

# Annual Report 2010/2011 The State of Play



A summary of the highlights, the challenges and the progress made over the last financial year

**I**t has been another successful 12 months for the Association, despite challenges which have tested all New Zealanders. Global economic problems continue to affect both business and consumer confidence throughout the country.

But, more than any other event, the devastation of the Canterbury earthquakes have had an impact on many lives, in many different ways. As you would expect, your Association has responded, as have so many others, where and how we have been able.

Against that backdrop, the Association has made real progress, with a growth in Membership, with most services well patronised and with a very acceptable financial result. We have also been able to make a number of service changes, which will strategically maintain growth for the future benefit of Members.

These changes included the revamp of the Association's website and the establishment of the AA Research Foundation, designed to provide new insights into road safety. The Foundation has already galvanised the support of other stakeholders.

Members were also advised of a significant change to our Membership loyalty programme, with the introduction of AA Smartfuel.

These positive trends emphasise that our relevance in support of Members' everyday motoring and travel needs is as strong as it has ever been in our 109-year history.

## Membership

During the year we gained close to 100,000 new Members. The net impact of this, coupled with natural attrition, resulted in growth of 1.9%. Membership is now a record 1,329,572,

"The Association has made real progress, with a growth in Membership (and) with most services well patronised."

representing around 40% of licensed drivers in New Zealand.

An increasing number of people have chosen to join our premier Membership programme, AA Plus, which grew by 13% to 149,684 Members. This growth was enjoyed by all of the Association's 17 geographical districts except Canterbury which, not surprisingly, declined by 803. The Association looks forward to regaining Canterbury Members, as normality returns to the region.

## AA Smartfuel

The Association prepared for the replacement of our loyalty benefit programme AA Rewards with AA Smartfuel in November 2011. We knew from feedback that Members wanted a programme to minimise high fuel costs; thus AA Smartfuel was introduced.

While AA Rewards was widely used, sustaining its ongoing value was difficult. Other loyalty programmes were advancing and, after 12 years, we needed to revitalise Member interest and expand the participation of retail partners. AA Smartfuel is already providing much greater real-dollar value than AA Rewards. Our challenge for the year ahead is to increase the number of retailers in the scheme and to ensure Members are fully aware of where they can earn and redeem discounts. Our objective is to ensure that all Members, irrespective of where they live, benefit from this new loyalty programme.

## Roadservice

Roadservice continues to be the number one reason Members join the Association and retain their Membership. Interestingly, the importance Members attach to the breakdown service has not been diminished by the



changing nature of today's motor vehicles.

While the modern car does not break down as often as those in the past, many of the difficulties Members encounter still require the expertise and experience of our Roadservice team. Indeed, the service received 620,606 calls from personal Members in need of assistance. Forty-three percent were for flat batteries, 13% for mechanical problems, 11% were for lockouts, 11% for towing to a place for repair and seven percent were for tyre changes.

Despite the peaks and troughs of demand brought about by weather and time of day, 75% of those calls were answered by our call centre staff within 20 seconds and 58% were attended at the roadside by either AA Roadservice Officers or contractors within 30 minutes. Our continued monitoring of response times and service standards is a vital commitment to quality delivery. Outside recognition of that excellence came during the year when AA Roadservice and Customer Contact Centres won the Contact Institute of New Zealand's prestigious Customer Support Service award and Contact Centre Manager awards, within their category. This is recognition we highly prize.

The introduction of a temporary side glass replacement service has augmented Roadservice assistance in emergencies.

### AA Motoring Services

The Association has renamed AA Technical Services, which supports motorists in the maintenance and management of their

"Members ... still require the expertise and experience of our Roadservice team."

vehicles. These services, which include vehicle inspections and compliancing, technical advice, driver training, auto service and repair and WoF testing, now come under the heading of AA Motoring Services. The demand for some of these services has fluctuated with the slowdown in new and used car sales, although they continue to be well supported by the motoring community.

Two new AA Auto Service and Repair sites were opened – in Taradale and in Whangarei.

