



Annual Report 2006 – 2007

THE BIG PICTURE

Mention the AA to anyone and Roadservice comes to mind. Those trustworthy, reliable people who come to the rescue in yellow vehicles are what the AA is best known for. But thanks to AA Tourism's high profile 101 Must-Do's for Kiwis campaign this year, awareness of the AA's wider role has been considerably heightened. Many New Zealanders have been made aware of the role the AA plays in domestic tourism. They now know that we are more than simply Roadservice.

Tourism

AA Tourism has progressed rapidly and now plays a key role in the New Zealand tourism market. With relocating offices and acquiring further businesses, AA Tourism has had a year of significant development.

A resurgence in domestic tourism figures acknowledges the success of 101 Must-Do's for Kiwis. In the year to March 2007, domestic travel spending by New Zealand residents increased by over 9% on the year before. Your Association can take some credit for facilitating that lift. The part our '101' campaign played was acknowledged at the 2007 Public Relations Institute of NZ awards, where AA Tourism scooped the Special Event/Project award.

Hand in hand with tourism development, advertising sales across AA Guides publications and website increased 13% on the previous year, achieving over \$12 million in total sales. More than five million travel publications were published during the year and a new publication, Great Kiwi Road Trips, was added to the portfolio. The range of free mapping products for AA Members continues to be popular, with updates scheduled for 2008.

We further strengthened service potential this year with the acquisition of the GIS mapping service business, GeoSmart. AA Tourism's products and services will be enhanced well into the future with these technological developments.

AA Tourism's purchase of BookaBach, a web-based business providing access to bach holiday experiences, demonstrates the widening of our services and reflects also the varying lifestyles of Members.

Advocacy

Following years of lobbying by the AA, the Government agreed that from June 2008 all excise paid on petrol will be spent on transport, making New Zealand the only country in which fuel excise is fully dedicated. Government announcements in June 2007 committed another \$145

million for capital projects in the 2007-08 financial year, resulting in a record budget of \$13.4 billion for road building over the next five years. The AA has consulted closely with Ministers and departments on changes to the National Land Transport programme's funding and planning process, and associated merger of Land Transport NZ and Transit NZ, to ensure motorists' interests are fairly represented and considered.

Concerned about unacceptable rates of injury and death amongst young drivers, the AA successfully lobbied for changes to the Graduated Driver Licensing system, which included an extension of the learner licence period, a tougher restricted licence test to demonstrate a higher level of knowledge, compulsory attitudinal training and more meaningful penalties.

Other successes include a survey of Auckland Members who rejected the tolling of key Auckland roads and supported a fair regime for enforcing vehicle noise limits; and an environmental labelling scheme for cars. The AA has continued to provide practical advice on Government energy efficiency and emissions targets, which should reflect no more than the 8% contribution to New Zealand's total greenhouse gas emissions from private motor cars.

Nevertheless, motorists face large rises in fuel prices during the coming year, driven by the introduction of biofuels, emissions trading and regional fuel taxes. AA Motoring Affairs will continue to monitor fuel prices and fuel quality issues, while also advising Members on how to practically minimize their emissions and running costs.

Membership

Membership experienced another year of growth, up by over 4% to more than 1.2 million. Our premier membership service, AA Plus, grew by an impressive 19%, as more and more Members recognised the benefits of additional services. AA Members now equate to just over 40% of licensed drivers in New Zealand.

Vehicle Based Membership grew by over 10% to 400,000, doubling the number of these Members the AA had four years ago.

A record 85% of Members earned AA

Rewards Points during the year, with the AA providing millions of dollars in discount coupons and Membership subscription discounts. With six new partners joining the programme, AA Rewards can now offer even more products and services with Member-specific benefits.

MyAA has again contributed to the success of retaining Members and, again, new Members far exceeded lapsing Memberships, with over 95,000 new personal Members joining during the year. Pleasingly, these figures were achieved with less reliance on promotions and discounting, although the George FM campaign was especially successful in attracting younger Members.

Motoring

Continued expansion of support services, including vehicle testing, service and repair, driver licensing and driver training resulted in an eventful year for Motoring Services.

