Strategy for Growth

OUR VISION IS for every motorist to consider AA Membership indispensable. More and more New Zealanders see AA Membership as essential for their mobility and we have a strategy in place to ensure that growth continues.

Our aim is to become the number one provider in six core service areas – Motoring Support, Member Discounts, Tourism, Advocacy, Insurance and Finance, and Driver Education. Our unique strengths and Member-centric focus will help us achieve this ambition.

We have many initiatives planned, all designed to provide greater benefits to Members. Pleasingly, our Membership grew by more than 36,000 in the year to 30 June, 2013 – proof that the value of belonging to this Association is well established.

MEMBERSHIP

AA Membership is the highest it has been in its 110-year history. A record 110,332 new Members joined during the year, pushing Personal Membership past 900,000 for the first time. Vehicle-based Membership grew by 2.9% to over 478,000, lifting total Membership to 1,380,612, which is 42% of all licensed drivers.

This continued growth can be attributed to the enhanced value of Membership through benefits such as AA Smartfuel fuel discounts and free eye examinations every two years at Specsavers. The number of Member resignations decreased immediately following the introduction of AA Smartfuel benefit statements with renewal notices.

In the 12 months to 30 June, AA Smartfuel delivered $57 million in fuel discounts to New Zealand motorists. More than 2000 retailers now offer AA Smartfuel discounts and more than 1.3 million motorists hold AA Smartfuel cards.

ROADSERVICE

The AA is the leading provider of roadside assistance for New Zealand motorists. We have retained this position by embracing emerging technologies. This year an AA Roadservice application was launched for iPhones, Androids and Windows Phone 8, enabling Members to request callouts from their mobile phones. The free app includes a torch light, provides Members with Roadservice job status updates and sends the GPS location of the breakdown to the AA.

Also, the introduction of speech recognition enhanced the self-service call centre, significantly improving answering times, lowering operational costs and resulting in positive Member feedback. Improvements to roadside service and operational costs were also achieved by introducing flexible resourcing models and using contractors for more of the traditional breakdown work.

Our Service Officers, AA Battery team and contractors attended more than 474,000 jobs during the year: 43% for flat batteries, 12% for mechanical faults, 11% for lockouts, 11% for towing to a place for repair, seven percent for tyre changes and six percent for fuel. Roadservice attended to 89% of our Member calls within 60 minutes and were able to mobilise 91% of those breakdowns.

DRIVING SCHOOL

The AA is committed to doing more for new learner drivers. For much of the year, planning was directed towards the July launch of the pilot programme for free driving lessons. The programme is designed to provide professional training for learner drivers. One free driving lesson is available to Members or the children of Members, who have held a learner driver licence for less than two months.

The programme supports the Government's Safer Journeys' strategy to improve road safety, which included the introduction of a tougher driver testing regime in 2012. About half of all learner drivers fail to pass the practical test for their restricted licence. This highlights the need for them to take more care and time to develop their skills and build a solid foundation for safe driving. The AA will play a significant role in this process and has the skills and resources to make a real impact.

During the year we also launched our new NZ Transport Agency-approved Defensive Driving Course (DDC), now available to both learner and restricted licence holders. This is a first for New Zealand, having previously only been available to drivers on restricted licences. The DDC includes eDrive, an online driver training programme.

Learn to Drive the AA Way – a booklet providing learner drivers with detailed information about gaining a full licence – was made available free of charge to learner drivers. It was also offered to secondary schools, and many ordered copies.

The free driving lesson programme will continue to roll out in 2014 and its scope may be expanded. To meet the expected demand for lessons, we'll also be increasing the number of instructors in many parts of the country.

MOTORING SERVICES

Driver licensing transactions through AA Centres and AA licensing agents were up 6% for the year. Identity verification services for IRD applications and SuperGold cards also experienced growth.

Competitive pricing and incentives, such as AA Smartfuel savings and attractive AA Pre-Purchase Inspection discounts, helped drive an increase in the volume of AA Car Loans this year. AA Finance continues to pursue opportunities to increase the brand awareness of AA Car Loans and provide further Member benefits and products within the financial services arena.

Demand for vehicle inspections, entry compliance, technical advice, vehicle service and repair, and Warrant of Fitness (WoF) testing grew during the year, as motorists invested in maintaining their vehicles or upgraded to new ones. Motoring Services expansion plans continued with the opening of six more AA Auto Centres in Whangarei, Taupo, Palmerston North, Mount Maunganui, Napier and Wellington.

ADVOCACY

The AA was a key stakeholder throughout the Government's Vehicle Licensing Reform project. The findings of our analysis and a Member survey led to our support for changes to annual WoF inspections, saving motorists an estimated $159 million annually, without compromising safety.

The AA assisted with the third KiwiRAP report, in which authorities identified dangerous sections of our state highways. Actions taken as a result of the KiwiRAP findings helped bring about a 30% drop in fatal and serious crashes on our highest-risk highways since the first KiwiRAP report in 2008.

The AA, with the NZ Transport Agency, created a programme providing professional driving lessons and community volunteer mentors to young drivers on their learners' licences. Pilot programmes in Porirua and Waitomo helped several learner drivers gain their restricted licences.

Progress continues to be made on our eight Election Calls to improve road safety: the Government has committed to installing red light cameras at problem intersections and random roadside drug testing will be introduced as soon as practicable.

A major success was securing the future of Students Against Drink Driving (SADD). Active in two-thirds of New Zealand secondary schools, SADD can now continue its outstanding work for the next five years with $2 million in Road Safety Trust funding.

We continue to monitor fuel prices and provide monthly AA PetrolWatch reports, and we called for price reductions when our analysis showed they were warranted.

Meanwhile, to better reflect our Members' views, we have implemented a quarterly rolling survey that asks a random sample of Members a range of questions on transport and driving-related issues.

In the past year, the AA has made 14 submissions to the Government, including on Road User Charges, ACC levies, evidential breath tests, child restraints, the Road Maintenance Task Force and the Land Transport Management Bill.

TOURISM

Having played an active role in tourism since the 1920s, the AA continues to identify ways to promote New Zealand and to cater for all tourism needs.

A re-vote was undertaken of the 101 Must Do's for Kiwis in a bid to refresh the original 2006 list and encourage New Zealanders to see more of their country. More than 283,000 votes were received for 1600 attractions. Towards the end of the year, the focus turned to a new campaign designed to create holiday nostalgia and encourage Kiwis to book more domestic holidays and weekends away.

More than 200,000 maps were distributed through AA Centres, AA agents and other retailers, and more than 60,000 bookings were made through the AA Tourism reservation booking system.

INSURANCE

AA Insurance underwent a brand refresh during the year and experienced strong growth. Home, contents and car insurance became available online in April and by June nearly 30% of sales were being completed online.

AA Insurance joined the move to use sum-insured for home insurance. The impact on customers has been minimal, due to the changes being clearly communicated to the public.

Settlement for home claims in Canterbury gained momentum, with 60% of customers having had work completed on their earthquake-damaged property or taken a cash settlement. A further 25% of customers have work underway or are in the planning and consenting stage.

Making a claim can be stressful, so to improve the experience for our customers we introduced a claims switchboard team. Customers can now connect with a person, rather than a machine, and are directed to the right people almost immediately.

