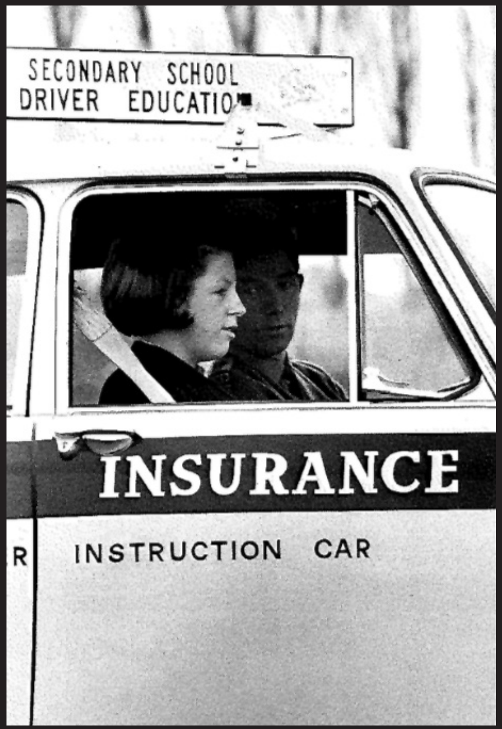
Annual Report

2022 - 2023

Celebrating 120 years and beyond

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED



IMAGES: **100 YEARS OF MOTORING IN NEW ZEALAND - JOHN McCRYSTAL**

CONTENTS

OPERATIONS

490,000
Roadservice callouts

86,000
Insurance policies issued in Centres

OUR PEOPLE

1070
employees

Launched
in-house leadership development programme

Introduced
birthday leave

HELPING MEMBERS

1.8m connections
including 1.1m personal Members

3.59%
Annual growth

40+ ways
to save with AA Membership

Over $9.2m
saved on free eye tests at Specsavers

More than 96,000
movie vouchers bought for EVENT Cinemas saving Members over $1.1million

New partners:
MoleMap & Thrifty Car Rentals

COMMUNITY

More than 18,000
hi-vis vests supplied to school traffic safety patrollers

AA Research Foundation
research of safety benefits of new roads and how people adapt to new speed limits

953,000
Driver Licence Transactions

380,000
Motor Vehicle Licenses (Rego) issued

50,000
IRD numbers issued

276,000
Driver Licence renewals

71,000
RealMe transactions

5,500
Kiwi Access Cards issued

Renewed funding
of SADD for a further 5 years

JOINT VENTURES

AA Home & AA Home Response Plus subscriptions **both up 7%**

Aircon & Healthy Home services
launched by AA Home

AA Home Book-a-Jobs up 98%

AA Home Response emergency jobs **helped over 2,500 Kiwis**

AA Insurance industry leading customer satisfaction **score of 89**

AA Insurance Named Canstar Home & Contents **Insurer of the Year** and **Outstanding Value Winner**

200k+
claims lodged for customers by AA Insurance

AA Battery Service provided nearly **83,000 batteries** and over **49,000 jumpstarts**

AA SNAPSHOT

36
AA CENTRES

4
AA VEHICLE TESTING STATIONS

6
CALL CENTRES

36
AA AUTO GLASS LOCATIONS

40
AA AUTO CENTRES

5
AA VEHICLE INSPECTION CENTRES

150
AA APPROVED REPAIRERS

12
THIRD PARTY COMPLIANCE CENTRES

35
AA DRIVER & VEHICLE LICENSING AGENTS
(PLUS 3 MOBILE, SERVING 19 PLUS LOCATIONS)

18
DISTRICT COUNCILS

NADINE TEREORA, AA CEO
AND **MARK WINGER,** PRESIDENT

A message from our **CEO** & **PRESIDENT**

Kia ora,

FY23 was a significant year for the AA as we marked 120 years of service and made considerable progress in setting ourselves up for a sustainable future.

While this momentous occasion allowed us to look back fondly upon our journey and acknowledge the continued support of so many Kiwis, it also marked a pivotal new era for the Association.

This past year, we focused on laying the groundwork for evolution to ensure the AA's strong legacy can endure for the next 120 years and beyond. Since our inception, our ethos of service has been our guiding principle, and while we're aligning ourselves to the ever-changing needs of tomorrow this dedication remains resolute.

In charting our future path, we re-organised our teams creating new functional divisions to foster collaboration and deliver enhanced outcomes for our Members, and worked to define the strategic initiatives required to propel us forward. It was an extensive list with over 300 projects identified, however all were underpinned by a consistent desire to supercharge our Membership product and enhance the experience our Members and customers have when accessing our products and services.

