPENSES FROM CONTINUING ACTIVITIES</b>	<b>106,500,952</b>	<b>98,642,277</b>
Operating surplus from continuing activities before tax	1,221,889	4,507,898
Taxation expense	-	-
<b>NET SURPLUS FOR THE YEAR ATTRIBUTABLE TO MEMBERS AND CUSTOMERS</b>	<b>1,221,889</b>	<b>4,507,898</b>

## THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2008

	2008 \$	2007 \$
<b>MEMBERS FUNDS AS AT 1 OCTOBER</b>	<b>70,144,087</b>	<b>64,524,195</b>
Gain on revaluation of properties	1,274,263	1,253,095
Deferred tax on revaluation of properties	441,746	(141,101)
<b>Net income recognised directly in equity</b>	<b>1,716,009</b>	<b>1,111,994</b>
Surplus for the year	1,221,889	4,507,898
<b>Total recognised income and expense</b>	<b>1,221,889</b>	<b>4,507,898</b>
<b>MEMBERS FUNDS AS AT 30 SEPTEMBER</b>	<b>73,081,985</b>	<b>70,144,087</b>

## THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2008

	2008 \$	2007 \$
<b>ASSETS</b>		
Cash and cash equivalents	18,456,285	17,264,990
Other financial assets	19,924,668	21,970,000
Sundry receivables & prepaid expenses	16,284,607	15,862,988
<b>TOTAL CURRENT ASSETS</b>	<b>54,665,560</b>	<b>55,097,978</b>
Property, plant and equipment	32,476,988	29,734,521
Investments	28,476,010	25,285,309
Capitalised lease	40,320	5,903
Goodwill	6,249,912	6,249,912
Other intangible assets	4,969,600	4,431,151
<b>TOTAL NON CURRENT ASSETS</b>	<b>72,212,830</b>	<b>65,706,796</b>
<b>TOTAL ASSETS</b>	<b>126,878,390</b>	<b>120,804,774</b>
<b>LIABILITIES</b>		
CURRENT LIABILITIES	32,492,633	29,090,737
NON CURRENT LIABILITIES	2,576,084	2,953,433
<b>TOTAL LIABILITIES</b>	<b>35,068,717</b>	<b>32,044,170</b>
<b>NET ASSETS</b>	<b>91,809,673</b>	<b>88,760,604</b>
<b>MEMBERS FUNDS AND SUBSCRIPTIONS IN ADVANCE</b>		
Accumulated funds	63,710,985	62,489,096
Asset revaluation reserve	9,371,000	7,654,991
<b>Total members funds</b>	<b>73,081,985</b>	<b>70,144,087</b>
Subscriptions in advance	18,727,688	18,616,517
<b>TOTAL MEMBERS FUNDS AND SUBSCRIPTIONS IN ADVANCE</b>	<b>91,809,673</b>	<b>88,760,604</b>

For and on behalf of the Board,  
G B Lange, President M R Winger, Board Member  
Wellington 18 February 2009.

## THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2008

	2008 \$	2007 \$
Net cash from operating activities	6,732,062	13,156,892
Net cash used in investing activities	(4,982,672)	(28,465,262)
Net cash used in financing activities	(558,095)	(194,541)
Net increase/(decrease) in cash and cash equivalents	1,191,295	(15,502,911)
Cash and cash equivalents at the beginning of year	17,264,990	32,767,901
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>18,456,285</b>	<b>17,264,990</b>
<b>Represented by cash and cash equivalents</b>	<b>18,456,285</b>	<b>17,264,990</b>

## NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED NOTES TO THE SUMMARISED FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2008

### MEASUREMENT BASE

The reporting currency is New Zealand Dollars.