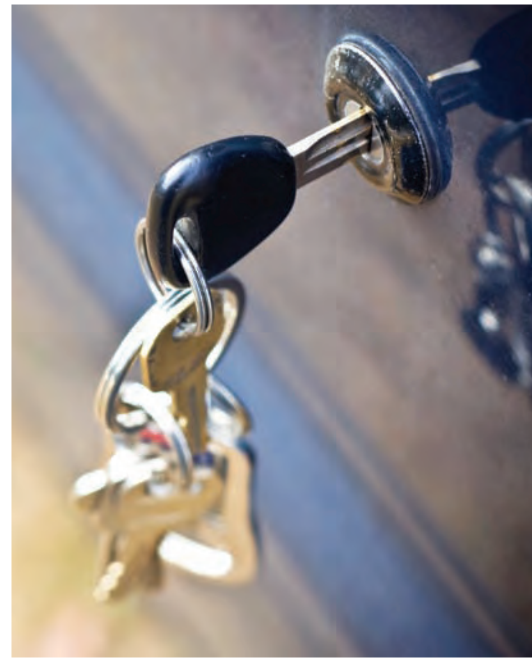
For the third consecutive year, AA Insurance was voted New Zealand's most trusted insurer by consumers at the Reader's Digest Most Trusted Brands awards. We were also nominated Direct Insurer of the Year, received the Canstar Blue award for Car and Home & Contents, and the Kenexa Best Workplaces Five Year League award for our sustained performance in the annual survey.

FINANCIAL

The accompanying financial statements cover the 12 months to June 2013, with comparatives for the nine months to June 2012.

The trading surplus of $7.99 million was a pleasing result, with the Association itself recording a small operating surplus. As in past years, subscription rates have not increased while benefits to Members have. The greater part of the result was achieved through our joint venture operations and our return on investments.

The Association continues to make significant investments in its business operations to ensure the services we provide to Members remain relevant and up-to-date, thereby ensuring the Association is in a position to successfully meet the challenges of the next financial year.



Complementing the financial performance for the year is the Association's balance sheet, which remains very solid with strong liquidity, providing the resources to take advantage of opportunities that may present themselves over the coming year and beyond.

THANK YOU

As this is Bruno Petrenas's final report as President of the AA Board, we would like to thank him sincerely for his work over the past three years. His commitment and enthusiasm have contributed to many successes for the Association during his tenure, especially related to the focus on improving the safety of New Zealand drivers. Highlights include the development of the AA Driving School and the significant investment made in our novice drivers, with a programme offering free driving lessons to learner drivers. These triumphs, among others during the course of Bruno's presidency, are testament to his hard work, for which the Board is grateful.

NZAA NATIONAL COUNCILLORS

B W Petrenas	President
R L Carter	South Canterbury
WG Cassin	Wellington
L J Cunningham	Hawke's Bay / Gisborne
G J Dodd	North Otago
S J Grant	Auckland
R I Hawkes	Southland
P J Hawley	Bay of Plenty
P H M Heywood	Nelson
A J McKillop	Waikato
M Napier	Wairarapa
N T Oakley	Otago
M W Petersen	Marlborough
P W Rieger	Manawatu
J W Skevington	Canterbury / West Coast
J R Sutton	Taranaki
E J Unsworth	Wanganui
J D T Williamson	Northland

(FEBRUARY 2013)

Summarised Financial Statements

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	12 MONTHS ENDING 30 JUNE 2013 $000	9 MONTHS ENDING 30 JUNE 2012 $000
INCOME WAS RECEIVED FROM:		
Revenue	104,560	76,928
Share of profit or loss in joint ventures	6,771	3,772
Other gains/(losses)	4,196	407
INCOME FROM CONTINUING ACTIVITIES	**115,527**	**81,107**
EXPENDITURE WAS INCURRED BY:		
Employee entitlements	57,350	42,215
Delivery and distribution	21,298	13,859
Plant, office and property overheads	8,336	6,244
Advertising and promotion	3,578	2,349
IT and telecommunications	6,388	4,986
Motor vehicle expenses	3,259	2,390
Goodwill impairment expense	2,314	-
Other expenses	4,973	4,909
EXPENSES FROM CONTINUING ACTIVITIES	**107,496**	**76,952**
Operating surplus from continuing activities before tax and grants	**8,031**	**4,155**
Grant to NZAA Research Foundation	(209)	(96)
Taxation benefit/(expense)	(738)	3
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE ASSOCIATION ACTING IN THE INTERESTS OF MEMBERS	**7,084**	**4,062**
OTHER COMPREHENSIVE INCOME NET OF TAX:		
Revaluation of properties	589	-
Gain/(loss) arising on translation of foreign joint venture	53	12
Share of other comprehensive income/(loss) of joint ventures	265	(138)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**907**	**(126)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE ASSOCIATION ACTING IN THE INTERESTS OF MEMBERS, NET OF TAX	**7,991**	**3,936**

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	2013 $000	2012 $000
ASSETS		
Cash and cash equivalents	25,629	28,717
Other financial assets	36,315	22,923
Sundry receivables and prepaid expenses	6,357	6,249
Dividend receivable	500	-
Related party receivable	530	-
Assets classified as held for sale	1,096	-
TOTAL CURRENT ASSETS	**70,427**	**57,889**
Property, plant and equipment	32,986	32,978
Investments	44,417	43,662
Related party receivable	3,201	3,661
Capitalised lease	11	30
Deferred tax asset	-	738
Goodwill	3,776	6,090
Other intangible assets	1,855	1,985
TOTAL NON CURRENT ASSETS	**86,246**	**89,144**
TOTAL ASSETS	**156,673**	**147,033**
LIABILITIES		
CURRENT LIABILITIES	17,186	15,811
NON CURRENT LIABILITIES	2,227	2,381
TOTAL LIABILITIES	**19,413**	**18,192**
NET ASSETS	**137,260**	**128,841**
ASSOCIATION FUNDS AND SUBSCRIPTIONS IN ADVANCE		
Accumulated funds	107,967	100,333
Asset revaluation reserve	9,443	9,139
Foreign currency translation reserve	84	31
TOTAL ASSOCIATION FUNDS	**117,494**	**109,503**
Subscriptions in advance	19,766	19,338
TOTAL ASSOCIATION FUNDS AND SUBSCRIPTIONS IN ADVANCE	**137,260**	**128,841**

For and on behalf of the Board, B W Petrenas, President,
M R Winger, Board Member
27 September 2013

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	12 MONTHS ENDING 30 JUNE 2013 $000	9 MONTHS ENDING 30 JUNE 2012 $000
ASSOCIATION FUNDS AT BEGINNING OF PERIOD	**109,503**	**105,567**
Net profit for the period attributable to the Association acting in the interests of Members	7,084	4,062
OTHER COMPREHENSIVE INCOME:		
Loss on revaluation of properties	589	-
Gain/(loss) arising on translation of foreign joint venture	53	12
Share of other comprehensive income/(loss) of joint ventures	265	(138)
TOTAL OTHER COMPREHENSIVE INCOME	907	(126)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**7,991**	**3,936**
ASSOCIATION FUNDS AT END OF PERIOD	**117,494**	**109,503**

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	12 MONTHS ENDING 30 JUNE 2013 $000	9 MONTHS ENDING 30 JUNE 2012 $000
Net cash from operating activities	11,388	9,963
Net cash used in investing activities	(14,476)	(2,579)
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	(3,088)	7,384
Cash and cash equivalents at the beginning of period	28,717	21,333
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**25,629**	**28,717**
REPRESENTED BY CASH AND CASH EQUIVALENTS	**25,629**	**28,717**

NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

MEASUREMENT BASE - The financial statements are presented in New Zealand Dollars (NZD). The functional currency is New Zealand Dollars (NZD).