We scoped and prioritised these initiatives and placed our immediate focus for the year on modernisation - strengthening our foundations to mitigate risks, fuel growth, and amplify the value we offer our Members. We invested in key infrastructure and updated technology which will enable us to be more adaptable and responsive to the dynamic needs of our Members.

The year also saw us navigating extreme weather and economic uncertainty, however our resilience and determination shone through, and our organisation stepped up to deliver for our Members when it mattered most.

Despite these challenges, our collective efforts culminated in a solid performance. While our success is not measured solely in financial terms, in a challenging economic environment we achieved a surplus of $8.5m.

Our Member numbers grew and we continued to expand our range of products and services. Our Centre Network team achieved outstanding customer satisfaction scores, and our partners continued to go from strength to strength with AA Home introducing new services and AA Insurance being named NZ's Most Trusted General Insurer for a 13th year.

We ended the year in a strong position, with the seeds of transformation sown and the groundwork laid for us to build momentum and truly bring to life our purpose of caring for our Members and the people, spaces and places that are important to them.

None of this could have been achieved without the hard work of our people and without the support of our Members. We extend our thanks to the Board, our National and District Councillors, the Executive Leadership Team and our dedicated teams across the country.

Finally, we'd like to say thanks to our Members. Your ongoing loyalty and support is the foundation of our success and allows us to make a positive difference in the lives of New Zealanders.

Sincerely,

Mark Winger, President

Nadine Tereora, CEO

Unveiling our

STRATEGIC PRIORITIES & CAPABILITIES

For the past 120 years Kiwis have trusted us to be there for them when they need us, whether on the road, in the home, or when they travel. As the world changes we're committed to a strategy that will ensure the AA remains relevant and highly valued for the next 120 years, and will deliver on our purpose of caring for our Members and the people, places and spaces that matter to them.

Central to delivering our Strategy are our three Strategic Priorities which guide our focus and form the basis of how we will measure our success. They are the key things we need to do to achieve future success and to provide Members with an Association that is able to thrive in an ever-evolving world.

1

Member Loyalty and Engagement

This Strategic Priority signifies our shift towards a truly Member-centric approach, focusing on exceeding the expectations and needs of our diverse Member base through a more tailored and connected experience.

Our aspiration is to transform loyalty, relevancy and engagement with our Members and to deliver greater lifetime value for our Members and the Association.

To deliver this for our diverse Member base, current and future, we will gain a deeper understanding of their needs and meet them through delivery of more relevant, flexible, and connected touchpoints.

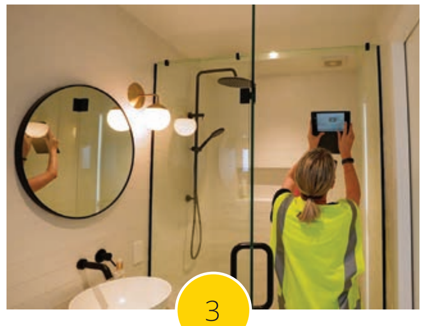
2

Sustainable Mobility

Sustainable Mobility underscores our intent to spearhead New Zealand's shift towards sustainable transportation solutions.

Our aspiration is to lead New Zealand in the transition towards sustainable mobility, supporting our Members to adopt more environmentally-friendly transport solutions, and new mobility services.

We intend to play our part in decarbonisation, contribute to the circular economy, and educate and advocate on behalf of our Members, leading the sustainable mobility conversation in New Zealand.



3

Meaningful Revenue Diversification

This Priority outlines our intent to better utilise our network to create more varied and substantial income streams to strengthen our financial resilience and build our competitive advantage.

Our aspiration is to establish meaningful and diversified revenue, leveraging the power of the AA ecosystem.

To achieve this we will deliver innovative new products and services, particularly in the mobility, home and insurance areas, and form creative new partnerships and business models.

STRATEGIC CAPABILITIES

To deliver our Strategic Priorities we identified the core skills and capabilities we need across the things we do as an organisation in order to be successful.

They are:

GROWTH CULTURE 1
At the heart of our success in meeting Members' expectations is our AA people. We are committed to cultivating fulfilling career journeys and empowering our teams with the skills and tools they need to excel and do their best work.

SERVICE EXPERIENCE 2
Member experience is a priority. We aim to consistently exceed expectations and are focussed on delivering exceptional experiences across every interaction - whether it's on the roadside, in one of our retail centres, over the phone or online.