Demand for AA Driver Training continued to be strong with the driver's licence age increasing from 15 to 16 years in August, but this demand was partly offset by a reduction in corporate business.

The AA Centre network and licensing agents completed 949,201 driver licensing transactions during the year.

The Durham Street AA Centre was permanently closed after the February 'quake and the Centres at Riccarton and Shirley were closed temporarily. However, with the successful Centre relocation to Rangiora and newly strengthened premises in Riccarton, the AA is again fully operational in Christchurch.

AA Car Loan volumes were down on the previous 12 months due to a reduction in used and new car sales.

### Advocacy

AA Motoring Affairs, together with our councillors, continue to ensure that Members' interests are well represented in issues that affect motorists.

Our continued engagement with Government regarding policy development resulted in significant changes to transport legislation in 2011, including a zero alcohol



limit for drivers aged under 20, the installation of alcohol interlocks in vehicles of repeat drink-drivers and a more difficult test for those on a restricted driver's licence.

The AA advocated changing the give way rules. We also made numerous submissions to Government on the Road User Charges Bill, on state highway classification and on the Government Policy Statement on Land Transport Funding.

Main areas of focus this year will be on Auckland's future transport plan and the rebuilding of Christchurch. Three extensive Member surveys were undertaken to ensure your views were heard on these issues.

The AA is a key partner with government agencies on all road safety issues and we assisted in the New Zealand launch of the United Nation's Decade of Action for Road Safety. This global initiative seeks to dramatically reduce, by 2020, the number of people killed and seriously injured on roads.

The AA Research Foundation was established as part of our commitment to the Decade of Action. The Foundation was successful in bringing together many of New Zealand's leading researchers and transport policymakers for an inaugural symposium on driver inattention, distraction and fatigue.

New Zealand's road assessment programme – KiwiRAP, of which the AA is a partner – was recognised with the iRAP Asia Pacific region's Star Performer award for 2010. New Zealand's collaborative approach to this programme and its widespread investment in and adoption of road safety strategies is viewed as an international benchmark.

AA PetrolWatch remains a constant watchdog on fuel prices and has established itself among media as the primary source of expert comment on this topic.

During the year we launched the CarFit programme, which was developed to assist older drivers to be safe and comfortable in their vehicles. We also continued our long-term involvement with Students Against Driving Drunk (SADD).

## Tourism

A revamp of AA Tourism's successful '101 Must-Do's for Kiwis' attracted 160,000 votes, and the website now boasts over 20 new lists, with more than 950 Must-Do experiences.

Our travel website, [atravel.co.nz](http://atravel.co.nz), continues to be a leading provider of all elements of travel within New Zealand,

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including a large selection of live-booking accommodation options. The site also features [bookabach.co.nz](http://bookabach.co.nz), with a wide range of holiday homes for rent.

We announced a new international travel service for Members. Partnering with Adventure World, AA Tours and Cruises offers escorted holidays designed for Members.

## Insurance

AA Insurance experienced strong growth in customer numbers throughout the year. This growth prompted the opening of new Customer Service Centres in Hamilton and West Auckland.

AA Insurance continued to assist customers in the Canterbury region. A dedicated team of earthquake customer managers was established and the Christchurch-based team was expanded to service the extra demand.

Conservative reinsurance arrangements protected financial health during a period of unprecedented natural catastrophes. We responded promptly to increases in the cost of reinsurance with appropriate premium increases for building insurance.

We provided relevant media comment, particularly in support of our Canterbury customers, and also continued to lobby regulators and prepare for the introduction of the Financial Advisers Act and the broader regulatory regime.

AA Insurance was named the 2011 Kenexa JRA Best Overall Workplace for New Zealand and won the Large Workplace category.

## Financial

Despite the difficult trading environment, our Association achieved a very good result for the year ended 30 September 2011, with a net surplus after tax of \$5,126,168. Pleasingly, all divisions, subsidiary companies and joint ventures contributed positively to this consolidated result, which includes a profit from our largest joint venture, AA Insurance. Their profit was, however, significantly less than last year due to the Canterbury earthquakes and the resulting claim costs and substantial increase in reinsurance premiums.