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

EVENTS SUBSEQUENT TO BALANCE DATE

On 8th August 2013 the New Zealand Government passed Land Transport Rule: Vehicle Standards Compliance Amendment (No 2) 2013, which confirmed changes to the frequency of in-service vehicle inspections (that is, warrant of fitness (WoF) and certificate of fitness (CoF)). The Board is currently assessing how these changes will impact its wholly owned subsidiary, AA Vehicle Testing Limited. The Board has considered the impact of these changes on the goodwill held by AA Vehicle Testing Limited and do not believe it necessary to impair goodwill at this stage. The Group received the following dividends post balance date from joint ventures: $500,000 on 10 July 2013 being their share of a dividend declared on 27 June 2013, $50,000 on 22 July 2013 being their share of a dividend declared on 28 June 2013 and $6.4 million on 18 September 2013 being their share of a dividend declared on 5 August 2013.

RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	12 MONTHS ENDING 30 JUNE 2013 $000	9 MONTHS ENDING 30 JUNE 2012 $000
Operating Surplus after taxation	7,084	4,062
Movement in non cash items	(3,243)	(768)
Movement in assets and liabilities	2,277	4,813
Movement in financing/investing activities	5,270	1,856
NET CASH INFLOW FROM OPERATING ACTIVITIES	**11,388**	**9,963**

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 ended 30 June 2013. The Association chose to report a nine month reporting period to June 2012. This enabled the Association to align its balance date with its significant joint venture holdings. As a result, the amounts presented in the financial statements are not directly comparable. The full financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards ("IFRS"), and other applicable financial reporting standards, as appropriate for public benefit entities, except for NZ IAS 16 whereby the Association has accounted for revaluations on an asset by asset basis rather than by class of asset. NZ IFRS requires all entities to determine whether they are a public benefit entity or a profit-oriented entity for reporting purposes. The Board considers that the Association is more closely aligned with the characteristics of a public benefit entity than a profit-oriented entity.
The full financial statements were issued by the Board, and approved for distribution by the National Council on the 27th of September 2013.

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 27 September 2013, can be obtained by Members from: The Secretary, The New Zealand Automobile Association Incorporated, P.O. Box 5, Auckland, 1140.

The New Zealand Automobile Association Incorporated

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONTENTS
FOR THE YEAR ENDED 30 JUNE 2013

BOARD MEMBERS		Appointed	Resigned
B W Petrenas	President	10/12/2004	
T G Follows	Vice President	24/03/2007	
R K Bull		29/03/2008	
B H Flintoff		27/03/2010	
W S Masters		19/03/2011	
G T Stocker		28/03/2009	
L J Tait		18/04/2002	
MR Winger		25/06/1993	

REGISTERED OFFICE

Level 17
AA Centre
99 Albert Street (cnr Albert and Victoria Sts)
Auckland

INCORPORATED SOCIETY NUMBER

215426

POSTAL ADDRESS

The New Zealand Automobile Association Inc
Head Office, Level 17
AA Centre
99 Albert Street (cnr Albert and Victoria Sts)
PO Box 5
Auckland, 1140

AUDITORS

Deloitte

BANKERS

ANZ National

SOLICITORS
Holmden Horrocks

Disclosure to the National Council and Members

The Board Members have pleasure in presenting the Annual Report for the year ended 30 June 2013.

The Board Members have approved the financial statements of The New Zealand Automobile Association Incorporated for the year ended 30 June 2013.

For and on behalf of the Board.

B W Petrenas, President

27/9/2013
Date

M R Winger, Board Member

27/9/2013
Date

Approved for distribution by the National Council on 27 September 2013.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	12 months ending 30 June 2013 $'000	9 months ending 30 June 2012 $'000
Revenue	1	104,560	76,928
Share of profit or loss in joint ventures	21	6,771	3,772
Other gains / (losses)	2	4,196	407
Income from continuing activities		115,527	81,107
Employee entitlements		57,350	42,215
Delivery and distribution		21,298	13,859
Plant, office and property overheads		8,336	6,244
Advertising and promotion		3,578	2,349
IT and telecommunications		6,388	4,986
Motor vehicle expenses		3,259	2,390
Goodwill impairment expense	10	2,314	-
Other expenses		4,973	4,909
Expenses from continuing activities	3	107,496	76,952
Operating surplus from continuing activities before tax and grants		8,031	4,155
Grant to NZAA Research Foundation		209	96
Taxation benefit/(expense)	4	(738)	3
Net profit for the year attributable to the association acting in the interests of members		7,084	4,062
Other comprehensive income net of tax			
Revaluation of properties	17	589	-
Gain/(loss) arising on translation of foreign joint venture	18	53	12
Share of other comprehensive income/(loss) of joint ventures	21	265	(138)
Other comprehensive income for the period net of tax		907	(126)
Total comprehensive income for the period attributable to the association acting in the interests of members, net of tax		7,991	3,936

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

Deloitte
For
Identification

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Accumulated funds $'000	Total $'000
Balance at 30 September 2011		9,139	19	96,409	105,567
Net profit for the 9 months period attributable to the association acting in the interests of members		-	-	4,062	4,062
Other comprehensive income					
Gain arising on translation of foreign joint venture	18	-	12	-	12
Share of other comprehensive income of joint ventures	21	-	-	(138)	(138)
Total other comprehensive income		-	12	(138)	(126)
Total comprehensive income, net of tax		-	12	3,924	3,936
Balance at 30 June 2012	17, 18 & 19	9,139	31	100,333	109,503
Net profit for the year attributable to the association acting in the interests of members		-	-	7,084	7,084
Other comprehensive income					
Gain/(loss) on revaluation of properties	17	589	-	-	589
Transfer to retained earnings	17	(285)	-	285	-
Gain arising on translation of foreign joint venture	18	-	53	-	53
Share of other comprehensive income of joint ventures	21	-	-	265	265
Total other comprehensive income		304	53	550	907
Total comprehensive income, net of tax		304	53	7,634	7,991
Balance at 30 June 2013	17, 18 & 19	9,443	84	107,967	117,494

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

Deloitte
For
Identification

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	24	25,629	28,717
Other financial assets	5	36,315	22,923
Taxation receivable		1	1
Sundry receivables & prepaid expenses	6	5,280	4,953
Dividend receivable		500	-
Inventories	7	1,076	1,295
Related party receivable	22	530	-
Assets classified as held for sale	8	1,096	-
Total current assets		70,427	57,889
Non-current assets			
Property, plant and equipment	9	32,986	32,978
Investment properties	12	167	1,021
Investments accounted for using the equity method	21	44,250	42,641
Related party receivable	22	3,201	3,661
Capitalised lease		11	30
Deferred tax asset	4	-	738
Goodwill	10	3,776	6,090
Other intangible assets	11	1,855	1,985
Total non-current assets		86,246	89,144
Total assets		156,673	147,033
Current liabilities			
Accounts payable	13	9,617	8,670
Employee entitlements		4,759	4,601
Unearned revenue	16	411	410
Deferred income	15	2,399	2,130
Total current liabilities		17,186	15,811
Non-current liabilities			
Make good provision	14	105	110
Unearned revenue	16	300	700
Deferred income	15	1,822	1,571
Total non-current liabilities		2,227	2,381
Total liabilities before subscriptions in advance		19,413	18,192
		137,260	128,841
Association funds			
Accumulated funds	19	107,967	100,333
Asset revaluation reserve	17	9,443	9,139
Foreign currency translation reserve	18	84	31
Total association funds		117,494	109,503
Subscriptions in advance		19,766	19,338
Total association funds and subscriptions in advance		137,260	128,841

For and on behalf of the Board.