BUSINESS AGILITY 3
We aspire to achieve excellence in every endeavour. Ensuring that whatever we do we do it well, working together as one AA team, with clear measures of success and alignment to our Strategy.

DIGITAL MATURITY 4
We recognise that the ways Members want to engage with us has, and continues, to evolve. We are focused on modernising our core technologies and building new, innovative and connected digital experiences for our Members.

DATA ENABLED 5
Utilising data is critical to our success. We are dedicated to using data responsibly where it helps us to develop and deliver great product and service experiences for our Members, while maintaining high privacy and ethical standards.

MARK SAVAGE
CHIEF STRATEGY OFFICER

EXECUTIVE TEAM update

To bring the AA in sync with the changing operating environment and align with the AA Strategy, a new Executive Leadership team was established in late 2022. Consequently, throughout the FY23 year the team focused on crystallising their thinking and developing divisional strategies for the future. This work led to the formation of a robust, organisation-wide roadmap and pipeline of key initiatives that fortify the foundation of the AA and set us up for continued growth and success.

BACK LEFT TO RIGHT:
JOHN RAMAEKERS - CHIEF FINANCIAL OFFICER, **SIMON DOUGLAS** - CHIEF POLICY & ADVOCACY OFFICER, **JONATHAN SERGEL** - CHIEF MOBILITY OFFICER, **PHIL COSTER** - CHIEF TECHNOLOGY OFFICER, **MARK SAVAGE** - CHIEF STRATEGY OFFICER, **GREIG LEIGHTON** - CHIEF PARTNERSHIPS OFFICER.

FRONT LEFT TO RIGHT:
VICKI CAISLEY - CHIEF PEOPLE OFFICER, **NADINE TEREORA** - CHIEF EXECUTIVE OFFICER, **KATH WOOLLARD** - CHIEF EXPERIENCE OFFICER, **JENNI RYAN** - CHIEF MARKETING OFFICER.

FORMER CHIEF PEOPLE OFFICER **ROMANA MEDEN** RETIRED IN DECEMBER 2023.

OUR PEOPLE

A key focus for People Experience this year was supporting the organisation with the re-alignment of a number of divisions to support the successful implementation of our business strategy and ensure better outcomes for our Members.

The People Experience team took a human-centred approach to the organisational changes and ensured our people were supported during periods of change. The team continued their work on building the AA's already strong culture to provide an environment with opportunities for people to contribute, learn and grow.

As part of this, a new leadership development programme was launched, aimed at building capability in new and emerging leaders. So far, 164 learners have enrolled.

Birthday leave was also introduced as a new employee benefit providing employees with an extra paid day of leave.

Focusing on contribution, our annual employee engagement survey recorded strong results with 75% employee participation. Pleasingly, 82% of our people told us that they were proud to work for the AA, 72% would recommend the AA as a great place to work and 81% felt their leader cares about their health, safety and wellbeing.

Looking ahead, we will continue to contemporise our people experiences, ensuring we are creating an environment where our people are enabled and thriving, and where we can attract and retain the best talent as one of Aotearoa's most recognised employers of choice.

MOBILITY

Our roadside service continues to see strong demand with the number of callouts attended again increasing (up 6% from last year). Improving the service we provide remained a focus and we expanded our EV Charging and Rapid Recovery Vehicle fleets as well as increasing the number of Roadservice team members. Additionally, in response to an increasing number of new vehicles not carrying spare wheels, we have undertaken a multi-fit wheel pilot to maintain relevance at roadside and reduce our dependency on tow jobs when faced with a flat tyre. This should provide a far better Member experience and help reduce our need to tow vehicles.

Our AA Auto Centre network continued to flourish achieving year-on-year growth for the third year running, and to support the growth of the AA Preferred Dealer Network we appointed a Dealer Relationship Manager. This position holds responsibility for ensuring AA Members have access to a safe vehicle from a trusted AA dealer throughout New Zealand.

The AA Driving School had a strong year, with the AA Driver's Seat/AA Te Kaiurungi programme performing well. The new format, coupled with the enhanced reporting capability enabled by the online booking system supported Members to take professional lessons. The average number of professional lessons taken per student increased by 50%, which is a key road safety goal and a core tenet of the programme. Members customer satisfaction levels also increased.

There is a need to recruit more instructors to keep pace with the demand for professional lessons, and to ensure Members can access our Driving School services wherever they are in New Zealand. This will be a key focus in the coming year and we will be exploring a number of new options to make sure we are doing all we can to support people as they learn to drive.