We can be proud of the underlying performance of our services, which have contributed to our continuing financial strength. And the major benefit for Members from this year's financial performance is that the Association is able to maintain subscription fees at their current rates.



## SUMMARISED FINANCIAL STATEMENTS

**THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

	2011 \$	2010 \$
<b>INCOME WAS RECEIVED FROM:</b>		
Revenue	100,410,521	110,588,336
Share of profit or loss in joint ventures	3,534,947	5,835,177
Other income	(230,270)	8,651,394
<b>INCOME FROM CONTINUING ACTIVITIES</b>	<b>103,715,198</b>	<b>125,074,907</b>
<b>EXPENDITURE WAS INCURRED BY:</b>		
Employee entitlements	54,481,591	56,261,231
Delivery and distribution	17,557,104	17,143,858
Plant, office and property	8,180,984	8,327,867
Advertising and promotion	3,273,469	7,081,005
IT and telecommunications	6,469,532	7,023,994
Motor vehicle expenses	3,111,708	2,958,138
Other expenses	6,550,230	7,518,712
<b>EXPENSES FROM CONTINUING ACTIVITIES</b>	<b>99,624,618</b>	<b>106,314,805</b>
Surplus from continuing activities before tax and grants	4,090,580	18,760,102
Grant to NZAA Research Foundation	(90,945)	-
Taxation benefit	1,126,533	383,687
<b>NET SURPLUS FOR THE YEAR ATTRIBUTABLE TO THE ASSOCIATION ACTING IN THE INTERESTS OF MEMBERS</b>	<b>5,126,168</b>	<b>19,143,789</b>
<b>OTHER COMPREHENSIVE INCOME:</b>		
Revaluation of properties	(87,591)	27,205
(Loss)/gain arising on translation of foreign associates	(39,892)	58,993
Share of other comprehensive income of associates	(34,240)	(31,360)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>(161,723)</b>	<b>54,838</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE ASSOCIATION ACTING IN THE INTERESTS OF MEMBERS, NET OF TAX</b>	<b>4,964,445</b>	<b>19,198,627</b>

**THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED  
CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2011**

	2011 \$	2010 \$
<b>ASSETS</b>		
Cash and cash equivalents	21,332,843	20,487,494
Other financial assets	22,374,294	22,355,298
Sundry receivables and prepaid expenses	6,790,453	6,403,776
Dividend receivable	8,000,000	-
Related party receivable	2,284,554	2,238,609
<b>TOTAL CURRENT ASSETS</b>	<b>60,782,144</b>	<b>51,485,177</b>
Property, plant and equipment	33,038,850	31,598,442
Investments	40,743,088	44,704,059
Related party receivable	2,889,217	4,737,247
Capitalised lease	43,717	5,760
Deferred tax asset	735,355	383,687
Goodwill	6,089,912	6,089,912
Other intangible assets	2,505,199	3,347,074
<b>TOTAL NON CURRENT ASSETS</b>	<b>86,045,338</b>	<b>90,866,181</b>
<b>TOTAL ASSETS</b>	<b>146,827,482</b>	<b>142,351,358</b>
<b>LIABILITIES</b>		
CURRENT LIABILITIES	18,484,851	18,187,012
NON CURRENT LIABILITIES	2,447,351	3,630,418
<b>TOTAL LIABILITIES</b>	<b>20,932,202</b>	<b>21,817,430</b>
<b>NET ASSETS</b>	<b>125,895,280</b>	<b>120,533,928</b>
<b>ASSOCIATION FUNDS AND SUBSCRIPTIONS IN ADVANCE</b>		
Accumulated funds	96,408,452	91,316,524
Asset revaluation reserve	9,139,353	9,226,944
Foreign currency translation reserve	19,101	58,993
<b>TOTAL ASSOCIATION FUNDS</b>	<b>105,566,906</b>	<b>100,602,461</b>
Subscriptions in advance	20,328,374	19,931,467
<b>TOTAL ASSOCIATION FUNDS AND SUBSCRIPTIONS IN ADVANCE</b>	<b>125,895,280</b>	<b>120,533,928</b>