B. Petrenas

B W Petrenas, President

27/9/2013

Date

M R Winger, Board Member

27/9/2013

Date

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

Deloitte For Identification

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	12 months ending 30 June 2013 $'000	9 months ending 30 June 2012 $'000
Operating activities			
Receipts from members and customers		103,064	75,194
Interest received		1,417	968
Dividends received		5	-
Dividends received from joint ventures		6,400	9,825
Payments to suppliers and employees		(99,289)	(75,928)
Grant to the NZAA Research Foundation		(209)	(96)
Net cash from operating activities	25	11,388	9,963
Investing activities			
Proceeds from sales of property, plant and equipment		1,034	297
Proceeds from sale of investment property		874	-
Decrease/(increase) interest in joint ventures		(578)	3
Payments for property, plant and equipment		(3,348)	(2,644)
Payment for intangible assets		(828)	(504)
Loans to joint ventures		(1,607)	(2,319)
Repayment of joint venture loans		-	250
Decrease/(increase) in deposits		(10,023)	-
Proceeds from disposal of business		-	2,338
Net cash used in investing activities		(14,476)	(2,579)
Financing activities			
Net cash used in financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		(3,088)	7,384
Cash and cash equivalents at the beginning of year		28,717	21,333
Cash and cash equivalents at the end of year	24	25,629	28,717

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

Deloitte
For
Identification

Statement of accounting policies

The New Zealand Automobile Association Incorporated (the 'Association') is an Incorporated Society registered under the Incorporated Societies Act 1908 and domiciled in New Zealand.

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

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 1993.

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards ("IFRS"), and other applicable financial reporting standards, as appropriate for public benefit entities, except for NZ IAS 16 whereby the Association has accounted for revaluations on an asset by asset basis rather than by class of asset. NZ IFRS requires all entities to determine whether they are a public benefit entity or a profit oriented entity for reporting purposes. The Board considers that the Association is more closely aligned with the characteristics of a public benefit entity than a profit oriented entity.

The Association chose to report a 9 month reporting period to 30 June 2012. This enabled the Association to align it's balance date with it's significant joint venture holdings going forward. As a result the comparative amounts presented in the financial statements are not directly comparable.

The financial statements of the Group are for the year ended 30 June 2013. The financial statements were issued by the Board, and approved for distribution by the National Council, on the 27 of September 2013.

Basis of preparation
The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

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 2013 and in the comparative information presented in these financial statements for the 9 months ended 30 June 2012.

Presentation and Functional currency
The financial statements are presented in New Zealand Dollars (NZD). The functional currency is New Zealand Dollars (NZD).

Significant accounting policies
The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Basis of Consolidation

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

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

All subsidiaries are accounted for under the group policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Refer to note 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.

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Statement of accounting policies (cont.)

b) Investments in associates

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

The group has no investment in Associates.

c) Interest in joint ventures

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

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

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

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 profit or loss (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 earnt is recognised within the group and it is not eliminated on consolidation.

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 profit or loss on disposal.

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

Statement of accounting policies (cont.)

e) Revenue

Revenue from 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.

Deferred income

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

Rental income

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

Dividend and interest revenue

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

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

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

g) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' 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 profit and loss

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

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 FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Statement of accounting policies (cont.)

g) Financial assets (cont)

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

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

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

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

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 profit or loss 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.

h) Inventories

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

i) Property, plant and equipment

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

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

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

Depreciation on revalued buildings is charged to profit or loss. 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.

Statement of accounting policies (cont.)

i) Property, plant and equipment (cont)

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

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

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.

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

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

The residual value of assets is reassessed annually.

j) Investment Property

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

Property revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the statement of financial position date. The values are based on market values being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

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

k) Intangible assets

Computer software assets are finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over an 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.

l) 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 (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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Statement of accounting policies (cont.)

m) Leased assets

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

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

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

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

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

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

n) Trade payables and other accounts payable

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

Statement of accounting policies (cont.)

o) Taxation (cont)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax are recognised as an expense or income in profit or loss, 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.

Statement of accounting policies (cont.)

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.

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

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

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

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

s) **Foreign currencies**

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

Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

t) **Impairment**

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss 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 profit or loss, 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.

Statement of accounting policies (cont.)

Critical accounting judgments and key sources of estimation uncertainty

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

Critical judgments in applying accounting policies

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

Key sources of estimation uncertainty

Fair value of land and buildings

The fair value of land & buildings and investment properties is determined at balance date using market values determined by independent registered valuers. In the absence of current prices in an active market, the valuations are prepared using a discounted cashflow methodology based on the estimated rental cash flows expected to be received from the property adjusted by a discount rate (ranging from 7.46% to 12.00%) that appropriately reflects the risks inherent in the expected cash flows. The most significant property is Albert Street and the effective market yield is 8.08% as at 31 May 2013. Valuations are completed in accordance with the New Zealand Institute of Valuers (NZIV) and Property Institute of New Zealand (PINZ) Code of Ethics, and Valuation Standards, including API and NZPI Professional Practice Fifth Edition, New Zealand Valuation Guidance Note 1 and International Valuation Application 1. Refer to note 9 and 12 for valuations.

Joint Ventures

Although the Group holds less than 50% ownership interest in some of their investments (refer 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 note 10.

	12 months ending 30 June 2013 $'000	9 months ending 30 June 2012 $'000
1 Revenue		
Continuing operations		
Sale of goods	4,368	3,198
Rendering of services to members and public	98,695	72,684
Rental income from investment property	57	80
Dividends	5	0
Interest revenue (loans and receivables)	1,435	966
	104,560	76,928

	12 months ending 30 June 2013 $'000	9 months ending 30 June 2012 $'000
2 Other gains / (losses)		
Continuing operations		
Revaluation of investment properties	32	(195)
Change in fair value of financial asset classified as fair value through profit or loss	3,369	549
Net foreign exchange gains / (losses)	2	53
Impairment reversal / (losses) on revalued land and buildings	793	-
	4,196	407

	12 months ending 30 June 2013 $'000	9 months ending 30 June 2012 $'000
3 Expenses		
Continuing operations profit for the year has been arrived at after charging/(crediting):		
(a) General expenses		
Depreciation of property, plant and equipment (note 9)	3,605	2,596
Amortisation - Software (note 11)	959	996
Operating lease expense	3,311	3,550
Raw materials and consumables used	2,798	1,965
(Gain)/loss on disposal of property, plant and equipment	(317)	(191)
(Gain)/loss on disposal of investment property	12	-
Legal expenses	232	115
Direct operating expenses (including repairs and maintenance) arising from investment properties	31	25
(b) Personnel expenses		
Employee benefits expense	53,027	39,101
Defined contribution plans	2,409	1,669

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	12 months ending 30 June 2013	9 months ending 30 June 2012
4 Taxation		
4a Income tax expense	$'000	$'000
Current tax (expense)/benefit	-	-
Deferred tax	(738)	3
Income tax (expense)/benefit for the year	(738)	3
Income tax (expense)/benefit for the period can be reconciled to the accounting profit as follows:		
Operating surplus/(loss) from continuing activities before tax and grants	8,031	4,155
Less grants to NZAA Research Foundation	(209)	(96)
	7,822	4,059
Income tax using company tax rate 28%	2,190	1,136
Non-deductible/(non-assessable) expenses/(income)	(1,014)	2,134
Effect of unused tax losses not recognised as deferred tax assets	(1,175)	(3,270)
Effect of associates operating in foreign tax jurisdictions	(738)	-
Exchange difference on a foreign operation	-	3
	(738)	3