We also continued to provide several services on behalf of the Government and have experienced exceptional demand. Driver Licence transactions were up almost 20% year on year, the number of IRD numbers issued almost tripled, 60% more RealMe transactions were processed, and Driver Licence renewals increased by more than 15%.

Our Gisborne, Queenstown and Te Puke Agents relocated into larger premises, and we were very pleased to open a new Licensing Agency in Upper Hutt.

In the year ahead, we will be looking to build on the strong foundations we have within the Mobility division and continue our focus on delivering exceptional Member service across the wide and varied portfolio of products we manage.

TECHNOLOGY

Technological advancements are pivotal in our growth journey and over the past 12 months we have significantly shifted our approach, including revamping and expanding our team to build strong, enduring and resilient digital foundations.

We have invested in key infrastructure to bring our technology up to date and mature our digital capabilities to be more adaptable and responsive to our Members' dynamic needs and ensure we have robust cybersecurity measures in place.

Our long-term vision is that our strategic objectives guide the adoption and implementation of technology solutions, which empowers the team and in turn benefits the Association and its Members.

CUSTOMER EXPERIENCE

FY23 was a period of significant change for the Customer Experience (CX) division as we began a comprehensive transformation of our Contact Centre, which involved revamping operational processes, leadership, coaching models, and getting our house in order for future technological enhancements.

We charted our strategy for the upcoming years, which included identifying a comprehensive list of initiatives aimed at refining channel touchpoints to enhance Member experiences, to not only improve service but to also optimise costs and streamline operational efficiency.

Despite several operational challenges, the CX division continued to achieve exceptional Customer NPS scores driven by incredibly dedicated teams. The sales team also achieved commendable sales results due to revamped sales processes emphasising customer-centric approaches over sales targets.

A challenge that presented itself consistently throughout the year, was the concerning increase in aggressive customer interactions, influenced by post-Covid economic pressure and societal tensions. To address this, we examined the root causes through frontline data analysis, implementing training programmes in collaboration with external entities like Waka Kotahi, and invested in greater CCTV for security purposes.

As we move forward, we will be working to ensure we sustain the divisions outstanding performance, however a key focus will be on better supporting and empowering our frontline people to uphold these remarkable levels while at the same time achieve a more sustainable work-life balance.

MARKETING & BRAND

FY23 was a milestone year for the AA as we marked our 120th birthday, celebrating our journey from pioneering motoring club to the multi-faceted Association we are today. It was fitting that as we took a stroll down memory lane, we reaffirmed our plans to be the most trusted, loved and connected brand in New Zealand. Our 120 years of service has enabled us to earn the trust of our Members and as we forge our future path we are committed to building on this trust and continuing to earn our place in the hearts and minds of New Zealanders.

Although Kiwis experienced rising inflation, increased cost of living and climbing interest rates, our AA Membership continued to grow, with over 1.8 million connections including 1.1 million personal Members. We're also incredibly proud that over half of our Members have been with us for over 10 years. We are grateful for the continued support of our Members and this year we mapped our intentions to continue to make Membership truly indispensable, which will see us work to enhance our offer, improve our communications, personalise our content, and continue to grow and develop our digital capability.

The future will also see us continuing to expand our Member Benefit Programme, which now provides Members with over 40 ways to save. In 2023, we were pleased to welcome MoleMap to the programme, and with over 53 clinics nationwide we are excited to see this Benefit reach more Members.

POLICY & ADVOCACY

The Policy & Advocacy team continued to champion the interests of our Members and stayed connected to their perspectives through frequent email surveys and collaboration with the AA's 18 District Councils.

A major talking point was the poor condition of New Zealand's roads (particularly potholes) and we consistently highlighted funding gaps for road maintenance with key politicians and the media. Extreme weather further reinforced the need for a more resilient transport network.

The team also advocated for and engaged with key stakeholders on road safety improvements around speed cameras, safety barriers, the road toll, and breath alcohol screening, and began preparing the AA's priorities for the General Election.

Additionally, submissions were made on multiple transport matters, such as the Government Policy Statement (GPS) on Land Transport, bilingual road signs, vehicle emissions, EV charging infrastructure and Auckland Transport's draft speed management plan.

We also continued to fund AA Research Foundation projects on the risks of people who drive for work, older drivers, the safety benefits of new roads and how people adapt to new speed limits.

PARTNERSHIPS

To enable Members to access a greater range of products and services we continued to collaborate with a myriad of partners. We worked alongside AA Insurance for home, contents and motor insurance, as well as our other insurance partners who manage, issue and underwrite AA Life Insurance, AA Health Insurance, AA Travel Insurance and AA Pet Insurance. This varied insurance portfolio had a strong year, each performing above budget. It was particularly pleasing to see AA Travel Insurance recover solidly following the full reopening of New Zealand's border.

