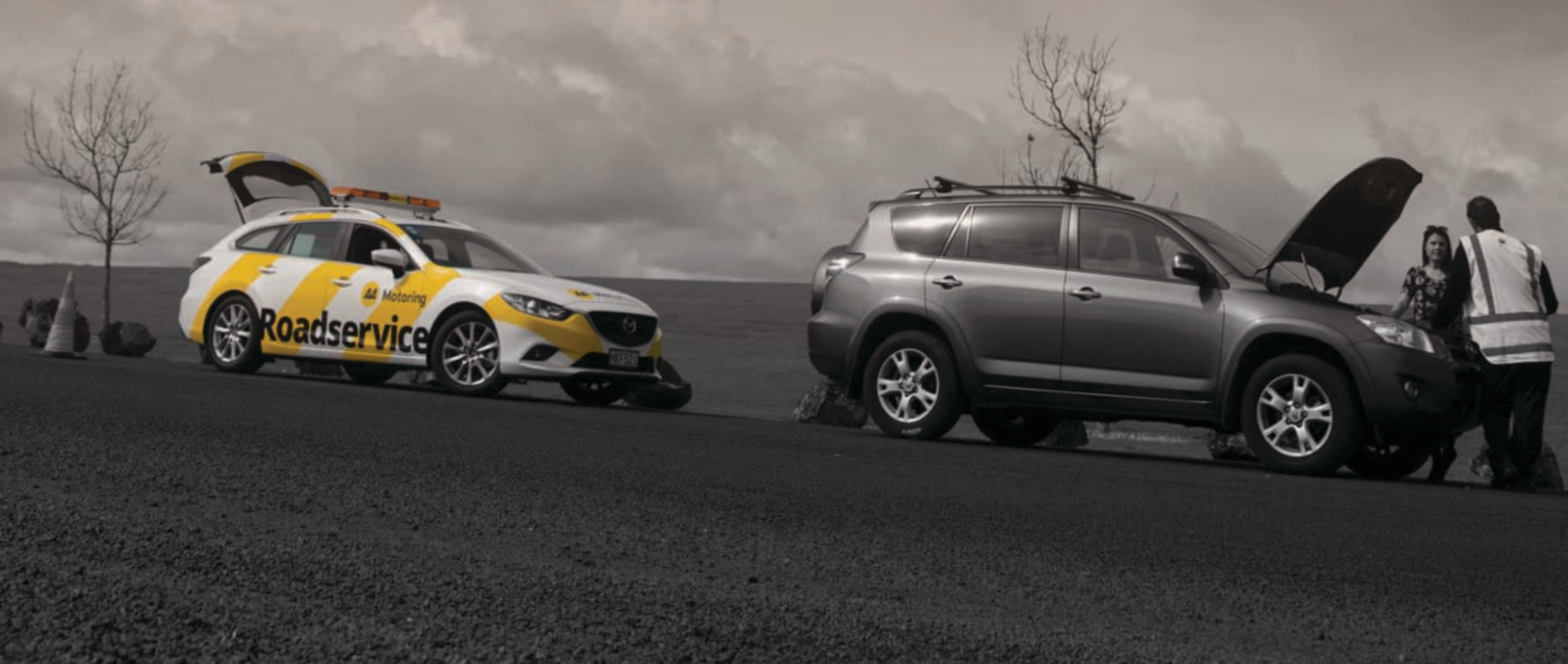
GUIDING LIFE'S JOURNEYS FOR OVER 110 YEARS.

New Zealand Automobile Association

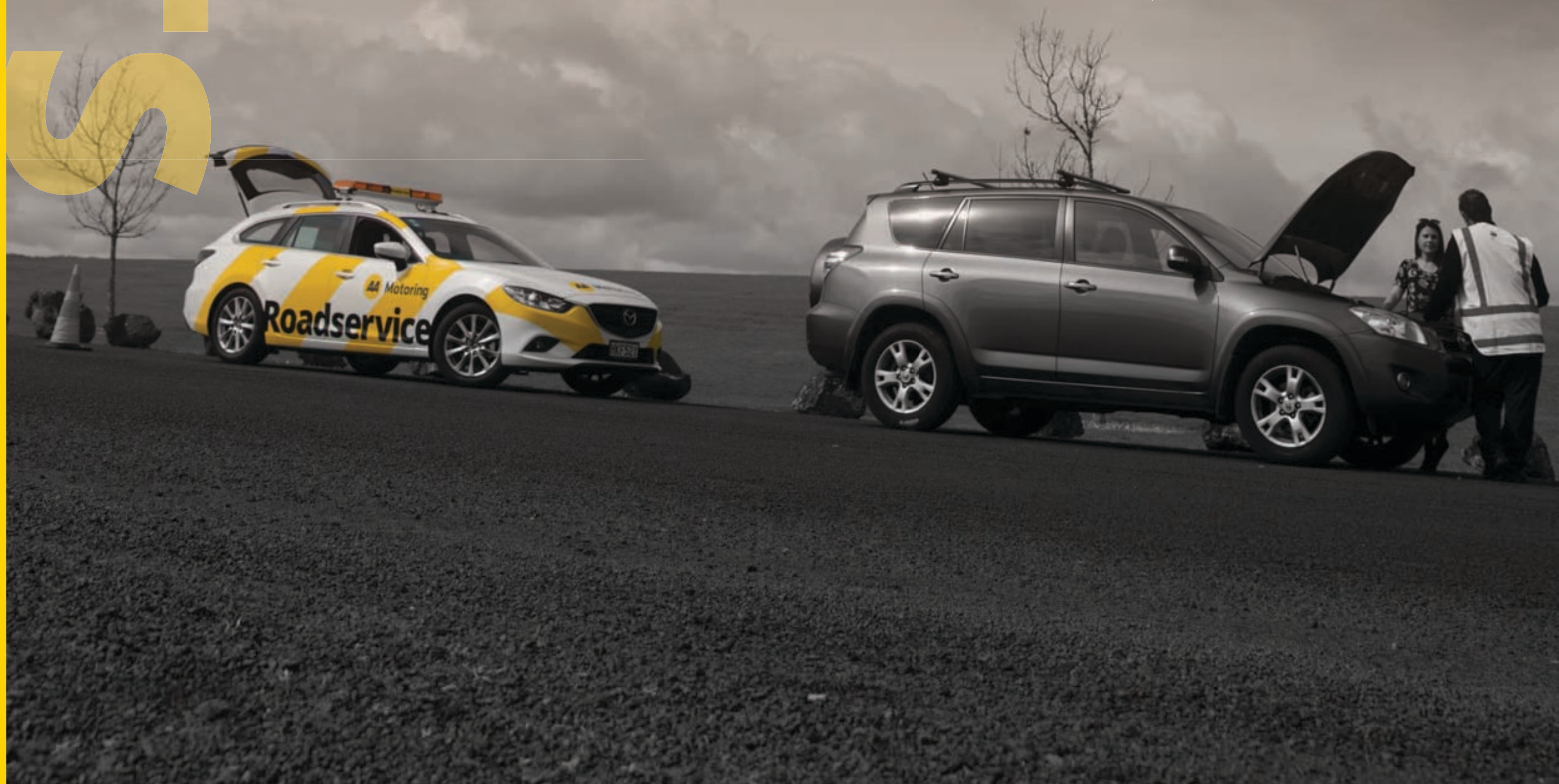
ANNUAL REPORT

2013 - 2014



NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED

CONTENTS



Investing in our future

The 12 months to June 2014 was exceptional for the AA on a number of levels.

During the year, our Membership grew by more than 46,000 on the back of a record 122,300 new joins. Personal Membership reached a new high of nearly 925,000. Combined with vehicle-based Membership, the AA reached a total of 1.427 million Members.