For and on behalf of the Board, B W Petrenas, President  
M R Winger, Board Member 15 December 2011

**THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

	2011 \$	2010 \$
<b>ASSOCIATION FUNDS AS AT 1 OCTOBER</b>	<b>100,602,461</b>	<b>81,403,834</b>
Net profit for the year attributable to the Association acting in the interests of Members	5,126,168	19,143,789
<b>OTHER COMPREHENSIVE INCOME:</b>		
Loss on revaluation of properties	(87,591)	27,205
(Loss)/gain arising on translation of foreign associate	(39,892)	58,993
Share of other comprehensive income of associates	(34,240)	(31,360)
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>(161,723)</b>	<b>54,838</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>4,964,445</b>	<b>19,198,627</b>
<b>ASSOCIATION FUNDS AS AT 30 SEPTEMBER</b>	<b>105,566,906</b>	<b>100,602,461</b>

**THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2011**

	2011 \$	2010 \$
Net cash from operating activities	5,138,518	8,260,541
Net cash used in investing activities	(4,236,344)	(6,024,142)
Net cash used in financing activities	(56,825)	(82,461)
Net increase in cash and cash equivalents	845,349	2,153,938
Cash and cash equivalents at the beginning of year	20,487,494	18,333,556
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>21,332,843</b>	<b>20,487,494</b>
<b>REPRESENTED BY CASH AND CASH EQUIVALENTS</b>	<b>21,332,843</b>	<b>20,487,494</b>

**NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED  
NOTES TO THE SUMMARISED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2011**
**MEASUREMENT BASE**

The reporting currency is New Zealand Dollars.

**ACCOUNTING POLICIES**

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

**EVENTS SUBSEQUENT TO BALANCE DATE**

On the 7 November 2011 the AA Rewards loyalty scheme for personal AA Members ceased operating. This was replaced by a fuel loyalty scheme operated by AA Smartfuel Limited. The existing Rewards liability will unwind over two years beginning 7 November 2011.

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

	2011 \$	2010 \$
Operating surplus after taxation	5,126,168	19,143,789
Movement in non cash items	1,229,759	(2,629,592)
Movement in assets and liabilities	(1,029,377)	(1,299,101)
Movement in financing/investing activities	(188,032)	(6,954,555)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>5,138,518</b>	<b>8,260,541</b>

**FULL FINANCIAL STATEMENTS AVAILABLE**

These summarised financial statements are unaudited and have been extracted from the full financial statements for the Association for the year 30 September 2011. The full financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for public benefit oriented entities. The full financial statements comply with International Financial Reporting Standards. The full financial statements were issued by the Board, and approved for distribution by the National Council on the 15th of December 2011.

The summarised financial report may not contain sufficient information for a full understanding of the financial affairs of the Group but copies of the full financial statements and the unqualified auditors' opinion, dated 15 December 2011, can be obtained by members from:  
The Secretary, The New Zealand Automobile Association Incorporated, P.O. Box 5, Auckland

**NZAA NATIONAL COUNCILLORS FEBRUARY 2012**

<b>B W Petrenas</b>	President	<b>W S Masters</b>	Canterbury / West Coast
<b>P W A Bevin</b>	Hawkes Bay / Gisborne	<b>A J McKillop</b>	Waikato
<b>R L Carter</b>	South Canterbury	<b>C J Meehan</b>	Taranaki
<b>W G Cassin</b>	Wellington	<b>N T Oakley</b>	Otago
<b>G J Dodd</b>	North Otago	<b>M W Petersen</b>	Manirborough
<b>S J Grant</b>	Auckland	<b>P W Rieger</b>	Manawatu
<b>R I Hawkes</b>	Southland	<b>I W Snellgrove</b>	Wairarapa
<b>P H M Heywood</b>	Nelson	<b>E J Unsworth</b>	Wanganui
<b>P R King</b>	Bay of Plenty	<b>J D T Williamson</b>	Northland