Our travel arm underwent significant change as we made the difficult decision to stop producing free travel guides and printed maps as a result of soaring paper and distribution costs and declining demand for paper-based maps and guides.

Our wide range of travel Member Benefits – including discounts on Hertz, Thrifty and GO Rentals, accommodation, campervan hire, tours, Great Journeys NZ Trains and Interislander – continue to be available to Members.

Our AA Home joint venture continued to flourish with increases across all metrics. Healthy home inspections and air conditioning services were also introduced.

AA Battery Service provided nearly 83,000 batteries and over 49,000 jumpstarts.

Spotlight on **SADD**

Kaitiaki o Ara
SADD.ORG.NZ

AA is proud to support SADD for 2023 and beyond

2023 featured a series of triumphs for Kaitiaki o Ara/Students Against Dangerous Driving as they continued their unwavering commitment to road safety and empowering rangatahi across New Zealand.

A pivotal achievement was securing funding from the AA for a further five years, as well as gaining funding to establish a new arm of Kaitiaki o Ara, the Community Road Safety Programme.

Establishing this arm, which works with young people who are more at risk on the roads, has long been an aspiration and marks a pivotal step towards better engaging with a vulnerable demographic that conventional programmes are typically unable to reach.

Kaitiaki o Ara/SADD also sought to build engagement with a wider audience, by re-branding and expanding their programme framework. Four new programme aspirations were unveiled that are not limited to drivers and driver behaviour and which represent additional road user issues Kiwis are facing.

Across the country, students facilitated countless road safety education activities while the Kaitiaki o Ara/SADD team diligently conducted workshops nationwide to introduce new students to SADD and encourage existing members to elevate their involvement.

Kaitiaki o Ara/SADD's engagement also extended beyond New Zealand's shores with representatives working with Western Australia Road Safety Commission and attending the 'Road Safety Starts With Me' Youth Summit in Perth, contributing insights and facilitating workshops to foster road safety awareness.

FINANCIAL PERFORMANCE

Despite a challenging economic environment, the AA turned around the net trading loss of $12.5m recorded in the prior year to end the 2023 financial year with a surplus of $8.5m. This turnaround of $21m is attributable to three areas:

1. Deterioration of the Association's trading result by $14m year on year. While revenue increased, the cost of service delivery has risen sharply in the economic climate. The Association also made significant infrastructure investments to ensure it continues to remain relevant and deliver the best possible service to Members.
2. An $8m decrease in Joint Venture returns. AA Insurance was the major contributor to this as their result was severely impacted by the weather events experienced in early 2023.
3. A significant shift in managed fund returns. This moved positively by $43m from a negative return in FY22 to positive for FY23.

The Association's Balance Sheet also remains strong with Net Assets increasing by $10m year-on-year to be $365m. Cash and Financial Assets, at a combined $269m, represent by far the greatest portion of our "on Balance Sheet" assets.

The Association's trading result and infrastructure investment, as mentioned above, had a $13.1m negative impact on cashflows from operating activities. Dividends received from Joint Ventures were also down primarily due to AA Insurance's reduced profit but also as they look to make infrastructure investments.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2023

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
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FOR THE YEAR ENDED 30 JUNE 2023

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2023

BOARD MEMBERS		**Appointed**	**Resigned**
M R Winger	President	25/06/1993	
B H Flintoff	Vice President	27/03/2010	
A J McKillop		25/03/2017	
L J Tait		18/04/2002	
M K Corse-Scott		19/03/2020	
R L Carter		19/03/2020	
S J Grant		22/03/2014	
G R Judge		11/12/2020	
P R Michaelsen		18/03/2023	
G T Stocker		28/03/2009	16/03/2023

REGISTERED OFFICE
Level 17
AA Centre
99 Albert Street (corner Albert and Victoria Streets)
Auckland, 1010

INCORPORATED SOCIETY NUMBER
215426

POSTAL ADDRESS
The New Zealand Automobile Association Inc.
PO Box 5
Shortland Street
Auckland, 1140

AUDITOR
Deloitte Limited

BANKER
ANZ

SOLICITOR
Holmden Horrocks

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
BOARD MEMBERS' STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023

Disclosure to the National Council and Members

The Board Members are pleased to present the financial report for the year ended 30 June 2023.