This signifies belief in the AA's ability to deliver on its purpose which is to guide New Zealanders through life's journeys. More importantly the strength of our Membership base supports the belief in our vision – that AA Membership is truly indispensable.

Part of that is ensuring we continue to add to the value of Membership. We do this in two ways: Firstly by continuing to hold the cost of Membership, which has not increased in subscription price for 20 years; and, wherever possible, to lower the effective price of Membership through tenure discounts and loyalty benefits.

But, to be truly indispensable, the AA must meet the ever-changing needs of motorists and be relevant to their motoring lives.

The ability to both hold subscriptions and add new service benefits owes much to the growing commercial success of key motoring services and assistance provided by the AA. The rewards of that success enable us to continually add value to Membership, which is akin to providing dividends to shareholders.

A case in point is the expanded initiative increasing the availability of free driving lessons to AA Members and their families. A $2.4 million investment over the coming 12 months is an investment not only in the future of safe drivers, but potential future Members of this organisation.

The new drivers of today are the future Members of the AA and many of those who have become part of the programme – now called AA Ignition – have already joined our club.

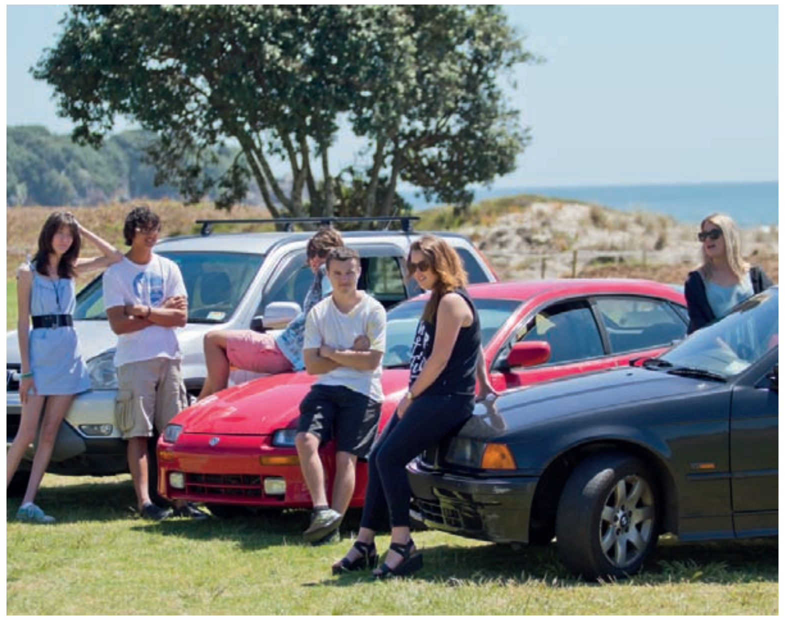
The AA has a philosophy of accessibility, which means we demonstrate the benefits of Membership through a range of individual touch points. The sum of all of these is why people should join and makes AA Membership is truly indispensable.

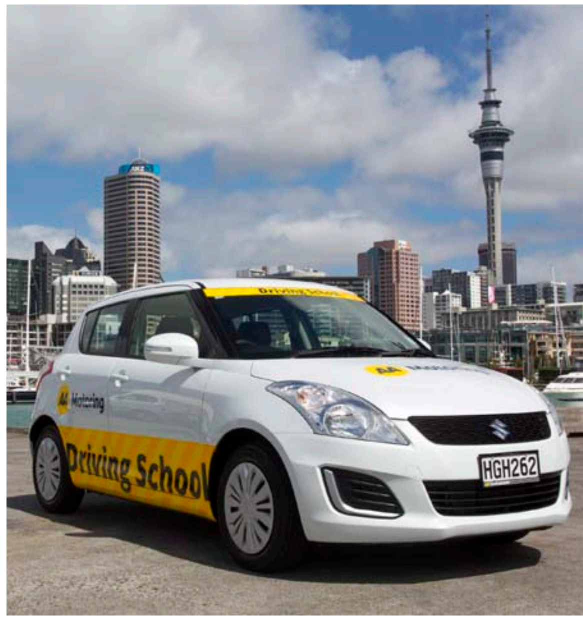
Our decision to become a key driver licensing agent now provides a major touch point, along with the AA Smartfuel fuel savings programme.

In AA Smartfuel we have 460,000 non-AA Member cardholders who regularly participate in the programme and reduce the cost of their fuel purchases. After three years of operation, AA Smartfuel provides us with a significant opportunity to demonstrate the benefits of Membership and this year's record growth definitely owes much to our expanded role across the entire motoring community.

During the 2013/14 financial year, we continued our focus on improving accessibility to services for Members with the launch of a new smartphone app to more easily call Roadservice, changes to our approach to tourism – particularly on the domestic front – and streamlining our Motoring Services division with the continuing rollout of our Auto Centre network. The introduction of free AA Safety Checks for Members as a response to changes to the Warrant of Fitness regime to annual inspections from six monthly checks, was also well received.

To be truly indispensable to Members, the AA's offerings and services need to be relevant, not just to our current Members, but also the Members of the future.





Membership

AA Membership growth continued at a record pace with Membership growing 46,283 – taking total Membership to 1,426,895. A record 112,276 new Members joined during the year pushing Personal Membership to a new high of 924,908. Vehicle-based Membership grew by 23,781 to stand at 501,987, passing the half million mark.

This record growth is a product of a successful strategy to broaden the range of Membership benefits.

Since the successful introduction of AA Smartfuel fuel discounts in 2011, we have added new Member benefits including free eye examinations at Specsavers once every two years, free driving lessons for novice drivers, discounted movie tickets at Event Cinemas and free vehicle safety checks.

In the year to 30 June 2014, New Zealand motorists earned $65 million in AA Smartfuel discounts, and more than 200,000 Members have taken advantage of the Specsavers offer since its introduction in 2012.

Our longstanding 'MyAA' Membership pricing scheme, which gives Members increasing subscription discounts in conjunction with their Membership tenure, continues to be well-received. Membership retention remains very high, with many Members now receiving significantly more value in Member discounts and benefits than the cost of subscription.

Pleasingly, we have again been able to hold our Membership subscription fees, offsetting the rising costs in the provision of some benefits with the commercial returns from our associated businesses.

During the year we refreshed the AA brand and introduced the new round AA badge and brand architecture of our key cornerstone businesses. The new brand is designed to reflect the contemporary and diverse organisation which the AA has become and to enable us to more effectively market the wide ranges of services on offer. We also introduced a new club mark to recognise the 111 year history of the Association, a heritage of which we should be very proud.

The new brand is progressively being rolled out across AA vehicles and buildings as and when they become due for replacement or signage replacement.

AA Smartfuel

AA Smartfuel continues to grow from strength to strength.

In the 2½ years since the programme launched, we have issued more than $120 million in fuel discounts to participants.

In the past 12 months $65 million dollars of fuel discounts were issued. AA Members continue to enjoy greater savings from AA Smartfuel with the programme delivering more than six times the value in benefits to Members than the previous AA Rewards programme.

Our goal is to deliver further value by growing our base of participating retailers to enable Members to earn greater fuel discounts.

Driver Education

The national rollout of the one free driving lesson programme started in October 2013 following a successful three month pilot in Tauranga and Hamilton.

The one free driving lesson programme, designed for AA Members and children of AA Members who had held their learner licence for two months or less, was introduced as part of the AA's commitment to improve driving skills and behaviour on the road, along with helping to build positive attitudes behind the wheel.

The success of the programme prompted further development, offering three free driving lessons and expanding eligibility to students linked to Membership from parents, aunts, uncles and grandparents. This programme was named AA Ignition.