4b *Deferred tax assets/(liabilities)*

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

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

	1-Jul-12 $'000	Charge to profit or loss $'000	Charge to equity $'000	Changes in tax rate $'000	30-Jun-13 $'000
Gross deferred tax liabilities					
Property, plant and equipment	(3,196)	(19)	-	-	(3,215)
Investment Property	(151)	106	-	-	(45)
Equity accounted investments in foreign tax jurisdictions	(11)	11	-	-	-
Tax liabilities	(3,358)	98	-	-	(3,260)
Set off of tax	3,358	(98)	-	-	3,260
Net tax liabilities	-	-	-	-	-
Gross deferred tax assets					
Employee provisions	575	26	-	-	601
Doubtful debts provision	18	(12)	-	-	6
Inventory provisions	14	(3)	-	-	11
Equity accounted investments in foreign tax jurisdictions	747	(747)	-	-	-
Exchange difference on a foreign operation	3	(3)	-	-	-
Other	87	-	-	-	87
Brought forward tax losses recognised	2,652	(97)	-	-	2,555
Tax assets	4,096	(836)	-	-	3,260
Set off of tax	(3,358)	98	-	-	(3,260)
Net tax assets	738	(738)	-	-	-

	1-Oct-11 $'000	Charge to profit or loss $'000	Charge to equity $'000	Changes in tax rate $'000	30-Jun-12 $'000
Gross deferred tax liabilities					
Property, plant and equipment	(3,341)	145	-	-	(3,196)
Investment Property	-	(151)	-	-	(151)
Equity accounted investments in foreign tax jurisdictions	(11)	-	-	-	(11)
Tax liabilities	(3,352)	(6)	-	-	(3,358)
Set off of tax	3,352	6	-	-	3,358
Net tax liabilities	-	-	-	-	-
Gross deferred tax assets					
Employee provisions	609	(34)	-	-	575
Doubtful debts provision	19	(1)	-	-	18
Inventory provisions	19	(5)	-	-	14
Equity accounted investments in foreign tax jurisdictions	760	(13)	-	-	747
Exchange difference on a foreign operation	(13)	16	-	-	3
Other	55	32	-	-	87
Brought forward tax losses recognised	2,638	14	-	-	2,652
Tax assets	4,087	9	-	-	4,096
Set off of tax	(3,352)	(6)	-	-	(3,358)
Net tax assets	735	3	-	-	738

The Association has unrecognised New Zealand tax losses of approximately $19.2 million (2012: $12.2 million) and Australian recognised tax losses of $0 (2012: $738,731) and Australian unrecognised tax losses of $1,126,072 (2012: $387,281).

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5 Other financial assets	2013 $'000	2012 $'000
Investment managed fund	36,315	22,923
	36,315	22,923

Investment managed fund represents the Group's investment in two diversified portfolios managed by JMIS Limited and Tyndall Investment Management New Zealand Limited. The portfolios consists of equities, trust units and fixed interest investments.

6 Sundry receivables, prepaid expenses and other current assets	2013 $'000	2012 $'000
Sundry receivables	3,510	2,553
Prepayments	1,319	1,208
Other	451	1,192
	5,280	4,953

The average credit period on sales of goods and service is 60 days (2012: 60 days). Interest is charged only when the customers 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 19% 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 $658,829 (2012: $814,531) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing past due sundry receivables that are not impaired	2013 $'000	2012 $'000
30-60 days	455	431
60-90 days	131	154
90+ days	73	230
	659	815

Movement in the allowance for doubtful debts	2013 $'000	2012 $'000
Balance at beginning of the period	34	68
Impairment losses recognised on receivables	22	5
Amounts written off as uncollectable	(22)	(39)
Impairment losses reversed	(11)	0
Balance at end of period	23	34

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

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

The doubtful debt provision of $23,199 (2012: $34,032) is applicable to invoices aged 30+ days (2012: 90+ days).

7 Inventory	2013 $	2012 $
Retail stock	693	735
Consumables	383	560
	1,076	1,295

The cost of inventories recognised as an expense during the period was $2,797,552 (2012: $1,964,634). The cost of inventories recognised as an expense includes $40,339 (2012: $48,854) in respect of write-downs of inventory to net realisable value, and has been reduced by $8,515 (2012: $19,558) in respect of the reversal of such write-downs. Previous write-downs have been reversed as a result of destruction of certain out of date products.

8 Assets classified as held for resale	2013 $	2012 $
Investments accounted for using the equity method	696	0
Buildings held for sale	400	0
	1,096	0

Investments accounted for using the equity method

The Group is seeking to dispose of one of its joint venture entities.

Buildings held for sale

The Group disposed of a building on the 1 July 2013 and as such the value of the building is based on this sale price. The property was previously partially used by one of it's AA centres with the residue leased to external tenants.

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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 & Fittings at cost $'000	Motor Vehicles at cost $'000	Computer Equipment at cost $'000	Work in Progress at cost	Total $'000
Balance at 1-Oct-11	9,795	12,195	6,474	3,069	11,655	9,886	6,614	-	59,688
Additions	-	103	29	92	360	1,252	386	422	2,644
Disposals	-	-	(73)	(42)	(164)	(1,107)	(990)	-	(2,376)
Revaluation increase / (decrease)	-	-	-	-	-	-	-		-
Balance at 30-June-12	9,795	12,298	6,430	3,119	11,851	10,031	6,010	422	59,956
Additions	-	187	32	24	406	2,137	371	190	3,347
Disposals	(290)	-	(370)	(135)	(184)	(1,961)	(200)	-	(3,140)
Revaluation increase / (decrease)	565	335	-	-	-	-	-		900
Reclassified as held for sale	-	(400)	-	-	-	-	-		(400)
Balance at 30-June-13	10,070	12,420	6,092	3,008	12,073	10,207	6,181	612	60,663

Accumulated depreciation	Freehold Land at fair value $'000	Buildings at fair value $'000	Leasehold Improvements at cost $'000	Plant and Equipment at cost $'000	Furniture & 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-Oct-11	-	-	4,466	2,020	9,340	5,251	5,573	-	26,650
Depreciation expense	-	206	284	111	632	1,000	363	-	2,596
Eliminated on disposals	-	-	(51)	(42)	(161)	(1,024)	(989)	-	(2,267)
Eliminated on revaluation	-	-	-	-	-	-	-	-	-
Balance at 30-June-12	-	206	4,699	2,089	9,811	5,227	4,947	-	26,979
Depreciation expense	-	278	370	142	785	1,460	570	-	3,605
Eliminated on disposals	-	-	(318)	(131)	(179)	(1,597)	(198)	-	(2,423)
Eliminated on revaluation	-	(484)	-	-	-	-	-	-	(484)
Reclassified as held for sale	-	-	-	-	-	-	-		-
Balance at 30-June-13	-	0	4,751	2,100	10,417	5,090	5,319	-	27,677

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 & Fittings at cost $'000	Motor Vehicles at cost $'000	Computer Equipment at cost $'000	Work in Progress at cost	Total $'000
As at 30-June-12	9,795	12,092	1,731	1,031	2,040	4,804	1,063	422	32,978
As at 30-June-13	10,070	12,420	1,341	908	1,656	5,117	862	612	32,986