The Board Members have approved the financial report of The New Zealand Automobile Association Incorporated for the year ended 30 June 2023.

For and on behalf of the Board:

M R Winger, President	B H Flintoff, Vice President
29 September 2023	*29 September 2023*
Date	Date

Approved for distribution by the National Council on 29 September 2023.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2022 $'000
Revenue	1	176,433	156,757
Share of net surplus/(losses) in joint ventures	21	13,385	21,397
Other gains/(losses)	2	20,052	(24,509)
Total revenue		209,870	153,645
Employee entitlements and contractor expenses		102,308	90,004
Delivery and distribution expenses		49,315	38,489
Plant, office and property overheads		8,798	8,073
Advertising and promotion expenses		5,921	4,816
IT and telecommunications expenses		18,224	14,985
Motor vehicle expenses		3,437	3,212
Driver education programs		1,143	2
Other expenses		10,131	6,020
Total expenses	3	199,277	165,601
Operating surplus before tax and grants		10,593	(11,956)
Grant to NZAA Research Foundation		(250)	(250)
Grant to SADD Aotearoa - Students Against Dangerous Driving Charitable Trust		(400)	(200)
Taxation benefit/(expense)	4	-	-
Net surplus/(loss) for the year attributable to the Association acting in the interests of members		9,943	(12,406)
Other comprehensive revenue and expense net of tax			
Gain/(loss) on revaluation of properties	18	(1,461)	(69)
Gain/(loss) on revaluation of available-for-sale assets	18	-	-
Share of other comprehensive revenue and expense of joint ventures	21	(25)	(56)
Other comprehensive revenue and expense for the year net of tax		(1,486)	(125)
Total comprehensive revenue and expense for the year attributable to the Association acting in the interests of members, net of tax		8,457	(12,531)

The accompanying notes form an integral part of this financial report and should be read in conjunction with it.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Note	Asset revaluation reserve $'000	Accumulated comprehensive revenue and expense $'000	Total $'000
Balance at 1 July 2021		15,927	324,680	340,607
Net surplus for the year attributable to the Association acting in the interests of members		-	(12,406)	(12,406)
Other comprehensive revenue and expense				
Gain/(loss) on revaluation of properties	18	(69)	-	(69)
Gain/(loss) on revaluation of available-for-sale assets	18	-	-	-
Transfer to retained earnings	18 & 19	(174)	174	-
Share of other comprehensive revenue and expense of joint ventures	21	-	(56)	(56)
Total other comprehensive revenue and expense		(243)	118	(125)
Total comprehensive revenue and expense, net of tax		(243)	(12,288)	(12,531)
Balance at 30 June 2022	18 & 19	15,684	312,392	328,076
Net surplus for the year attributable to the Association acting in the interests of members		-	9,943	9,943
Other comprehensive revenue and expense				
Gain/(loss) on revaluation of properties	18	(1,461)	-	(1,461)
Gain/(loss) on revaluation of available-for-sale assets	18	-	-	-
Transfer to retained earnings	18 & 19	-	-	-
Share of other comprehensive revenue and expense of joint ventures	21	-	(25)	(25)
Total other comprehensive revenue and expense		(1,461)	(25)	(1,486)
Total comprehensive revenue and expense, net of tax		(1,461)	9,918	8,457
Balance at 30 June 2023	18 & 19	14,223	322,310	336,533

The accompanying notes form an integral part of this financial report and should be read in conjunction with it.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents	24	27,579	16,036
Other financial assets	5	241,477	245,905
Taxation receivable		15	14
Sundry receivables and prepaid expenses	6	10,674	8,980
Inventories	7	737	1,103
Assets classified as held for sale	8	7,000	-
Total current assets		287,482	272,038
Non-current assets			
Property, plant and equipment	9	30,875	38,798
Investment properties	12	285	270
Investments accounted for using the equity method	21	72,545	67,055
Goodwill	10	3,118	3,118
Other intangible assets	11	7,986	6,660
Total non-current assets		114,809	115,901
Total assets		402,291	387,939
Current liabilities			
Payables	13	20,466	15,474
Employee entitlements		7,703	7,377
Clawback provision	14	841	419
Unearned revenue	17	92	865
Deferred income	16	4,469	4,380
Total current liabilities		33,571	28,515
Non-current liabilities			
Make good provision	15	226	186
Unearned revenue	17	-	-
Deferred income	16	3,365	3,626
Total non-current liabilities		3,591	3,812
Total liabilities before subscriptions in advance		37,162	32,327
		365,129	355,612
Association funds			
Accumulated comprehensive revenue and expense	19	322,310	312,392
Asset revaluation reserve	18	14,223	15,684
Total association funds		336,533	328,076
Subscriptions in advance		28,596	27,536
Total association funds and subscriptions in advance		365,129	355,612