We also developed innovative content on the AA website – Learn to drive the AA way. It offers New Zealand drivers and their parents or supervisors all the information and support they need to guide them on their journey to become safe, confident and fully licensed drivers.

Roadservice

The AA remains the premier provider of roadside assistance for New Zealand motorists.

Our focus on consistently delivering a quality roadside assistance service to Members and meeting peak demand resulted in our Member Service Monitor key measures reaching an all-time high.

Our key service improvement achievements involved the successful implementation of technology-based 'customer access channels of choice' including the AA Roadservice smartphone app and call centre self-service speech recognition.

In addition, areas of job dispatch and workflow processes were automated and enabled us to improve our ability to inform Members of any delays to attending their breakdown. We continue to adopt more flexible contracting arrangements in our higher breakdown volume areas by increasing resources to meet demand and improve service.

Our Service Officers, AA Battery Service team and contractors attended more than 472,000 jobs over the year:

- 40% for flat batteries,
- 15% for mechanical and electrical faults,
- 14% for towing services,
- 10% for lockouts,
- 8% for tyre changes and
- 6% for fuel.

Roadservice attended 88% of our Member calls within 60 minutes and were able to mobilise 91% of those breakdowns.

AA Traveller

AA Traveller remains active in supporting the domestic tourism industry with two major campaigns launched to inspire people to see more of New Zealand.

The Good Old Kiwi Holiday campaign was a reminder of New Zealand's many destinations and iconic holiday spots. On the internet, a microsite featured information on 17 regions and a competition offering the chance to win a $5000 holiday to encourage to connect with the campaign.

New Zealand's Most Loved Beaches campaign was primarily a social media campaign encouraging Facebook fans to vote across a list of about 200 beaches and be in to win a $500 holiday. More than 600,000 votes were received with the Most Loved Beach award going to Ohope Beach in the eastern Bay of Plenty.

During the year in review nearly three million guides and maps were distributed and more than 67,000 accommodation and activities reservations were processed by the AA.

AA Motoring Services

Motoring Services invested significant time in preparing for the changes to the Warrant of Fitness regime that came into play on 1 January 2014.

Forward planning involved rationalising resources, including the closure of two Auckland sites (Onehunga and Panmure) and the expansion of the Mt Roskill site.

To assist Members in ensuring their vehicles are as safe as possible between annual Warrant of Fitness checks, a free AA Safety Check was introduced. Non-members can also access the service for a small charge.

Three new AA Auto Centres were opened during the year – in Hornby, central Christchurch and Levin – providing Members and motorists in these areas with a one-stop shop for their motoring needs.

Strong growth in used car arrivals and new car sales has continued to keep sites busy.

Driver licensing experienced the largest volume of transactions in 10 years, processing 19% more driver licences than the year prior. This significant increase can be attributed to more young people working towards a driver licence including a boost in overseas students.

Since the introduction of the photo licences in May 1999, the AA has processed more than 17 million driver licensing transactions.

Competitive interest rates combined with excellent customer service can be attributed to the strong growth in the number of AA car loans, up 27% on the previous year. The AA also continued to expand its role in the identity verification market and physical verification services.

AA Insurance

AA Insurance celebrated another successful year of record growth, with all channels and products contributing.

Settlement of claims for earthquake damaged homes in Canterbury progressed considerably with more than 80% of customers having had their home repaired or rebuilt, or taking a cash settlement. AA Insurance is focused on resolving the remaining 20% as quickly as possible, but within the parameters of a number of more complex claims.

The introduction of a claims switchboard team was so well-received by customers that it was extended to all facets of the business. The switchboard allows all customers, regardless of their enquiry, to connect with a person and not a machine thereby creating a seamless service experience.

AA Insurance has once again been independently recognised for service, culture, brand and position in the insurance industry. It has been voted Direct Insurer of the Year, most trusted insurer at the Reader's Digest Most Trusted Brands Awards, and has been recognised by Canstar Blue Most Satisfied Customers for home and contents as well as car. The company has also been acknowledged as a finalist in the IBM Kenexa Best Workplaces survey, and awarded for its holistic approach to employee wellbeing by the New Zealand Human Resources Association.

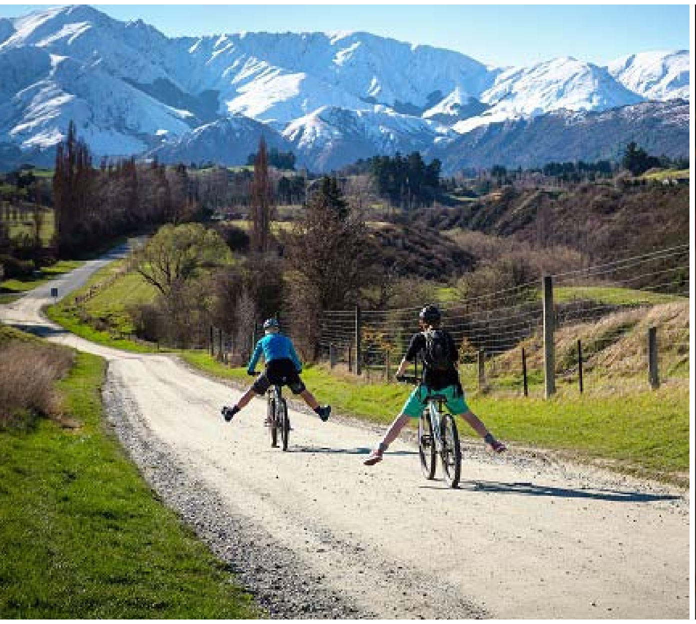
Financial Results

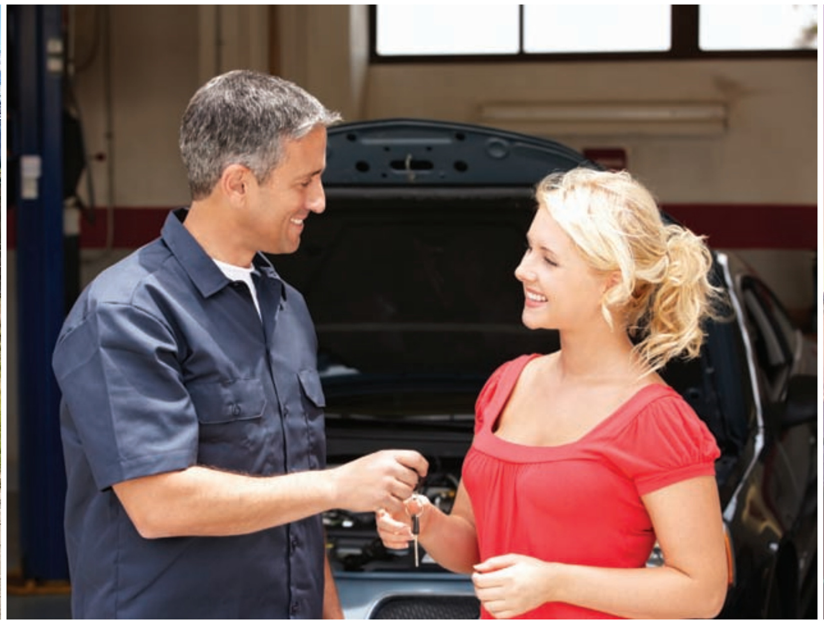
The capacity to maintain our ability to expand on services and hold subscriptions owes much to the commercial success of the collective services on offer at the AA.