Now a prominent feature on the website, Motoring Services is building a valuable archive for those requiring specific motoring information. Similar to our Tourism profile push, Motoring plans to expand its profile, competency and relevance in 2008.

On the ground, the mobile pre-purchase inspection fleet continued to grow, making it easier for Members and customers to have vehicles inspected.

Following a notable increase in fatality

“ Similar to our Tourism profile push, Motoring plans to expand its profile, competency and relevance in 2008. ”

statistics amongst experienced drivers, Motoring Services created a Defensive Driving for Experienced Drivers course. Launched in June by Transport Safety Minister Harry Duynhoven, the programme is available to all motorists, but is of particular interest to businesses with a duty of care for employees operating company vehicles. The AA is taking the lead, with

Farewell
This will be Noel Vaughan's final Annual Report as Chairman of the AA Board. Presiding over a three-year term, he has observed the modernisation of the AA's brand and a 25% growth in Membership numbers, from just under one million in 2004 to over 1.2 million in 2007. As his term as President draws to a close, it would be remiss of me not to pass on the AA's thanks to Noel for his tremendous involvement with the organisation and the value that he has added.

Brian Gibbons

all its own employees who drive company vehicles completing the course. Over 100 licensees throughout New Zealand have now been trained to conduct the course.

More than one million driver licensing transactions were made with the AA, maintaining an overall 80% market share. In addition, more than 500,000 motor licensing transactions were made through the AA network.

Insurance

Partnering with AAMI in November 2006 and Suncorp in February 2007 enhanced overall business performance for AA Insurance. With the transfer of people, technology, information and intellectual property from our partners, capabilities have been strengthened.

A new Customer Service centre was opened in Albany during September, and another centre is due to open in Penrose early 2008, adding to optimum servicing.

Due to unfortunate weather events around New Zealand during the year, AA Insurance experienced an unprecedented number of house insurance claims. Staff responded well to the needs of customers, some of whom experienced severe flooding twice within a matter of months. The winter events lifted claim levels and, as a result, some premiums were lifted by some insurers. For AAI, this was not at the expense of customer service, which remains paramount to our activities in this field.

AA Insurance's unique 'Guaranteed No Claims Bonus for Life' initiative is now enjoyed by over 75% of motor policy customers.

Roadservice

The Service Response Centre experienced another busy year, receiving a total of 780,000 calls, of which 680,000 were personal Membership and 100,000 were business customers. This is an overall increase of 4% from the previous year.

Roadservice officers and contractors attended 490,000 roadside jobs and successfully assisted 93% of vehicles back on the road. Nearly 64% of callouts were attended to within 30 minutes and over 90% within 60 minutes. The average time spent at the job was just on half an hour.

The traditional roots of Roadservice are still apparent. It is not uncommon for a Roadservice officer to go beyond the call of duty, assisting Members in many small ways, which has been acknowledged via numerous letters and calls of appreciation from Members.

To further enhance our services and in response to increased demand from Members, we have entered into a long-term arrangement with Onehunga Towing Services, introducing AA-branded tow-trucks.

Finance

A good financial result is important if Members are to continue receiving quality services, discounts, Reward Points and benefits. We have enjoyed another very strong financial year and, as has been the case since the early 1990s, there has been no need to consider any Membership fee increase.

Looking ahead

Among a number of initiatives being developed for the year ahead is AA Tourism's 101 Must-Do Weekends project. Must-Do Weekends follows on from the success of the 101 Must-Do's for Kiwi's campaign. Using a similar strategy to the first campaign, this one is aimed at motivating and inspiring Kiwis to use weekends to discover new experiences and create new holiday memories.

The environment is also going to feature in the year ahead, and motorists running well-maintained cars and utilising modest driving techniques will dramatically assist in emission reduction, which will be a feature of our advocacy activities.

Without doubt one of the key components of the AA is our people. The commitment and zest of AA staff and those on our Board, National and District Councils make achieving our goals possible. To all who have contributed to the success of the NZAA during the year, our thanks.