For and on behalf of the Board:

M R Winger, President

29 September 2023

Date

B H Flintoff, Vice President

29 September 2023

Date

The accompanying notes form an integral part of this financial report and should be read in conjunction with it.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from members and customers		177,110	156,276
Interest received		1,491	516
Dividends received		3	3
Payments to suppliers and employees		(191,111)	(156,030)
Grant to NZAA Research Foundation		(250)	(250)
Grant to SADD Aotearoa - Students Against Dangerous Driving Charitable Trust		(400)	(200)
Net cash flows (used in)/from operating activities	25	(13,157)	315
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		457	1,330
Dividends received from joint ventures		10,370	16,250
Payments for property, plant and equipment		(3,805)	(4,421)
Payment for intangible assets		(3,431)	(4,743)
Payments for purchase of equity accounted investments		(2,500)	(1,750)
(Increase)/decrease in other financial assets		23,609	(32,600)
Net cash flows (used in)/from investing activities		24,700	(25,934)
Cash flows from financing activities			
Net cash flows (used in)/from financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		11,543	(25,619)
Cash and cash equivalents at the beginning of year		16,036	41,655
Cash and cash equivalents at the end of year	24	27,579	16,036

The accompanying notes form an integral part of this financial report and should be read in conjunction with it.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

Summary of significant accounting policies

Reporting entity

The New Zealand Automobile Association Incorporated (the "Association") is an Incorporated Society registered under the Incorporated Societies Act 1908, and domiciled in New Zealand, and is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act (2013).

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

The financial report of the Association and its subsidiaries (the "Group") is for the year ended 30 June 2023. The financial report was issued by the Board, and approved for distribution by the National Council, on the 29th of September 2023.

Statement of compliance

The statutory base for the Association is the Incorporated Societies Act 2022. The statutory base for the Association's subsidiaries is the Companies Act 1993 and the Financial Reporting Act 2013.

The financial report has been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate for Tier 1 not-for-profit public benefit entities.

Measurement base

The financial report has been prepared on the historical cost basis except for investment properties, land and buildings classified as property, plant and equipment and managed fund investments, which have been measured at fair value.

The financial report has been prepared on a going concern basis.

Functional and presentation currency

The financial report is presented in New Zealand Dollars ("NZD") and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated. The functional currency is New Zealand Dollars (NZD).

Summary of significant accounting policies (continued)

Significant accounting policies

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 report for the year ended 30 June 2023 and in the comparative information presented in this financial report.

Accounting standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective. Management has yet to determine the impact of the new standards.

Major new standard, interpretation or amendment	Effective date (period beginning on or after)
PBE IFRS 17 Insurance Contracts	1 January 2023

New accounting standards and interpretations

The following new accounting standards were adopted by the Group during the year. There were no other changes to the Group's accounting policies.

i) PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 introduces new recognition and measurement requirements for financial assets and restricts the ability to measure financial assets at amortised cost to only those assets that are held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In addition, measurement of financial assets at fair value through other comprehensive revenue and expense is also restricted.

PBE IPSAS 41 has not had a material impact on the Group's measurement and recognition of financial instruments because all its financial assets meet the new definition of financial assets at amortised cost, or in the case of investments, they are already recorded at fair value with movements recognised in surplus or deficit as required under PBE IPSAS 41.

ii) **PBE FRS 48 Service Performance Reporting**

PBE FRS 48 requires specific disclosures for the reporting of service performance information which have been provided in the consolidated statement of service performance.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

Significant accounting policies (continued)

a) Basis of consolidation

The consolidated financial report comprises the financial report 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 consolidated statement of comprehensive revenue and expense from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Entities controlled by the same party before and after a business combination are considered to be entities under common control, as the business combination does not result in a transfer of control. A business combination involving entities under common control involves assets and liabilities being transferred at carrying amounts, with any difference resulting in an adjustment to equity.

All subsidiaries are accounted for under the Group's policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Refer to note 20 for a full listing of subsidiaries at balance date.

Only the Group results have been presented as, under the Incorporated Societies Act 1908, parent results are not required.

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; 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. The Group has no rights to the assets and no obligation to the liabilities of these joint ventures.

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 report using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated 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.