Valuation of land & buildings

Land & buildings were last revalued by independent registered valuers at 31 May 2013. The total value as per valuer was as follows:

	Date of Inspection	30 June 2013 $'000	30 September 2011 $'000
Colliers International	10/06/2013	11,025	10,000
Morgan Property Advisors	18/06/2013	2,420	2,320
Quotable Value New Zealand	20/06/2013	445	945
Telfer, Young	12/06/2013	2,085	1,855
Chadderton & Associates Ltd	31/05/2013	760	780
SW Binnie	25/06/2013	660	590
Telfer, Young	30/06/2013	300	300
Duke & Cooke	19/06/2013	1,000	1,380
Hadley & Lyall	17/08/2011	-	1,720
Alexander Hayward Limited	11/06/2013	1,785	-
Graeme Isbister	31/05/2013	430	415
Telfer, Young	16/07/2013	1,580	1,560
		22,490	21,865

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

	2013 $'000	2012 $'000
Freehold land	1,627	1,633
Buildings	9,307	9,534
	10,934	11,167

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10 Goodwill

	2013 $'000	2012 $'000
Cost		
Balance at 1 July	6,090	6,090
Balance at 30 June	6,090	6,090
Accumulated impairment losses		
Balance at 1 July	-	-
Impairment losses charged to profit and loss	(2,314)	-
Balance at 1 June	(2,314)	-
Carrying amount		
As at 1 July	6,090	6,090
As at 30 June	3,776	6,090

10a *Allocation of goodwill to cash-generating units ("CGU's")*

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

	2013 $'000	2012 $'000
AA Vehicle Testing Ltd	3,776	3,776
Geosmart Maps Ltd	0	2,314
	3,776	6,090

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

Within the AA Vehicle Testing Ltd CGU there is ten vehicle testing stations, which are grouped into appropriate geographical areas in order to test goodwill for impairment.

For all CGU's above, the recoverable amounts of the cash-generating units are determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors. The period is a five year period and the discount rate used is 10% (2012: 4.29% per annum).

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

During the year, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Group's Geosmart Maps Ltd operations was impaired by $2,314,000 (2012: $Nil). No write-downs of the carrying amounts of the other assets in the cash-generating unit was deemed necessary. The directors determined it necessary to write-off the goodwill related to Geosmart due to the loss of a significant contract.

11 Other intangible assets

	Computer Software $'000
Gross carrying amount	
Balance at 30-Sept-11	12,237
Additions	504
Disposals	(1,224)
Balance at 30-June-12	11,517
Additions	829
Disposals	(1)
Balance at 30-June-13	12,345
Accumulated amortisation and impairment	
Balance at 30-Sept-11	9,732
Amortisation expense	996
Eliminated on disposals	(1,196)
Balance at 30-June-12	9,532
Amortisation expense	959
Eliminated on disposals	(1)
Balance at 30-June-13	10,490
Carrying amount	
As at 30-June-12	1,985
As at 30-June-13	1,855

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12 Investment properties

At fair value	2013 $'000	2012 $'000
Balance at start of year	1,021	1,216
Disposals	(886)	-
Change in fair value	32	(195)
Balance at the end of the period	167	1,021

The Association holds the freehold to all investment properties.

Valuation of investment properties
All investment properties were valued by independent registered valuers as at 31 May 2013. The total value per valuer was as follows:

	Date of Valuation	2013 $'000	2012 $'000
Baker & Associates	30/06/2012	-	886
Telfer Young	31/05/2013	167	135
		167	1,021

Operating Leases
In 2012 the Group leased out one of its investment properties under an operating lease. The lease period was up to 17 Years. This property was disposed of on the 20 December 2012. The future minimum lease receivables under non-cancellable operating leases are as follows:

	2013 $'000	2012 $'000
Less than one year	-	120
Between one and five years	-	402
More than five years	-	420
	-	942

13 Accounts payable

	2013 $'000	2012 $'000
Trade payables	3,804	3,607
Accrued expenses	4,111	3,188
Goods and services tax (GST) payable	693	581
Rewards liability	101	328
Other	908	966
	9,617	8,670

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

14 Make Good Provision

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

	2013 $'000	2012 $'000
Balance at beginning of period	110	137
Movement for period	(5)	(27)
Balance at end of period	105	110

15 Deferred income

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

	2013	2012
This is disclosed as:	$'000	$'000
Current portion	2,399	2,130
Non-current portion	1,822	1,571
	4,221	3,701

16 Unearned revenue

Unearned Revenue represents the deferral of brand fees received.

	2013	2012
	$'000	$'000
This is disclosed as:		
Current portion	411	410
Non-current portion	300	700
Total Unearned Revenue	711	1,110

	2013	2012
17 Asset revaluation reserve	$'000	$'000
Balance at beginning of period	9,139	9,139
Increase on revaluation of properties	819	-
Impairment losses	(230)	-
Transfer to retained earnings	(285)	-
Balance at end of period	9,443	9,139

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

	2013	2012
18 Foreign currency translation reserve	$'000	$'000
Balance at beginning of period	31	19
Gain on translation of foreign operations	53	12
Balance at end of period	84	31

The foreign currency translation reserve arises on the translation of the Group's foreign joint ventures into New Zealand dollars.

	2013	2012
19 Accumulated funds	$'000	$'000
Balance at beginning of period	100,333	96,409
Transfer from asset revaluation reserve	285	-
Net surplus for the year ended attributable to the Association acting in the interest of members	7,084	4,062
Share of other comprehensive income/(loss) of joint ventures	265	(138)
Balance at end of period	107,967	100,333

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

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20 Subsidiaries

Details of the Group's significant subsidiaries at 30 June 2013 are as follows:

Name of Subsidiary	Place of Incorporation	Principle activity	Ownership interest and voting rights (%) 2013	2012
The New Zealand Automobile Association Limited	New Zealand	Brand Licensing	100	100
AA Finance Limited	New Zealand	Finance Company - Non Trading	100	100
AA Guides Limited	New Zealand	Publishing Guides and Maps - Non Trading	100	100
Geosmart Maps Limited	New Zealand	Developing Mapping Software	100	100
AA Rewards Operations Limited	New Zealand	Loyalty Program	100	100
AA Auto Service Limited	New Zealand	Vehicle Servicing Franchise	100	100
AA Vehicle Testing Limited	New Zealand	Vehicle W.O.F & Related Services	100	100
AA Driver Training Limited	New Zealand	Driver Training Franchise	100	100
NZAA Assets Limited	New Zealand	Service Provider	100	100

21 Investments accounted for using the equity method

Investment in joint ventures

Certain joint ventures have different year ends compared to the Group. For these joint ventures the Board considers what procedures are necessary to enable inclusion of the results into the financial statements of the group. This may include an interim audit, or use of the latest management accounts and the results are used in preparation of the groups consolidated financial statements.

