



Chief Executive Brian Gibbons (right) and AA President Geoff Lange with some of the AA fleet.

ANNUAL REPORT 2008/2009

The AA in review

THE YEAR UNDER REVIEW was a positive one for the Association and proved more successful than anticipated. Like other organisations, we expected to be caught up in the economic downturn and had some anxieties about how this might impact on demand for services and

Membership numbers.

However, our concerns proved for the most part unfounded. Membership numbers grew – with personal Membership rising above the 850,000 milestone and all Memberships, including vehicle-based affiliation, totalling 1,283,675 at year end.

Service demand in general held up well. However, Technical Services encountered a reduction in business due to the slowing economy and the decrease in the number of second-hand vehicle imports. Demand for car finance also experienced a decline with the slowing used car market.

1903: Formation of the Auckland Automobile Association (AAA), the first in NZ and second in the world; Canterbury AA formed in Christchurch.

1904: Nelson AA formed; AAA launches a 'better roads' campaign.

1905: Otago and Wellington form automobile clubs.

1915: AAA puts up road signs; first handbook published (for North Island); Wairarapa AA inaugurates Mutual Insurance Company.

1920: South Island Motor Union (SIMU) formed.

1925: AAA provides road condition reports on request; first official road map; motor camp inspection and grading begins.

1926: SIMU forms insurance association; AAA starts free legal and technical services.

1928: North Island Motor Union (NIMU) formed, and sets up insurance company; first three patrolmen on duty.

1930: Fifteen AA clubs exist; 100,000 cars in population of two million.

Despite the temporary hiccups in activity, the Association grew in support and service demand overall, and finished the year with a very pleasing financial result.

INSURANCE

One area that grew particularly well was AA Insurance, our general insurance joint venture with Suncorp-Metway Ltd.

Premium income grew through a combination of customer retention and new business. This was facilitated in part by a robust promotional approach, including features such as the industry-leading Guaranteed No Claims Bonus for Life and the Lifetime Repair Guarantee. The growth, coupled with benign weather conditions, resulted in AA Insurance achieving its best result on record.

During the year, AA Insurance maintained its focus on enhancing the customer service experience. This included a review of AA Insurance's Quality Repair Network, confirming the company's commitment to quality and efficiency when it comes to vehicle repairs.

MEMBERSHIP

The continued growth in AA Membership was bolstered by strong personal Membership intake during the year. In total, 96,116 Members joined the Association, up 4.4% on the previous year, representing our second-best year of new Member intake.

We attribute this growth to the brand reputation of the Association

and to advancing recognition of the value that the AA provides, especially in tougher economic times when awareness of our service offerings is heightened.

AA Plus Membership continued to experience strong growth – in fact it has doubled in the past five years. Today, 112,615 Members, (13% of Members) elect to subscribe to this premier Membership category.

AA Rewards continued to be well supported, with eight new Partners joining the Member benefit

"WE ATTRIBUTE THIS GROWTH TO THE BRAND REPUTATION..."

programme, including *NZ Herald*, Burger King, SKYCITY Cinemas and Open Polytechnic. The introduction of these new Partners adds to the diversity of benefits available via AA Rewards. Also, more and more Partners are offering immediate purchasing discounts.

TOURISM

The most significant development for the Association's touring services was the establishment of a new publishing partnership with the Australian Automobile Associations, which has a collective membership of 6.5 million. This new partnership centres on production of accommodation guide books and tourist publications on both sides of

the Tasman, under the management of a combined publishing business, Club Tourism Publishing.

The benefits of this partnership will be immense, ranging from operational efficiencies to product harmonisation, where the ultimate objective is to enrich the depth of tourism information and service availability to Members in both countries.

The growth potential of that partnership and the rewards of working with our sister clubs in Australia will reinforce the Association's leading role as a promoter of domestic tourism. As a follow-up to the earlier *101 Must Do's* campaign, two extensions – *Kiwi Secrets* to promote travel during the winter months and *Great Kiwi Escapes* – were launched.

Patronage to the www.aatravel.co.nz website continued to grow. The popular Hot Travel Deals consistently promoted accommodation, rental cars, leisure activity and attraction deals, offering specific pricing advantages to those booking on this website.

ROADSERVICE

The Association continues to ensure that AA Roadservice is the leading provider of roadside assistance to New Zealand drivers. A measure of the success that reinforces this premier status is regular feedback from Members. Pleasingly, that feedback is overwhelmingly positive.

Interestingly, Roadservice demand was quieter than in previous years. We attribute this to the economic

1934: 'Get You Home Service' with approved, subsidised garages introduced.

1946: Inspection and rating of motels starts.

1953: Southland introduces radio-telephone links to patrol cars.

1965: AAA inaugurates emergency service (used by 500 in first two months).

1991: NZAA formed with headquarters in Auckland; *Directions* becomes its national publication.

1992: AA approved repairer scheme introduced.

1998: Rewards scheme for Members introduced.