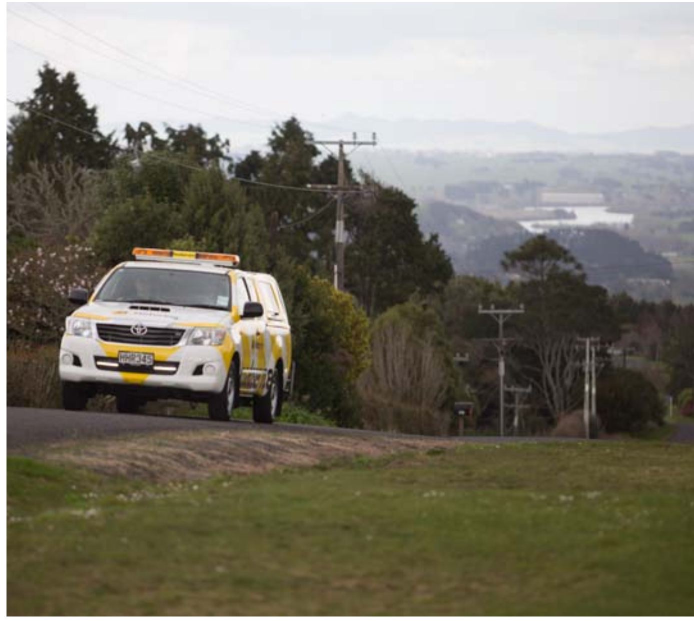
Today the subscription income represents a minor portion of our available funding with increasing surpluses generated from our successful joint venture commercial operations, such as AA Insurance, as well as strong returns from investing surplus funds.

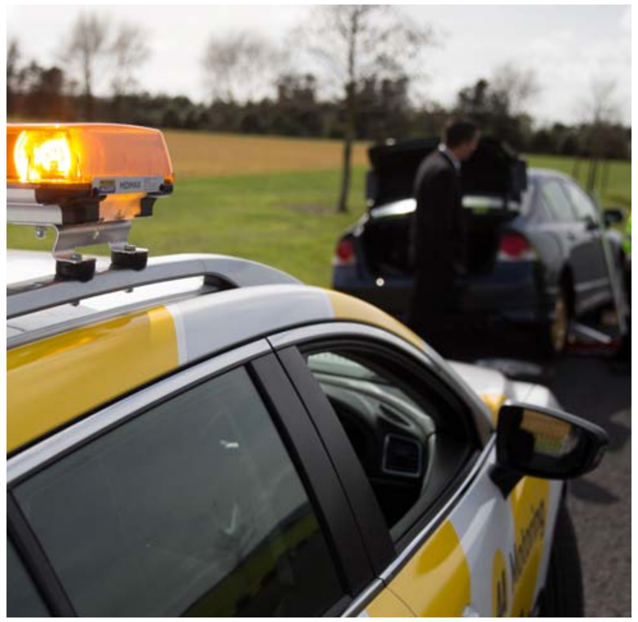
During the 2013/14 financial year that consolidated result was $18.3 million which was bolstered by the rationalisation of some of our shareholding in service activities including the sale of our interest in Bookabach and our mapping subsidiary GeoSmart.

That strong result means the Association can invest in the future with confidence without the requirement to consider the need of a subscription increase. It also provides us with the luxury of reviewing how we can further build on AA Ignition where the ultimate objective is to make free driving lessons available to all new learner drivers.









AA Life

AA Life celebrated another successful year.

For the second year running AA Life was named New Zealand's Most Trusted Life Insurance Brand at the Reader's Digest Most Trusted Brands Awards.

With new product benefits, enhanced online capability and refreshed marketing campaigns, the company is well-positioned for future growth.

Advocacy

The AA was a key voice in the debate to change the adult drink driving limit following significant examination of international research and experience.

An AA survey of Members showed that 72% supported a limit that allowed adult drivers to have no more than two drinks before getting behind the wheel. Waikato University research also showed once people went beyond a blood alcohol concentration (BAC) of .05 they were not only impaired but also began to lose the ability to judge how intoxicated they were. Taking this into account, the AA supported lowering the adult limit as well as pushing for several other measures to be adopted to reduce crashes by repeat and extreme drunk drivers, including more use of alcohol interlocks and better rehabilitation.

The AA worked closely with ACC as it developed changes to the ACC levies paid as part of the annual vehicle licence (registration). Levies for all cars less than 40 years old will reduce in 2015. While safer vehicles will be charged lower amounts, almost all car drivers will save between $42 and $172 annually.

The AA is engaged with the Government's safer speeds project, and to represent the views of Members has conducted several surveys on speeds, risk perceptions and driving behaviour. The AA was also part of the Government's expert panel looking at ways to improve cycle safety.

Improving the safety of young drivers remains a major focus of the AA and there were two advocacy milestones in the last year. SADD, which the AA Driving School sponsors, extended its focus beyond drink driving to become Students Against Dangerous Driving. SADD programmes are active in 74% of secondary schools. The AA has also helped disadvantaged young learner drivers by partnering with the Transport Agency and Caltex in community driver mentor programmes around the country.

With nearly one in three New Zealanders living in Auckland, the city's transport challenges have an impact on the nation so the AA has increased its focus on funding, congestion, public transport and active modes, and surveyed our Members to represent their views to the city's transport authorities.

The New Zealand Automobile Association Incorporated

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONTENTS
FOR THE YEAR ENDED 30 JUNE 2014

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2014

BOARD MEMBERS		Appointed	Resigned
T G Follows	President	24/03/2007	
R K Bull	Vice President	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	
M R Winger		25/06/1993	
S J Grant		22/03/2014	
B W Petrenas		10/12/2004	22/03/2014

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

SOLICITORS
Holmden Horrocks

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
BOARD MEMBERS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

Disclosure to the National Council and Members

The Board Members have pleasure in presenting the Annual Report for the year ended 30 June 2014.

The Board Members have approved the financial statements of The New Zealand Automobile Association Incorporated for the year ended 30 June 2014.

For and on behalf of the Board.

T G Follows, President

M R Winger, Board Member

12/12/14
Date

12/12/14
Date

Approved for distribution by the National Council on 12 December 2014.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 S'000	2013 S'000
Revenue	1	110,287	104,560
Share of profit or loss in joint ventures	24	9,122	6,771
Other gains / (losses)	2	8,618	4,196
Income from continuing activities		128,027	115,527
Employee entitlements		59,838	57,350
Delivery and distribution		23,463	21,298
Plant, office and property overheads		8,384	8,336
Advertising and promotion		3,266	3,578
IT and telecommunications		6,193	6,388
Motor vehicle expenses		3,215	3,259
Goodwill impairment expense	13	365	2,314
Other expenses		5,496	4,973
Expenses from continuing activities	3	110,220	107,496
Operating surplus from continuing activities before tax and grants		17,807	8,031
Grant to NZAA Research Foundation		305	209
Taxation benefit/(expense)	4	-	(738)
Net profit for the year attributable to the association acting in the interests of members		17,502	7,084
Other comprehensive income net of tax			
Revaluation of properties	20	545	589
Gain/(loss) arising on translation of foreign joint venture	21	298	53
Share of other comprehensive income/(loss) of joint ventures	24	(21)	265
Other comprehensive income for the period net of tax		822	907
Total comprehensive income for the period attributable to the association acting in the interests of members, net of tax		18,324	7,991

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

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THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Accumulated funds $'000	Total $'000
Balance at 30 June 2012		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		589	-	-	589
Transfer to retained earnings		(285)	-	285	-
Gain arising on translation of foreign joint venture	21	-	53	-	53
Share of other comprehensive income of joint ventures	24	-	-	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	20, 21 & 22	9,443	84	107,967	117,494
Net profit for the year attributable to the association acting in the interests of members		-	-	17,502	17,502
Other comprehensive income					
Gain/(loss) on revaluation of properties	20	545	-	-	545
Transfer to retained earnings	20	(1,460)		1,460	-
Gain arising on translation of foreign joint venture	21	-	259	-	259
Transfer to profit and loss on disposal of foreign operation	21	-	39	-	39
Share of other comprehensive income of joint ventures	24	-	-	(21)	(21)
Total other comprehensive income		(915)	298	1,439	822
Total comprehensive income, net of tax		(915)	298	18,941	18,324
Balance at 30 June 2014	20, 21 & 22	8,528	382	126,908	135,818