### ACCOUNTING POLICIES

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

### FUTURE COMMITMENTS

	2008 \$	2007 \$
Lease commitments for property rentals	14,285,713	11,650,388

### 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

	2008 \$	2007 \$
Operating surplus after taxation	1,221,889	4,507,898
Movement in non cash items	3,379,224	2,120,339
Movement in assets and liabilities	3,361,157	2,110,797
Movement in financing/investing activities	(1,230,208)	4,417,858
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>6,732,062</b>	<b>13,156,892</b>

### NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

This is the first year that the Association is reporting in accordance with NZ IFRS, and the full audited financial statements provide an explanation, in Note 31 of how the transition from previous NZ GAAP to NZ IFRS has affected the previously reported income statement, balance sheet and cash flows of the Association.

The Association changed its accounting policies on 1 October 2007 to comply with NZ IFRS. In the full financial statements the transition to NZ IFRS is accounted for in accordance with NZ IFRS 1 'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards'. The date of transition is 1 October 2006.

Refer to the table below for a reconciliation from previously stated accumulated funds and net surplus.

### RECONCILIATION OF ACCUMULATED FUNDS AND NET SURPLUS FROM PREVIOUS NZ GAAP TO NZ IFRS

Note	Accumulated funds at		Net surplus
	1-Oct-06	30-Sep-07	for the year end
	\$	\$	\$
<b>Previously stated under NZ GAAP</b>	<b>66,217,413</b>	<b>70,303,454</b>	<b>4,086,041</b>
Fair value of derivative financial instruments	(19,428)	(82,538)	(63,110)
Reversal of disposal costs on investment properties	79,533	8,920	(70,613)
Reversal of amortisation of goodwill	A	329,488	329,488
Reversal of amortisation of goodwill on investment in joint ventures	A	-	552,576
Write off of deferred tax asset	(426,960)	(426,960)	-
Make good provision	(47,371)	(56,686)	(9,315)
Accrual for future costs of long service leave	(249,698)	(228,679)	21,019
Investment property revaluation reserve	B	1,136,982	1,314,784
Impairment losses and reversal of losses on PPE revaluations	C	(3,576,777)	(3,569,578)
Revenue recognition of advertising services	D	(5,132,496)	(5,655,685)
Total impact of transition to NZ IFRS		(8,236,215)	(7,814,358)
<b>Restated under NZ IFRS</b>	<b>57,981,198</b>	<b>62,489,096</b>	<b>4,507,898</b>

**A** Goodwill is no longer amortised under NZ IFRS, but tested annually for impairment. Goodwill previously charged in the financial year ended 2007 has been reversed.

**B** Under previous NZ GAAP, unrealised revaluation movements in investment properties were transferred from accumulated funds to a revaluation reserve. Under NZ IFRS, no separate reserve is shown and hence the reserve at balance date has been transferred to accumulated funds. There is no profit or loss impact.

**C** Under previous NZ GAAP, revaluation increases and decreases of land and buildings were recognised directly through the asset revaluation reserve on a portfolio basis. Under NZ IFRS, increases in the valuation of land and buildings are recognised through the asset revaluation reserve while decreases in valuation below cost are recognised through the income statement on an individual asset basis. Subsequent revaluation increases are recognised through the income statement up to the total amount previously recognised and thereafter through the asset revaluation reserve. Subsequent revaluation decreases are recognised through the asset revaluation reserve up to the total amount previously recognised and thereafter to the income statement.

**D** Under previous NZ GAAP, unearned revenue and related expenses were recognised on invoice. NZ IFRS is more explicit with regards to revenue recognition and state that revenue is only transferred when the risks and rewards have transferred to the customer resulting in revenue and costs being deferred to a future period.

### FULL FINANCIAL STATEMENTS AVAILABLE

This summarised financial report is unaudited and has been extracted from the full financial statements for the Association for the year 30 September 2008. 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 18 February 2009.

The summarised financial report may not contain sufficient information for a full understanding of the financial affairs of the Association but copies of the full financial statements and the unqualified auditors' opinion, dated 18 February 2009, can be obtained from:

The Secretary, The New Zealand Automobile Association Incorporated, P.O. Box 5, Auckland