1999: AA contracted to NZ Land Transport Authority to issue driver's licences; nationwide 24-hour, toll-free telephone system introduced for breakdown service.

2010: NZAA has 855,000 personal Members; 1,293,786 in total (at end of January, 2010).

➤ For details on AA services see www.aa.co.nz or visit an AA Centre

downturn, with Members not travelling as frequently, especially in that period when the price of petrol hit an all time high. Nonetheless, the AA received 623,000 road service calls, the vast majority of which we answered within 20 seconds. Not all calls result in a Roadservice officer being despatched. In total, our service team, including full-time Roadservice officers, battery van operators and contractors, attended some 464,000 jobs.

Pleasingly, 62% of those jobs were attended within 30 minutes, and 91% within the hour. Of those service jobs, a staggering 92% of vehicles were successfully mobilised on the roadside, with an average of 13 minutes spent on each job.

In our ongoing quest to enhance service, we introduced an automated system for Members to self-order road service assistance without going through a telephone operator.

In terms of fleet, our battery van service expanded in the three main metro areas and we also extended our recently introduced AA Recovery Service operation.

ADVOCACY

During the year, our motoring advocacy team made a number of representations on various subjects. In particular, a key message from the Association was that Road User Charges for light vehicles should be replaced with a fuel excise charge.

We continued to regularly report on petrol prices, and called on suppliers to readjust pump prices when we felt movements in the exchange rate or the price of crude oil warranted adjustment. An AA Petrolwatch page on the AA website was introduced to provide more insight into the make-up of petrol prices.

With the change in Government, our Association promoted the idea of adopting a new approach to some of New Zealand's motoring transport policies. We produced two comprehensive discussion documents – 'Transporting Ourselves', which

covers the need for integrating transport planning into economic development, and 'Saving Ourselves', which takes a different view of road trauma. Both documents were well received.

However, the recognition that road fatalities and injuries are still unacceptably high gave the AA Motoring Affairs an added sense of urgency in 2009. The AA's submission on the Government's next road safety strategy emphasised the importance of educating and guiding drivers – especially young drivers – over the coming decade.

As the administrative supporters of Students Against Driving Drunk, Motoring Affairs was pleased with the success of the inaugural SADD film awards. The AA Driver Education Foundation produced 'Going Solo',

"WE PROMOTED THE IDEA OF ADOPTING A NEW APPROACH TO TRANSPORT POLICIES."

a guide for parents and teens working towards the restricted licence. It is part of Motoring Affairs' push to encourage greater training of young drivers.

After years of advocacy, a ban on the use of cell-phones while driving was introduced and more focus has been directed at drugged driving. Motoring Affairs has been vocal about the need for emphasis on driver distraction and the treatment of those with alcohol or drug problems.

We have also been working with NZTA to develop the next stage of KiwiRAP to produce safety star ratings for New Zealand's highways.

MOTORING SERVICES

The Association provides a variety of Motoring Services, including the provision of driver licensing, driver training and vehicle inspection

services. We are pleased to report that the Association secured a further five-year contract with the NZTA as a provider of driver licensing services. We have been active in this service since 1999, completing more than 12,000,000 transactions.

AA Centres, together with driver licensing agents, are involved in the delivery of more than 1,500,000 driver licence and motor vehicle licence transactions annually. The AA network is the principal deliverer of those services for the Government, handling 80% of transactions.

The AA is now an agent for the Inland Revenue Department, enabling all licensing outlets to process personal IRD number applications. The ability to service photographic driver licensing has also led to the Association pursuing other identification card opportunities.

Our AA Car Loan product experienced major changes during the year when GE Money announced its withdrawal from the car financing market in New Zealand. Following a comprehensive review, Marac was selected as the new provider for AA Car Loans and we are working with them to promote a wider range of financial products for our Members.

AA Driver Training had a busy year as younger drivers anticipated possible changes in the driver licensing age. As the largest driver training organisation in New Zealand, our instructors undertook 80,000 individual lessons across the country; 7,000 motorists went through the defensive driving course for experienced drivers.

A highlight for driver training was the launch of a new skills control programme, led by Emma Gilmour. This has been popular with many corporate organisations and, to date, 2,000 drivers have been through the programme.

As referred to earlier, demand for vehicle inspections declined as a result of the significant drop in used car imports. The loss of custom in

some vehicle inspection centres required the rationalisation of staffing numbers and operational centres. To augment some of that decline in traditional volume, the Association has commenced providing AA Auto Service and Repair Service out of traditional inspection centres.


A new service about to commence, as a result of the Association's involvement with Auto Glass, allows Roadservice vehicles to provide temporary sideglass repairs. An

extension of AA Auto Glass this year will enable Members to have windscreen chips and cracks repaired at Technical Centres.

FINANCE

Despite the challenging economic climate, the Association finished the year with a pleasing financial result. It was pleasing in that the Association was able to maintain growth and the provision of services, without the need to increase Membership fees.