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

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THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	27	30,899	25,629
Other financial assets	8	50,244	36,315
Taxation receivable		1	1
Sundry receivables & prepaid expenses	9	9,363	5,280
Dividend receivable		-	500
Inventories	10	1,052	1,076
Related party receivable	25	60	530
Assets classified as held for sale	11	-	1,096
Total current assets		91,619	70,427
Non-current assets			
Property, plant and equipment	12	29,563	32,986
Investment properties	15	180	167
Investments accounted for using the equity method	24	46,136	44,250
Related party receivable	25	3,304	3,201
Capitalised lease		50	11
Goodwill	13	8,232	3,776
Other intangible assets	14	2,369	1,855
Total non-current assets		89,834	86,246
Total assets		181,453	156,673
Current liabilities			
Accounts payable	16	12,376	9,617
Employee entitlements		5,038	4,759
Unearned revenue	19	2,512	411
Deferred income	18	2,761	2,399
Total current liabilities		22,687	17,186
Non-current liabilities			
Make good provision	17	138	105
Unearned revenue	19	-	300
Deferred income	18	2,110	1,822
Total non-current liabilities		2,248	2,227
Total liabilities before subscriptions in advance		24,935	19,413
		156,518	137,260
Association funds			
Accumulated funds	22	126,908	107,967
Asset revaluation reserve	20	8,528	9,443
Foreign currency translation reserve	21	382	84
Total association funds		135,818	117,494
Subscriptions in advance		20,700	19,766
Total association funds and subscriptions in advance		156,518	137,260

For and on behalf of the Board.

T G Follows, President
12/12/14
Date

M R Winger, Board Member
12/12/14
Date

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

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THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 $'000
Operating activities			
Receipts from members and customers		109,426	103,064
Interest received		1,335	1,417
Dividends received		5	5
Dividends received from joint ventures		7,510	6,400
Payments to suppliers and employees		(102,391)	(99,289)
Grant to the NZAA Research Foundation		(305)	(209)
Net cash from operating activities	28	15,580	11,388
Investing activities			
Proceeds from disposal of property, plant and equipment		3,043	1,034
Proceeds from disposal of investment property		-	874
Proceeds from disposal of joint ventures		2,374	-
Decrease/(increase) interest in joint ventures		3	(578)
Payments for property, plant and equipment		(2,358)	(3,348)
Payment for intangible assets		(1,384)	(828)
Net cash outflow on acquisition of subsidiaries		(4,603)	-
Loans (to)/repaid from joint ventures		1,815	(1,607)
Decrease/(increase) in deposits		(10,000)	(10,023)
Proceeds from disposal of business		800	-
Net cash used in investing activities		(10,310)	(14,476)
Financing activities			
Net cash used in financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		5,270	(3,088)
Cash and cash equivalents at the beginning of year		25,629	28,717
Cash and cash equivalents at the end of year	27	30,899	25,629

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

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THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 financial statements of the Group are for the year ended 30 June 2014. The financial statements were issued by the Board, and approved for distribution by the National Council, on the 12 of December 2014.

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 2014 and in the comparative information presented in these financial statements.

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 23 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 24 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.

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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.

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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.

Deloitte For Identification

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.

Investment property revaluations are performed annually. 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.

Deloitte For Identification

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.

Deloitte For Identification

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**

Foreign currencies transactions

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.

Foreign operations

For the purpose of presenting the Group financial statements, the assets and liabilities of the Group's foreign operations are expressed in New Zealand dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated as a separate component of equity in the Group's foreign currency translation reserve. Such exchange differences are reclassified from equity to profit or loss (as a reclassification adjustment) in the period in which the foreign operation is disposed of.

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.

Deloitte For Identification

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 7.25% 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 7.46% as at 30 June 2014. 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 12 and 15 for valuations.

Joint Ventures

Although the Group holds less than 50% ownership interest in some of their investments (refer note 24), 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 13.

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Statement of accounting policies (cont.)

Standards, amendments and interpretations that are not yet effective and have not been early adopted

The Minister of Commerce has approved a new Accounting Standards Framework developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Association is classified as a Not-For-Profit Public Benefit Entity (NFP PBE) and will be required to apply NZ IFRS PBE and other New Zealand accounting standards and pronouncements that have authoritative support and are applicable to entities that apply NZ IFRS PBE. These standards have been issued by the XRB and will be effective for the Association for the period ending 30 June 2016. Management is yet to assess the implications of the New Accounting Standards Framework.

Due to the change in the Accounting Standards Framework for NFP PBE's, all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to PBE's. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude PBE's from their scope.

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	2014 $'000	2013 $'000
1 Revenue		
Continuing operations		
Sale of goods	4,490	4,368
Rendering of services to members and public	104,422	98,695
Rental income from investment property	-	57
Dividends	5	5
Interest revenue (loans and receivables)	1,370	1,435
	110,287	104,560

	2014 $'000	2013 $'000
2 Other gains / (losses)		
Continuing operations		
Revaluation of investment properties	13	32
Change in fair value of financial asset classified as fair value through profit or loss	3,928	3,369
Net foreign exchange gains / (losses)	-	2
Impairment reversal / (losses) on revalued land and buildings	(70)	793
Disposal of business (note 6)	1,343	-
Disposal of joint ventures (note 7)	1,783	-
Reversal of joint venture losses previously recognised in the profit and loss	1,621	-
	8,618	4,196

	2014 $'000	2013 $'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 12)	3,465	3,605
Amortisation - Software (note 14)	928	959
Operating lease expense	3,464	3,311
Raw materials and consumables used	2,639	2,798
(Gain) loss on disposal of property, plant and equipment	148	(317)
(Gain) loss on disposal of investment property	-	12
Legal expenses	243	232
Direct operating expenses (including repairs and maintenance) arising from investment properties	-	31
(b) Personnel expenses		
Employee benefits expense	55,150	53,027
Defined contribution plans	2,672	2,409

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4 Taxation

4a *Income tax expense*

	2014 $'000	2013 $'000
Current tax (expense) benefit	-	-
Deferred tax	-	(738)
Income tax (expense) benefit for the year	-	(738)

Income tax (expense) benefit for the period can be reconciled to the accounting profit as follows:

	2014	2013
Operating surplus/(loss) from continuing activities before tax and grants	17,807	8,031
Less grants to NZAA Research Foundation	(305)	(209)
	17,502	7,822
Income tax using company tax rate 28%	4,901	2,190
Non-deductible/(non-assessable) expenses/(income)	(2,731)	(1,014)
Effect of unused tax losses not recognised as deferred tax assets	(2,170)	(1,175)
Effect of associates operating in foreign tax jurisdictions	-	(738)
Exchange difference on a foreign operation	-	-
	-	(738)

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-13 $'000	Charge to profit or loss $'000	Charge to equity $'000	30-Jun-14 $'000
Gross deferred tax liabilities				
Property, plant and equipment	(3,215)	315	-	(2,900)
Investment Property	(45)	(4)	-	(49)
Equity accounted investments in foreign tax jurisdictions	-	-	-	-
Tax liabilities	(3,260)	311	-	(2,949)
Set off of tax	3,260	(311)	-	2,949
Net tax liabilities	-	-	-	-
Gross deferred tax assets				
Employee provisions	601	59	-	660
Doubtful debts provision	6	21	-	27
Inventory provisions	11	3	-	14
Equity accounted investments in foreign tax jurisdictions	-	-	-	-
Exchange difference on a foreign operation	-	-	-	-
Other	87	8	-	95
Brought forward tax losses recognised	2,555	(402)	-	2,153
Tax assets	3,260	(311)	-	2,949
Set off of tax	(3,260)	311	-	(2,949)
Net tax assets	-	-	-	-

	1-Jul-12 $'000	Charge to profit or loss $'000	Charge to equity $'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)	-	-

The Association has unrecognised New Zealand tax losses of approximately $23.46 million (2013: $19.2 million).