Name of Joint Venture	Financial year end	Place of Incorporation	Principle activity	Voting rights On Significant Transactions (%) 2013	2012	Ownership interest (%) 2013	2012
AA Insurance Limited	30 June	New Zealand	Insurance Provider	50%	50%	32%	32%
Qualmark New Zealand Limited	30 June	New Zealand	Tourism Agency	50%	50%	40%	40%
Access New Zealand Limited	30 September	New Zealand	Service Provider	50%	50%	50%	50%
AA Battery Services Limited	30 June	New Zealand	Service Provider	50%	50%	50%	50%
AA Life Services Limited	30 June	New Zealand	Insurance Provider	50%	50%	50%	50%
AA Bookabach Limited	30 June	New Zealand	Tourism	50%	50%	50%	50%
Bookastay.com.au Pty Limited	30 June	Australia	Tourism	50%	50%	50%	50%
Club Tourism Publishing	31 December	Australia	Tourism	50%	50%	50%	50%
AA Tourism Limited	31 December	New Zealand	Tourism	50%	50%	50%	50%
AAA Tourism Services Pty Limited	31 December	Australia	Tourism	50%	50%	50%	50%
Marac JV Holdings Limited	30 June	New Zealand	Insurance Provider	50%	50%	50%	50%
AA Smartfuel Limited	30 June	New Zealand	Loyalty Program	50%	50%	50%	50%

Although the Group holds less than 50% ownership interest in some of the investments listed above, 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.

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

	2013 $'000	2012 $'000
Current assets	193,852	164,449
Long term assets	350,519	418,202
Total assets	544,371	582,651
Current liabilities	177,779	157,702
Long term liabilities	250,951	313,557
Total liabilities	428,730	471,259
Net assets	115,641	111,392
Group's share of net assets of joint ventures	44,250	42,641
Total revenue	263,914	177,782
Total expenses	(241,819)	(166,826)
Total profit	22,095	10,956
Group's share of profits of joint ventures	6,771	3,772

Included in net assets and the Group's share of profits of joint ventures is the Group's share of the joint venture which has been reclassified as assets held for resale.

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21 Investments accounted for using the equity method (continued)

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

	2013	2012
Carrying value of joint ventures	$'000	$'000
- Carrying value at beginning of period	42,641	39,527
- Increase in shares	700	-
- Share of net surplus/(losses)	6,771	3,772
- Share of other comprehensive income of joint ventures	265	(138)
- Losses offset against related party receivable	1,538	1,296
- Shareholder advances	(122)	(3)
- Dividends received	(6,900)	(1,825)
- Gain arising on translation of foreign joint venture	53	12
- Assets held for resale	(696)	-
- Carrying value at end of period	44,250	42,641

The carrying value is comprised of:	$'000	$'000
- Cost	24,749	24,698
- Share of joint venture post-acquisition reserves	11,581	10,072
- Goodwill	7,841	7,841
- Foreign currency translation reserve	79	30
	44,250	42,641

Joint venture share of net surplus		
- Share of surplus before taxation	9,334	5,119
- Share of taxation expense	(2,563)	(1,347)
- Share of total recognised revenues and expenses	6,771	3,772

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:

2013

Related Party	Type of Transaction	Amount during the period ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
AA Insurance Limited			
	Amount Owed to NZAA		142
	Service Commission and Operational Funding	4,721	
AA Life Services Ltd			
	Amount Owed to NZAA		11
	Service Commission and Operational Funding	1,542	
AA Battery Services Ltd			
	Amount Owed to NZAA		130
	Amount Owed to AA Battery Services		104
	Purchase of Battery Stock	992	
	Service Commission and Operational Funding	601	
AA Bookabach Limited			
	Amount Owed to NZAA		61
	Operational Funding	(12)	
Bookastay.com.au Pty Limited			
	Amount Owed to NZAA		9

22 Related Parties (Continued)
Joint Ventures (Continued)

Related Party	Type of Transaction	Amount during the period ($'000)	Balance at 30 June ($'000)
Club Tourism Publishing			
	Amount Owed to NZAA		94
	Amount Owed to Club Tourism Publishing		28
	Revolving Credit Facility		530
	Operational Funding	559	
AA Tourism Limited			
	Amount Owed to NZAA		1
Marac JV Holdings Limited			
	Amount Owed to NZAA		8
	Amount Owed to Marac JV Holdings Limited		1
	Service Commission and Operational Funding	995	
AA Smartfuel Limited			
	Amount Owed to NZAA		103
	Revolving Credit Facility		3,201
	Operational Funding	734	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	2,409	
	Expenses	540	
AA Driver Education Foundation			
	Amount Owed to NZAA		1
	Grant paid to Driver Education Foundation	14	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		11
	Grant paid to NZAA Research Foundation	209	
Students Against Driving Drunk Aotearoa			
	Amount Owed to NZAA		4

2012

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
Qualmark New Zealand Limited			
	Subsidy	70	
AA Insurance Limited			
	Amount Owed to NZAA		10
	Amount Owed to AA Insurance		2
	Service Commission and Operational Funding	3,211	
AA Life Services Ltd			
	Amount Owed to NZAA		7
	Service Commission and Operational Funding	854	
AA Battery Services Ltd			
	Amount Owed to NZAA		125
	Amount Owed to AA Battery Services		104
	Purchase of Battery Stock	637	
	Service Commission and Operational Funding	451	
AA Bookabach Limited			
	Amount Owed to NZAA		77
	Operational Funding	(3)	

22 Related Parties (Continued)
Joint Ventures (Continued)

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
Bookastay.com au Pty Limited			
	Operational Funding	10	
Club Tourism Publishing			
	Amount Owed to NZAA		63
	Amount Owed to Club Tourism Publishing		19
	Revolving Credit Facility		1,259
	Operational Funding	430	
Marac JV Holdings Limited			
	Amount Owed to NZAA		6
	Amount Owed to Marac JV Holdings Limited		2
	Service Commission and Operational Funding	841	
AA Smartfuel Limited			
	Amount Owed to NZAA		732
	Revolving Credit Facility		2,091
	Operational Funding	494	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	1,669	
	Expenses	314	
AA Driver Education Foundation			
	Amount Owed to NZAA		4
	Grant paid to Driver Education Foundation	31	
New Zealand Automobile Association Research Foundation			
	Grant paid to NZAA Research Foundation	96	

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties. Joint venture losses have been offset against revolving credit facility balances owed by related parties (note 21).

Compensation of Key management personnel
Loans and advances to key management personnel amounted to $Nil (2012: $Nil).

The compensation of the Board members and executives, being the key management personnel of the entity, is set out below.

	2013 $'000	2012 $'000
Short-term employee benefits	2,593	2,359
Post-employment benefits	310	206
	2,903	2,565

23 Remuneration of auditors	2013 $'000	2012 $'000
Audit of the financial statements	200	200
Taxation services	137	94
Other assurance related services	20	6
	357	300

The auditor of The New Zealand Automobile Association Incorporated and subsidiaries is Deloitte.