The continuing challenge to the Association will be to build on the strong financial position, with a view to enhancing the value Members get from their subscription.

We have pursued a number of initiatives to deliver greater value and service to New Zealand's motorists, and our Members can have confidence that those investments will reap solid rewards in the years to come. 

SUMMARISED FINANCIAL STATEMENTS

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2009

	2009 \$	2008 \$
INCOME WAS RECEIVED FROM:		
Revenue	105,724,437	105,144,044
Share of profit or loss in joint ventures	6,792,642	3,464,780
Other income	434,353	(885,983)
INCOME FROM CONTINUING ACTIVITIES	112,951,432	107,722,841
EXPENDITURE WAS INCURRED BY:		
Employee entitlements	55,149,527	55,322,875
Delivery and distribution	15,738,800	15,702,952
Plant, office and property	8,273,702	8,109,976
Advertising and promotion	7,266,618	9,860,809
IT and telecommunications	6,699,116	6,511,948
Motor vehicle expenses	2,931,527	3,205,489
Other expenses	8,399,032	7,786,903
EXPENSES FROM CONTINUING ACTIVITIES	104,458,322	106,500,952
Operating surplus from continuing activities before tax	8,493,110	1,221,889
Taxation expense	-	-
NET SURPLUS FOR THE YEAR ATTRIBUTABLE TO THE ASSOCIATION FOR THE BENEFIT OF MEMBERS	8,493,110	1,221,889

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 30 SEPTEMBER 2009

	2009 \$	2008 \$
ASSETS		
Cash and cash equivalents	18,333,556	18,456,285
Other financial assets	21,061,541	19,924,668
Sundry receivables & prepaid expenses	14,619,333	16,284,607
TOTAL CURRENT ASSETS	54,014,430	54,665,560
Property, plant and equipment	30,872,632	32,476,988
Investments	39,140,331	28,476,010
Capitalised lease	23,040	40,320
Goodwill	6,389,912	6,249,912
Other intangible assets	4,484,966	4,969,600
TOTAL NON CURRENT ASSETS	80,910,881	72,212,830
TOTAL ASSETS	134,925,311	126,878,390
LIABILITIES		
CURRENT LIABILITIES	31,969,947	32,492,633
NON CURRENT LIABILITIES	2,203,645	2,576,084
TOTAL LIABILITIES	34,173,592	35,068,717
NET ASSETS	100,751,719	91,809,673
ASSOCIATION FUNDS AND SUBSCRIPTIONS IN ADVANCE		
Accumulated funds	72,204,095	63,710,985
Asset revaluation reserve	9,199,739	9,371,000
Total association funds	81,403,834	73,081,985
Subscriptions in advance	19,347,885	18,727,688
TOTAL ASSOCIATION FUNDS AND SUBSCRIPTIONS IN ADVANCE	100,751,719	91,809,673

For and on behalf of the National Council,
G B Lange, President M R Winger, Board Member
5 February 2010.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2009

	2009 \$	2008 \$
ASSOCIATION FUNDS AS AT 1 OCTOBER	73,081,985	70,144,087
Gain on revaluation of properties	(214,031)	1,274,263
Deferred tax on revaluation of properties	42,770	441,746
Net income recognised directly in equity	(171,261)	1,716,009
Surplus for the year	8,493,110	1,221,889
Total recognised income and expenses	8,493,110	1,221,889
ASSOCIATION FUNDS AS AT 30 SEPTEMBER	81,403,834	73,081,985

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2009

	2009 \$	2008 \$
Net cash from operating activities	3,584,887	6,732,062
Net cash used in investing activities	(3,438,310)	(4,982,672)
Net cash used in financing activities	(269,306)	(558,095)
Net increase in cash and cash equivalents	(122,729)	1,191,295
Cash and cash equivalents at the beginning of year	18,456,285	17,264,990
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	18,333,556	18,456,285
Represented by cash and cash equivalents	18,333,556	18,456,285

NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

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

During the year a new joint venture arrangement has been entered into with the Australian Automobile Clubs. This facilitated the Board of Directors to enter into a sale and purchase agreement, on 13th August 2009, to restructure the Domestic Tourism business. In accordance with the sale and purchase agreement, the New Zealand Tourism business will be transferred to the joint venture effective from 1 November 2009.

RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2009 \$	2008 \$
Operating surplus after taxation	8,493,110	1,221,889
Movement in non cash items	(3,312,823)	3,379,224
Movement in assets and liabilities	(3,000,280)	3,361,157
Movement in financing/investing activities	1,404,880	(1,230,208)
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,584,887	6,732,062

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 2009. The full financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for public benefit oriented entities. The full financial statements comply with International Financial Reporting Standards.

The full financial statements were authorised for issue on 5 February 2010.

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 5 February 2010, can be obtained by members from:
The Secretary, The New Zealand Automobile Association Incorporated, P.O. Box 5, Auckland