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5 Acquisition of Business

5.1 Acquisition of AA Tourism Publishing Limited

Effective 31 December 2013, The New Zealand Automobile Association Inc, acquired the New Zealand publishing operation from Club Tourism Publishing Partnership, which is a jointly controlled entity (note 24). The business acquired has been placed in the subsidiary AA Tourism Publishing Limited. AA Tourism Publishing Limited will produce accommodation guides and similar publications in the New Zealand market.

5.2 Analysis of Assets and Liabilities Acquired

	Fair value on acquisition $'000
Current Assets	
Inventories	27
Non-current Assets	
Plant and equipment	58
Intangible Assets	64
	149
Goodwill on acquisition	4,821
Cost of acquisition	4,970

5.3 Cost of acquisitions

The cost of acquisition of the New Zealand operation of CTPP was made up as follows:

	$'000
Paid in cash	4,970

5.4 Net cash outflow on acquisition	$'000
Total purchase consideration	4,970

5.5 Goodwill arising on acquisition

Goodwill arose in the acquisition of the New Zealand operation of CTPP because the cost included a premium to gain control of the New Zealand business. The New Zealand business has traditionally provided significant member benefits. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured and they do not meet the definition of identifiable intangible assets. Goodwill will not be deductible for income tax purposes.

5.6 Impact of acquisitions on the results of the Group

For the period 1 January 2014 to 30 June 2014, included in the Group profit for the year is a $1.18 million loss and in Group revenue $409,000 attributable to AA Tourism Publishing Limited. Included in unearned income is $2.5 million related to deferred advertising revenues and directly attributable development costs related to undistributed publications (note 19).

5.7 Acquisition of AA Tourism Limited

Effective 31 December 2013, The New Zealand Automobile Association Inc, acquired the remaining 50% share of AA Tourism Limited, which was a jointly controlled entity (note 24). AA Tourism Limited was a service provider to the Club Tourism Publishing Partnership. The cost of the acquisition was $426,000, which was paid in cash of $485,000 and a deferred purchase adjustment of ($59,000). Assets acquired in the transaction consist of cash of $852,000.

6 Disposal of Assets

During the year the directors entered into three asset sale and purchase agreements related to Geosmart Maps Limited. These agreements were completed on 1 June 2014, on which date control of the assets passed to the acquirer. This transaction means that the only assets remaining under Geosmart's control relate to the Cartography part of the business. Details of the assets disposed of are as follows:

	$'000
Non-current assets	
Property, plant and equipment	57
Net assets disposed of	57
Gain on disposal	1,343
Disposal proceeds	1,400

6.1 Consideration

Consideration paid in cash and cash equivalents	800
Deferred Sales Proceeds	600
	1,400

The deferred sale proceeds will be settled by way of on-going services provided by the acquirer and through receipt of a share of net revenue generated by the acquirer for the period to 1 June 2016.

7 Disposal of Joint Venture

During the year, the Group disposed of its shareholdings in the following joint ventures:

Joint Venture	**Sales Price $'000**	**Profit/(loss) on Sale $'000**
AA Bookabach Limited	2,546	1,845
AAA Tourism Services Pty Limited	309	(62)

On disposal of AAA Tourism Services Pty Limited the foreign currency translation reserve of $56,245 transfers to the profit and loss.

Consideration:	**Consideration received in cash $'000**	**Deferred sales proceeds/ (adjustments) $'000**
AA Bookabach Limited	2,016	530
AAA Tourism Services Pty Limited	358	(49)

The deferred sales proceeds on the sale of the shareholding in AA Bookabach Limited are due on 1 November 2015. The directors do not believe there are any reasons that these proceeds should not be received in full.

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8 Other financial assets	2014 $'000	2013 $'000
Investment managed fund	50,244	36,315
	50,244	36,315

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.

9 Sundry receivables, prepaid expenses and other current assets	2014 $'000	2013 $'000
Sundry receivables	4,854	3,510
Prepayments	1,568	1,319
Deferred consideration on sale of assets (note 6)	600	-
Deferred consideration on sale of joint venture (note 7)	530	-
Other	1,811	451
	9,363	5,280

The average credit period on sales of goods and service is 60 days (2013: 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 11% (2013: 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 $1,242,442 (2013: $658,829) 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	2014 $'000	2013 $'000
30-60 days	1,015	455
60-90 days	196	131
90+ days	31	73
	1,242	659

Movement in the allowance for doubtful debts	2014 $'000	2013 $'000
Balance at beginning of the period	23	34
Impairment losses recognised on receivables	73	22
Amounts written off as uncollectable	-	(22)
Amounts recovered during the year	-	-
Impairment losses reversed	-	(11)
Balance at end of period	96	23

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 $95,902 (2013: $23,199) is applicable to invoices aged 30+ days (2013: 30+ days).

10 Inventory	2014 $	2013 $
Retail stock	626	693
Consumables	426	383
	1,052	1,076

The cost of inventories recognised as an expense during the period was $2,638,558 (2013: $2,797,552). The cost of inventories recognised as an expense includes $51,625 (2013: $40,339) in respect of write-downs of inventory to net realisable value, and has been increased by $11,285 (2013: -$8,515) in respect of the increase of such write-downs.

11 Assets classified as held for resale	2014 $	2013 $
Investments accounted for using the equity method	-	696
Buildings held for sale	-	400
	-	1,096

Investments accounted for using the equity method
The Group disposed of it's joint venture entity AA Bookabach Limited (refer note 7).

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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12 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-July-12	9,795	12,298	6,430	3,119	11,851	10,031	6,010	422	59,956
Net additions / (transfers)	-	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
Net additions / (transfers)	-	267	191	15	388	1,524	218	(187)	2,416
Disposals	(1,500)	(930)	(465)	(183)	(510)	(1,606)	(267)	-	(5,461)
Revaluation increase / (decrease)	65	434	-	-	-	-	-	(289)	210
Reclassified as held for sale	-	-	-	-	-	-	-		-
Balance at 30-June-14	8,635	12,191	5,818	2,840	11,951	10,125	6,132	136	57,828

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-July-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
Depreciation expense	-	270	355	133	676	1,502	529	-	3,465
Eliminated on disposals	-	(5)	(342)	(176)	(480)	(1,389)	(220)	-	(2,612)
Eliminated on revaluation	-	(265)	-	-	-	-	-	-	(265)
Reclassified as held for sale	-	-	-	-	-	-	-		-
Balance at 30-June-14	-	(0)	4,764	2,057	10,613	5,203	5,628	-	28,265

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-13	10,070	12,420	1,341	908	1,656	5,117	862	612	32,986
As at 30-June-14	8,635	12,191	1,054	783	1,338	4,922	504	136	29,563

Valuation of land & buildings
Land & buildings were last revalued by independent registered valuers at 30 June 2014. The total value as per valuer was as follows:

	Date of Inspection	30 June 2014 $'000	30 June 2013 $'000
Colliers International	1/07/2014	11,175	11,025
Morgan Property Advisors	18/06/2013	-	2,420
Quotable Value New Zealand	20/06/2014	400	445
Telfer, Young	25/06/2014	2,450	2,085
Chadderton & Associates Ltd	17/06/2014	750	760
SW Binnie	17/06/2014	700	660
Telfer, Young	17/06/2014	290	300
Duke & Cooke	2/07/2014	1,300	1,000
Alexander Hayward Limited	10/07/2014	1,795	1,785
Graeme Isbister	30/06/2014	406	430
Telfer, Young	27/06/2014	1,560	1,580
		20,826	22,490