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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 investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the period as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	2013 $'000	2012 $'000
Cash on hand	48	48
Cash in banks	1,818	1,810
Fixed term deposits ≤ 3 months	15,378	19,367
Call deposits	8,385	7,492
Total cash and cash equivalents per statement of cash flow	25,629	28,717

25 Reconciliation of net surplus after taxation for the period to net cash flows from operating activities

	2013 $'000	2012 $'000
Net profit for the year attributable to the association acting in the interest of members	7,084	4,062
Non-cash items:		
Depreciation expense	3,605	2,596
Amortisation expense	959	996
Impairment of goodwill recognised in profit and loss	2,314	-
Net foreign exchange loss/(gain) on related party receivable	-	(53)
Capitalised lease	19	14
Share of (profit)/loss of joint ventures	(6,771)	(3,772)
Loss/(gain) on managed funds	(3,369)	(549)
Changes in working capital:		
(Increase)/decrease in assets:		
Sundry receivables and prepayments	(327)	470
Dividend receivable	-	8,000
Inventories	219	71
Deferred tax asset	738	(3)
(Decrease)/increase in liabilities:		
Accounts payable	947	(2,555)
Employee entitlements	158	(57)
Make Good Provision	(5)	(27)
Unearned & deferred income	119	(96)
Subscriptions in advance	428	(990)
Items classified as financing/investing activities:		
Loss/(gain) of disposal of property, plant and equipment	(317)	(191)
Loss/(gain) of disposal of intangible assets	-	27
Loss/(gain) on revaluation of freehold land and buildings	(793)	-
Loss/(gain) on revaluation of investment property	(32)	195
Loss/(gain) on sale of investment property	12	-
Dividend from joint venture companies	6,400	1,825
Net cash from operating activities	11,388	9,963

26 Amount, timing and uncertainty of cash flows

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

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

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

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

The income derived from other activities is spread across a wide range of business ventures, some involving a discretionary spend (tourism, vehicle inspections) and others where expenditure is unavoidable (Warrants of Fitness, Registration, 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 :	2013 $	2012 $
Within one year	3,464	3,311
Between one and five years	6,299	4,840
After five years	1,471	450
	11,234	8,601

Capital commitments

At balance date the Group had no capital commitments (2012: $Nil).

28 Contingent assets

At balance date the Group had no contingent assets (2012: $Nil).

29 Contingent liabilities	2013 $'000	2012 $'000
Contingent liabilities are categorised as follows:		
-Uncalled capital on shares in:		
Qualmark New Zealand Limited	40	40
-Motorway emergency telephone service indemnity bond	8	8

30 Subsequent events

On 8th August 2013 the New Zealand Government passed Land Transport Rule: Vehicle Standards Compliance Amendment (No 2) 2013 which confirmed changes to the frequency of in-service vehicle inspections (that is, warrant of fitness (WoF) and certificate of fitness (CoF)).

The Board is currently assessing how these changes will impact its wholly owned subsidiary AA Vehicle Testing Limited. The Board has considered the impact of these changes on the goodwill held by AA Vehicle Testing Limited and do not believe it necessary to impair goodwill at this stage.

The Group received the following dividends post balance date from joint ventures; $500,000 on 10 July 2013 being their share of a dividend declared on 27 June 2013, $50,000 on 22 July 2013 being their share of a dividend declared on 28 June 2013 and $6.4 million on 18 September 2013 being their share of a dividend declared on 5 August 2013.

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 different types of risks to which it is exposed. Ageing analyses are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts. Levels of exposure to interest rate risk are monitored and assessments are made of market forecasts for interest rates.

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

Capital risk management

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

Credit risk

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

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

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

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31 Financial instruments (continued)

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group does not hold collateral over these accounts receivable.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board members, 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 assets and financial liabilities

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

As at 30 June 2013	Carrying amounts $'000	Contractual cash flows $'000	On demand $'000	1 to 12 months $'000	1 to 5 years $'000
Liabilities					
Accounts payable	9,617	9,617	9,617	-	-
Total financial liabilities	9,617	9,617	9,617	-	-

As at 30 June 2012	Carrying amounts $'000	Contractual cash flows $'000	On demand $'000	1 to 12 months $'000	1 to 5 years $'000
Liabilities					
Accounts payable	8,670	8,670	8,670	-	-
Total financial liabilities	8,670	8,670	8,670	-	-

The weighted average interest rate on the related party receivable is 9.3% (2012: 9.2%)

Categories of financial assets and financial liabilities

As at 30 June 2013	Loans and Receivables $'000	At fair value through profit or loss $'000	Investment accounted for using the equity method $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets					
Cash and cash equivalents	25,629	-	-	-	25,629
Other financial assets	-	36,315	-	-	36,315
Sundry receivables & other assets	4,461	-	-	-	4,461
Related party receivable	3,731				3,731
Total financial assets	33,821	36,315	-	-	70,136
Liabilities					
Accounts payable	-	-	-	(9,617)	(9,617)
Total financial liabilities	-	-	-	(9,617)	(9,617)

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31 Financial instruments (continued)	Loans and Receivables	At fair value through profit or loss	Investment accounted for using the equity method	Financial liabilities at amortised cost	Total
As at 30 June 2012	$'000	$'000	$'000	$'000	$'000
Assets					
Cash and cash equivalents	28,717	-	-	-	28,717
Other financial assets	-	22,923	-	-	22,923
Sundry receivables & other assets	3,745	-	-	-	3,745
Related party receivable	3,661				3,661
Total financial assets	36,123	22,923	-	-	59,046
Liabilities					
Accounts payable	-	-	-	(8,670)	(8,670)
Total financial liabilities	-	-	-	(8,670)	(8,670)

Market risks

Foreign currency risk
The Group has exposure to foreign exchange risk, through two of it's joint ventures which is denominated in Australian dollars. This exposure relates to the translation of the Group's share of the entity's profit at the average rate for the year and the translation of the investment in the joint venture at year end. The group also has a related party receivable denominated in Australian dollars.

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

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

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

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

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

	Balance	Income impact of 1% fall in interest rate	Income impact of 1% increase in interest rate	Income impact of 5% fall in equity price	Income impact of 5% increase in equity price
As at 30 June 2013	$'000	$'000	$'000	$'000	$'000
Assets					
Cash and cash equivalents	25,629	256	(256)	-	-
Other financial assets	36,315	163	(163)	999	(999)
Related party receivable	3,731	76	(76)	-	-
Total financial assets	65,675	497	(497)	999	(999)
Total	65,675	497	(497)	999	(999)

The 1% impact on income has been calculated on the gross related party receivable before joint venture losses have been offset.

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31 Financial instruments (continued)

As at 30 June 2012	Balance $'000	Income impact of 1% fall in interest rate $'000	Income impact of 1% increase in interest rate $'000	Income impact of 5% fall in equity price $'000	Income impact of 5% increase in equity price $'000
Assets					
Cash and cash equivalents	28,717	287	(287)	-	-
Other financial assets	22,923	115	(115)	573	(573)
Related party receivable	3,661	60	(60)	-	-
Total financial assets	55,301	463	(463)	573	(573)
Total	55,301	463	(463)	573	(573)

Fair Values

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

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

Fair value measurements recognised in the statement of financial position

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

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

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

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

As at 30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	21,117	873	14,325	36,315
Total financial assets	21,117	873	14,325	36,315

As at 30 June 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	20,659	1,180	1,084	22,923
Total financial assets	20,659	1,180	1,084	22,923

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

Reconciliation of Level 3 fair value measurements	2013 $'000	2012 $'000
Balance at beginning of period	1,084	834
Purchases	13,622	201
Sales	(761)	-
Gains/(losses) recognised in profit or loss (note 2)	380	49
Balance at end of period	14,325	1,084

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

Report on the Financial Statements

We have audited the financial statements of The New Zealand Automobile Association Incorporated on pages 3 to 32, which comprise the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of financial statements, in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

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

Our firm carries out other assignments for The New Zealand Automobile Association Incorporated in the area of other assurance related services and taxation advice. In addition to this, partners and employees of our firm deal with The New Zealand Automobile Association Incorporated on normal terms within the ordinary course of trading activities of the business of The New Zealand Automobile Association Incorporated. Our firm has no other relationship with, or interest in, The New Zealand Automobile Association Incorporated or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 3 to 32 present fairly, in all material respects, the financial position of The New Zealand Automobile Association Incorporated as at 30 June 2013, and its financial performance and cash flows for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.

Deloitte

Chartered Accountants
27 September 2013
Auckland, New Zealand