Brian Gibbons – AA Chief Executive
Noel Vaughan – AA President ●

SUMMARISED FINANCIAL REPORT

NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2007

| | 2007 (\$) | 2006 (\$) |
|---|--------------------|-------------------|
| REVENUE WAS RECEIVED FROM: | | |
| Membership Subscriptions Income | 42,085,997 | 40,847,403 |
| Investment and Other Income | 3,488,499 | 2,179,293 |
| Commercial Services | 58,885,535 | 54,613,069 |
| TOTAL REVENUE FROM CONTINUING ACTIVITIES | 104,460,031 | 97,639,765 |
| EXPENDITURE WAS INCURRED BY: | | |
| Member Services | 56,730,645 | 53,299,810 |
| Commercial Services | 43,461,356 | 40,647,708 |
| TOTAL EXPENDITURE | 100,192,001 | 93,947,518 |
| Operating Surplus From Continuing Activities | 4,268,030 | 3,692,247 |
| Net Surplus In Associate Companies | (287,167) | 939,472 |
| Operating Surplus Before Taxation | 3,980,863 | 4,631,719 |
| Taxation | - | - |
| OPERATING SURPLUS AFTER TAXATION | 3,980,863 | 4,631,719 |
| Unrealised Net Change In Investment Properties | 282,980 | 71,833 |
| NET SURPLUS FOR THE YEAR | 4,263,843 | 4,703,552 |
| Accumulated Funds Brought Forward | 66,217,413 | 61,585,694 |
| Movement In Reserves | (177,802) | (71,833) |
| ACCUMULATED FUNDS CARRIED FORWARD | 70,303,454 | 66,217,413 |

NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF MOVEMENT IN MEMBERS' FUNDS FOR THE YEAR ENDED 30 SEPTEMBER 2007

| | 2007 (\$) | 2006 (\$) |
|--|-------------------|-------------------|
| MEMBERS' FUNDS AT 1 OCTOBER | 71,466,099 | 65,289,601 |
| Net Surplus For The Year | 4,263,843 | 4,703,552 |
| Movement In Reserves | 1,260,294 | 1,472,946 |
| Total Recognised Revenue And Expenses For The Year | 5,524,137 | 6,176,498 |
| MEMBERS' FUNDS AT 30 SEPTEMBER | 76,990,236 | 71,466,099 |

NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2007

| | 2007 (\$) | 2006 (\$) |
|---|--------------------|--------------------|
| ASSETS | | |
| Cash At Bank | 2,930,681 | 2,753,968 |
| Short Term Deposits | 36,190,000 | 29,745,000 |
| Other Current Assets | 15,977,294 | 12,905,273 |
| TOTAL CURRENT ASSETS | 55,097,975 | 45,404,241 |
| Investments | 24,723,813 | 29,367,110 |
| Capitalised Lease | 5,903 | 21,414 |
| Goodwill | 5,920,424 | 3,936,286 |
| Deferred Tax Benefit | 426,960 | 426,960 |
| Property, Plant & Equipment | 34,165,672 | 30,702,310 |
| TOTAL NON CURRENT ASSETS | 65,242,772 | 64,454,080 |
| TOTAL ASSETS | 120,340,747 | 109,858,321 |
| LIABILITIES | | |
| CURRENT LIABILITIES | 21,448,833 | 17,775,551 |
| NON CURRENT LIABILITIES | 412,512 | 279,234 |
| MEMBERS' FUNDS AND INCOME IN ADVANCE | | |
| Accumulated Funds | 70,303,454 | 66,217,413 |
| Asset Revaluation Reserve | 6,686,782 | 5,248,686 |
| Total Members' Funds | 76,990,236 | 71,466,099 |
| Income In Advance | 21,489,166 | 20,337,437 |
| TOTAL MEMBERS' FUNDS AND INCOME IN ADVANCE | 98,479,402 | 91,803,536 |
| TOTAL LIABILITIES AND MEMBERS' FUNDS | 120,340,747 | 109,858,321 |

On behalf of the Board, N E Vaughan, President, Wellington, 14 December 2007.

NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2007

| | 2007 (\$) | 2006 (\$) |
|--|------------------|------------------|
| Net Cash Flow From Operating Activities | 15,184,456 | 5,996,314 |
| Net Cash Flow Used In Investing Activities | (15,008,017) | (7,469,658) |
| Net Cash Flow From Financing Activities | 274 | 964 |
| Net Increase In Cash Held | 176,713 | (1,472,380) |
| Opening Cash Brought Forward | 2,753,968 | 4,226,348 |
| ENDING CASH CARRIED FORWARD | 2,930,681 | 2,753,968 |
| Represented By Cash At Bank | 2,930,681 | 2,753,968 |

NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED NOTES TO THE SUMMARISED FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2007

MEASUREMENT BASE

The measurement base adopted is that of historical cost, except for the revaluation of certain assets. The reporting currency is New Zealand Dollars.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the year. All accounting policies have been applied on bases consistent with those used in the previous year.

COMPARATIVE FIGURES

Comparative information has been reclassified where necessary to achieve consistency in disclosure with the current year.

CAPITAL COMMITMENTS

There are no capital commitments as at 30 September 2007 (2006: Nil).

FUTURE COMMITMENTS

| | 2007 (\$) | 2006 (\$) |
|--|------------|-----------|
| Lease commitments for property rentals | 11,650,388 | 9,547,597 |
| Finance lease commitments for office equipment | 124,854 | 109,142 |

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

| | 2007 (\$) | 2006 (\$) |
|--|-------------------|------------------|
| Operating Surplus After Taxation | 3,980,863 | 4,631,719 |
| Movement In Non Cash Items | 4,875,616 | 3,700,086 |
| Movement In Working Capital | 601,933 | (2,968,949) |
| Movement In Financing/Investing Activities | 4,574,315 | (83,994) |
| Movement In Income In Advance | 1,151,729 | 717,452 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 15,184,456 | 5,996,314 |

The summarised financial report has been extracted from the audited financial report of the Association for the year to 30 September 2006. It may not contain sufficient information for a full understanding of the financial affairs of the Association but copies of the full financial report and the unqualified auditors' opinion, dated 14 December 2007 can be obtained from:

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

NOTICE OF ANNUAL GENERAL MEETING

The sixteenth Annual General Meeting of The New Zealand Automobile Association Incorporated will be held at the Sir Edmund Hillary Alpine Centre, The Hermitage Hotel, Terrace Road, Aoraki Mt Cook Village, on Thursday 27 March 2008, commencing at 6.30pm.

Ordinary Business:

- To approve the Minutes of the Annual General Meeting held on 22 March 2007.
- To receive and adopt the Annual Report and Balance Sheet for the year ended 30 September 2007 and the report of the Auditors thereon.
- To receive notifications of appointments of District Councillors to the National Council.
- To record the appointment of Deloitte as Auditors to the Association.
- To consider and determine proposed amendments to Rules 30, 33, and 36. The changes are to ensure that any proposal to wind-up the Association has the approval of not less than 75% of the Association's Personal Members.
- To transact any other business of which due notice has been given or which is otherwise provided for by the Rules of the Association.

Note:

Members are entitled to view the documents referred to in 1, 2 and 5 above. The material is available upon request from the Association Secretary or at any AA Centre.

Proxies:

Rule 25 of the Association's Rules provides for personal Members to vote in person or if unable to attend to appoint a proxy to attend and vote on that Member's behalf. A proxy notice in a form prescribed by the National Council may be obtained if required by application to the Association Secretary. No such proxy shall be valid, unless received by the Chief Executive not less than forty eight (48) hours before the meeting. Members will be admitted to the meeting on presentation of their current financial Membership card.

M S Lander ASSOCIATION SECRETARY

NATIONAL COUNCILLORS

| | | |
|------------------|--------------|------------------|
| N E Vaughan* | C D Gamble | B W Petrenas* |
| A G Barr | P J Hawley | P W Rieger |
| R K Bull | R D Maxwell* | G T Stocker |
| J H Christianson | B S Palliser | H W Thomson |
| G J Dodd | G W Paterson | E J Unsworth |
| T G Follows* | M W Petersen | J D P Williamson |

* Board Members

Board Members not on the National Council:
B R Clarke, G B Lange, L J Tait, M R Winger