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

	2014 $'000	2013 $'000
Freehold land	1,464	1,627
Buildings	8,086	9,307
	9,550	10,934

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13 Goodwill	2014 $'000	2013 $'000
Cost		
Balance at 1 July	6,090	6,090
Additional amounts recognised from business combinations occurring during the year (note 5.2)	4,821	-
Balance at 30 June	10,911	6,090
Accumulated impairment losses		
Balance at 1 July	(2,314)	-
Impairment losses charged to profit and loss	(365)	(2,314)
Balance at 1 June	(2,679)	(2,314)
Carrying amount		
As at 1 July	3,776	6,090
As at 30 June	8,232	3,776

13a *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:

	2014 $'000	2013 $'000
AA Vehicle Testing Ltd	3,411	3,776
AA Tourism Publishing Limited (note 5.2)	4,821	-
	8,232	3,776

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

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% (2013: 10% 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.

Within the AA Vehicle Testing Ltd CGU there is eight (2013: ten) vehicle testing stations, which are grouped into appropriate geographical areas to which goodwill has been allocated for impairment testing purposes. During the year the Group assessed the recoverable amount of goodwill, and determined that goodwill allocated to one CGU within AA Vehicle Testing Ltd was impaired by $365,000. No impairment of other assets in the cash-generating unit were deemed necessary. The directors determined it necessary to impair the goodwill allocated to this CGU due to the impact of the change to the Warrant of Fitness regime.

During the prior financial 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. 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.

14 Other intangible assets

	Computer Software $'000
Gross carrying amount	
Balance at 30-June-12	11,517
Additions	829
Disposals	(1)
Balance at 30-June-13	12,345
Additions	1,447
Disposals	(1,678)
Balance at 30-June-14	12,114
Accumulated amortisation and impairment	
Balance at 30-June-12	9,532
Amortisation expense	959
Eliminated on disposals	(1)
Balance at 30-June-13	10,490
Amortisation expense	928
Eliminated on disposals	(1,673)
Balance at 30-June-14	9,745
Carrying amount	
As at 30-June-13	1,855
As at 30-June-14	2,369

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15 Investment properties	2014 $'000	2013 $'000
At fair value		
Balance at start of year	167	1,021
Disposals	-	(886)
Change in fair value	13	32
Balance at the end of the period	180	167

The Association holds the freehold to all investment properties.

Valuation of investment properties

All investment properties were valued by independent registered valuers as at 30 June 2014. The total value per valuer was as follows:

	Date of Valuation	2014 $'000	2013 $'000
Telfer Young	30/06/2014	180	167
		180	167

16 Accounts payable	2014 $'000	2013 $'000
Trade payables	4,754	3,804
Accrued expenses	4,543	4,111
Goods and services tax (GST) payable	799	693
Rewards liability	-	101
Other	2,280	908
	12,376	9,617

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.

17 Make Good Provision

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

	2014 $'000	2013 $'000
Balance at beginning of period	105	110
Movement for period	33	(5)
Balance at end of period	138	105

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18 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.

This is disclosed as:	2014 $'000	2013 $'000
Current portion	2,761	2,399
Non-current portion	2,110	1,822
	4,871	4,221

19 Unearned revenue

Unearned Revenue represents the deferral of brand fees received and the impact on the balance sheet of deferring the advertising revenues and directly attributable development costs relating to undistributed publications.

This is disclosed as:	2014 $'000	2013 $'000
Current portion	2,512	411
Non-current portion	-	300
Total Unearned Revenue	2,512	711

20 Asset revaluation reserve	2014 $'000	2013 $'000
Balance at beginning of period	9,443	9,139
Increase on revaluation of properties	636	819
Impairment losses	(91)	(230)
Transfer to retained earnings	(1,460)	(285)
Balance at end of period	8,528	9,443

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.

21 Foreign currency translation reserve	2014 $'000	2013 $'000
Balance at beginning of period	84	31
Gain on translation of foreign operations	259	53
Transfer to profit and loss on disposal of foreign operation	39	-
Balance at end of period	382	84

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

22 Accumulated funds	2014 $'000	2013 $'000
Balance at beginning of period	107,967	100,333
Transfer from asset revaluation reserve	1,460	285
Net surplus for the year ended attributable to the Association acting in the interest of members	17,502	7,084
Share of other comprehensive income/(loss) of joint ventures	(21)	265
Balance at end of period	126,908	107,967

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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23 Subsidiaries

Details of the Group's significant subsidiaries at 30 June 2014 are as follows:

Name of Subsidiary	Place of Incorporation	Principle activity	Ownership interest and voting rights (%) 2014	2013
The New Zealand Automobile Association Limited	New Zealand	Brand Licensing	100	100
AA Finance Limited	New Zealand	Finance Company - Non Trading	100	100
AA Tourism Publishing Limited	New Zealand	Publishing Guides and Maps	100	100
Geosmart Maps Limited	New Zealand	Developing Mapping Software	100	100
AA Rewards Operations Limited	New Zealand	Loyalty Program - Non Trading	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
AA Tourism Limited	New Zealand	Tourism	100	50

24 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 (%) 2014	2013	Ownership interest (%) 2014	2013
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	0%	50%	0%	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	100%	50%	100%	50%
AAA Tourism Services Pty Limited	31 December	Australia	Tourism	0%	50%	0%	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:

	2014 $'000	2013 $'000
Current assets	190,286	193,852
Long term assets	315,451	350,519
Total assets	505,737	544,371
Current liabilities	172,283	177,779
Long term liabilities	223,433	250,951
Total liabilities	395,716	428,730
Net assets	110,021	115,641
Group's share of net assets of joint ventures	46,136	44,250
Total revenue	271,346	263,914
Total expenses	(243,698)	(241,819)
Total profit	27,648	22,095
Group's share of profits of joint ventures	9,122	6,771

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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24 Investments accounted for using the equity method (continued)

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

	2014 $'000	2013 $'000
Carrying value of joint ventures		
- Carrying value at beginning of period	44,250	42,641
- Increase in shares	-	700
- Share of net surplus/(losses)	9,122	6,771
- Share of other comprehensive income of joint ventures	(21)	265
- Losses/(surplus) offset against related party receivable	(154)	1,538
- Shareholder advances	(3)	(122)
- Dividends received	(7,010)	(6,900)
- Sale of business	(337)	-
- De-recognition of joint venture now consolidated	(426)	-
- Reclassification of joint venture investment previously offset against related party receivable	736	-
- Gain arising on translation of foreign joint venture	(21)	53
- Assets held for resale	-	(696)
- Carrying value at end of period	46,136	44,250

The carrying value is comprised of:	$'000	$'000
- Cost	24,749	24,749
- Share of joint venture post-acquisition reserves	13,164	11,581
- Goodwill	7,841	7,841
- Foreign currency translation reserve	382	79
	46,136	44,250

Joint venture share of net surplus		
- Share of surplus before taxation	12,129	9,334
- Share of taxation expense	(3,007)	(2,563)
- Share of total recognised revenues and expenses	9,122	6,771

25 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 23 and 24 respectively.

Related party transactions and outstanding balances

Transactions with and amounts outstanding between the Group and related parties are:

2014

Related Party	Type of Transaction	Amount during the period ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
AA Insurance Limited			
	Amount Owed to NZAA		144
	Service Commission and Operational Funding	6,356	
AA Life Services Ltd			
	Amount Owed to NZAA		10
	Service Commission and Operational Funding	922	
AA Battery Services Ltd			
	Amount Owed to NZAA		112
	Amount Owed to AA Battery Services		134
	Purchase of Battery Stock	905	
	Service Commission and Operational Funding	600	
AA Bookabach Limited			
	Amount Owed to NZAA		-
	Operational Funding	(61)	
Bookastay.com.au Pty Limited			
	Amount Owed to NZAA		-
	Amount Owed to Bookastay.com.au Pty Ltd		-
	Operational Funding	(9)	

25 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		14
	Amount Owed to Club Tourism Publishing		1
	Revolving Credit Facility	(1,875)	-
	Operational Funding	312	
Marac JV Holdings Limited			
	Amount Owed to NZAA		-
	Amount Owed to Marac JV Holdings Limited		2
	Service Commission and Operational Funding	1,276	
AA Smartfuel Limited			
	Amount Owed to NZAA		48
	Amount Owed to AA Smartfuel Limited		-
	Revolving Credit Facility		3,304
	Operational Funding	827	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	2,672	
	Expenses	391	
AA Driver Education Foundation			
	Amount Owed to NZAA		-
	Grant paid to Driver Education Foundation	-	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		11
	Grant paid to NZAA Research Foundation	305	
Students Against Driving Drunk Aotearoa			
	Amount Owed to NZAA	109	4
	Amount Owed from NZAA	69	-
	Revolving Credit Facility	60	60

2013

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'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)	

25 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			
	Amount Owed to NZAA		9
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

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 24).

Compensation of Key management personnel

Loans and advances to key management personnel amounted to $Nil (2013: $Nil).

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

	2014 $'000	2013 $'000
Short-term employee benefits	2,694	2,593
Post-employment benefits	325	310
	3,019	2,903

26 Remuneration of auditors	2014 $'000	2013 $'000
Audit of the financial statements	230	200
Taxation compliance services	114	120
Taxation advisory services	92	11
Other assurance related services	49	20
	485	351

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

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27 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:

	2014 $'000	2013 $'000
Cash on hand	47	48
Cash in banks	3,576	1,818
Fixed term deposits ≤ 3 months	16,438	15,378
Call deposits	10,838	8,385
Total cash and cash equivalents per statement of cash flow	30,899	25,629

28 Reconciliation of net surplus after taxation for the period to net cash flows from operating activities	2014 $'000	2013 $'000
Net profit for the year attributable to the association acting in the interest of members	17,502	7,084
Non-cash items:		
Depreciation expense	3,465	3,605
Amortisation expense	928	959
Impairment of goodwill recognised in profit and loss	365	2,314
Capitalised lease	(39)	19
Share of (profit)/loss of joint ventures	(9,122)	(6,771)
Loss/(gain) on managed funds	(3,928)	(3,369)
Changes in working capital:		
(Increase)/decrease in assets:		
Sundry receivables and prepayments	(3,020)	(327)
Dividend receivable	500	-
Inventories	51	219
Deferred tax asset	-	738
(Decrease)/increase in liabilities:		
Accounts payable	2,708	947
Employee entitlements	279	158
Make Good Provision	33	(5)
Unearned & deferred income	2,451	119
Subscriptions in advance	934	428
Items classified as financing/investing activities:		
Loss/(gain) of disposal of property, plant and equipment	148	(317)
Loss/(gain) of disposal of intangible assets	5	-
Loss/(gain) on revaluation of freehold land and buildings	70	(793)
Loss/(gain) on revaluation of investment property	(13)	(32)
Loss/(gain) on sale of investment property	-	12
Dividend from joint venture companies	7,010	6,400
Loss/(gain) on disposal of business	(1,343)	-
Loss/(gain) on disposal of joint ventures	(1,783)	-
Reversal of joint venture losses previously recognised in the profit and loss	(1,621)	-
Net cash from operating activities	15,580	11,388

29 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.

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30 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 :	2014 $	2013 $
Within one year	3,212	3,464
Between one and five years	6,303	6,299
After five years	1,327	1,471
	10,842	11,234

Capital commitments

At balance date the Group had no capital commitments (2013: $Nil).

31 Contingent assets

At balance date the Group had no contingent assets (2013: $Nil).

	2014 $'000	2013 $'000
32 Contingent liabilities		
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

33 Subsequent events

The Group received the following dividends post balance date from joint ventures; $8.0 million on 10 September 2014 being their share of a dividend declared on 31 July 2014 and $400,000 on 31 October 2014 being their share of a dividend declared on 28 October 2014.

34 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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34 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 liabilities

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

As at 30 June 2014	Carrying amounts $'000	Contractual cash flows $'000	On demand $'000	1 to 12 months $'000	1 to 5 years $'000
Liabilities					
Accounts payable	12,376	12,376	12,376	-	-
Total financial liabilities	12,376	12,376	12,376	-	-

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	-	-

Categories of financial assets and financial liabilities

As at 30 June 2014	Loans and Receivables $'000	At fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets				
Cash and cash equivalents	30,899	-	-	30,899
Other financial assets	-	50,244	-	50,244
Sundry receivables & other assets	7,796	-	-	7,796
Related party receivable	3,364	-	-	3,364
Total financial assets	42,059	50,244	-	92,303
Liabilities				
Accounts payable	-	-	(12,376)	(12,376)
Total financial liabilities	-	-	(12,376)	(12,376)

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34 Financial instruments (continued)

As at 30 June 2013	Loans and Receivables $'000	At fair value through profit or loss $'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)

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.

As at 30 June 2014	Balance $'000	Income impact of 1% fall in interest rate - (profit)/loss $'000	Income impact of 1% increase in interest rate - (profit)/loss $'000	Income impact of 5% fall in equity price - (profit)/loss $'000	Income impact of 5% increase in equity price - (profit)/loss $'000
Assets					
Cash and cash equivalents	30,899	309	(309)	-	-
Other financial assets	50,244	157	(157)	1,726	(1,726)
Related party receivable	3,364	59	(59)	-	-
Total financial assets	84,507	525	(525)	1,726	(1,726)
Total	84,507	525	(525)	1,726	(1,726)

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

As at 30 June 2013	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	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	495	(495)	999	(999)
Total	65,675	495	(495)	999	(999)

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34 Financial instruments (continued)

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 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	20,616	7,337	22,291	50,244
Total financial assets	20,616	7,337	22,291	50,244

As at 30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	21,117	4,811	10,387	36,315
Total financial assets	21,117	4,811	10,387	36,315

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

Reconciliation of Level 3 fair value measurements	2014 $'000	2013 $'000
Balance at beginning of period	10,387	-
Purchases	10,000	10,000
Sales	-	-
Gains/(losses) recognised in profit or loss (note 2)	1,904	387
Balance at end of period	22,291	10,387

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 33, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and 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 services and taxation advice. In addition to this, subject to certain restrictions partners and employees of our firm deal with The New Zealand Automobile Association Incorporated on normal terms within the ordinary course of the trading activities of the business of The New Zealand Automobile Association Incorporated. These services have not impaired our independence as auditor of The New Zealand Automobile Association Incorporated. The firm has no other relationship with, or interest in, The New Zealand Automobile Association Incorporated.

Opinion

In our opinion, the financial statements on pages 3 to 33 present fairly, in all material respects, the financial position of The New Zealand Automobile Association Incorporated as at 30 June 2014, 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
12 December 2014
Auckland, New Zealand

This audit report relates to the financial statements of The New Zealand Automobile Association Incorporated for the year ended 30 June 2014 included on The New Zealand Automobile Association Incorporated's website. The Board of Directors is responsible for the maintenance and integrity of The New Zealand Automobile Association Incorporated's website. We have not been engaged to report on the integrity of The New Zealand Automobile Association Incorporated's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 12 December 2014 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.