Statement of accounting policies (continued)

c) Interest in joint ventures (continued)

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 surplus or deficit (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 earned is recognised within the Group and it is not eliminated on consolidation. Also, where the Group charges its jointly controlled entities for service fees, for example brand fees, the service fee revenue is recognised within the Group and it is not eliminated on consolidation. There were no loans outstanding to joint ventures at the end of the financial year.

The financial statements of the joint ventures are prepared for the same reporting periods as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Refer to note 21 for a full listing of joint ventures at balance date.

d) Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less cost to sell and value in use. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the surplus or deficit on disposal.

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

Statement of accounting policies (continued)

e) Revenue from exchange transactions

Rendering of 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 report as subscriptions in advance.

Unearned income

Advertising revenue is earned through two sources; web and publications.

Advertising revenue for publications is deferred and classified as unearned revenue on the consolidated statement of financial position until completion of delivery to the users of the publications, at which point it is recognised in surplus or deficit.

The cost of publications in development at balance date is recognised as an asset where the costs directly attributable to the development of the publication can be measured reliably. The development costs mainly comprise the direct costs of certain personnel dedicated to developing adverts and creating the content for the publications, artwork and other publication production and development costs, including appropriate and directly attributable overheads. The asset is amortised to surplus or deficit on completion of delivery of the relevant publication when the related revenue is recognised. The asset is set off against the related unearned income in the consolidated statement of financial position until recognition in surplus or deficit.

Deferred income

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

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and membership discounts.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measure reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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.

Statement of accounting policies (continued)

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and call and term deposits less than three months, net of outstanding bank overdrafts.

g) Financial Instruments

Recognition and initial measurement

Receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through surplus or deficit, transaction costs that are directly attributable to its acquisition or issue. At initial recognition, short-term receivables and payables may be measured at the original invoice amount if the effect of discounting is immaterial.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at:
- amortised cost; or
- fair value through surplus or deficit (FVTSD).

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTSD.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTSD:
- it is held within a management model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's cash and cash equivalents, short term investments, and receivables are classified as financial assets at amortised cost. The Group's investments at fair value are classified as financial assets at FVTSD on the basis they are managed, and their performance is evaluated on a fair value basis.

Cash and cash equivalents represent highly liquid investments that are readily convertible into a known amount of cash with an insignificant risk of changes in value, with original maturities of three months or less. Short term investments are those with an original maturity of more than three months. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its management model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the management model.

Financial assets – subsequent measurement and gains and losses

- Financial assets at FVTSD - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in surplus or deficit.
- Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in surplus or deficit. Any gain or loss on derecognition is recognised in surplus or deficit.

Statement of accounting policies (continued)

g) Financial Instruments (continued)

Financial liabilities – classification, subsequent, measurement and gains and losses

All of the Group's financial liabilities meet the criteria to be classified as measured at amortised cost. These financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in surplus or deficit. Any gain or loss on derecognition is also recognised in surplus of deficit.

Impairment of non-derivative financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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 consolidated 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 balance date.

Refer to the accounting policy 'critical accounting judgments and key sources of estimation uncertainty" 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 surplus or deficit, in which case the increase is credited to surplus or deficit 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 surplus or deficit to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to surplus or deficit. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Statement of accounting policies (continued)

i) Property, plant and equipment (continued)

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 consolidated statement of comprehensive revenue and expense.

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

k) 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 surplus or deficit.

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 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 consolidated statement of comprehensive revenue and expense in the year of derecognition.

Statement of accounting policies (continued)

l) Intangible assets

Computer software acquired, which is not an integral part of a related hardware item, is recognised as an intangible asset. The costs incurred internally in developing computer software are also recognised as intangible assets where the Group has a legal right to use the software and the ability to obtain future economic benefits from that software. Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These assets have a finite life and are amortised on a straight line basis over their 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.

Cloud computing arrangements:
Cloud computing arrangements include software as a service, platform as a service, infrastructure as a service and other similar hosting arrangements (i.e. an arrangement in which an end-user of the software does not take possession of the software). The Group applies judgement to assess whether there is sufficient control in a cloud computing arrangement to permit capitalisation of the configuration and customisation costs.

The Group considers the following indicators:

- The Group has the contractual right to take possession of the software at any time during the hosting period without significant penalty;
- The Group can run software on its own hardware or can contract with another vendor to host the software;
- The Group can control who can use any software modifications and the vendor cannot make them available to other customers;
- The Group can control the frequency and acceptance of software updates.

If the cloud computing arrangement meets the criteria, then the cost of configuration and customisation is recognised as an asset. If the criteria and definition are not met, the cost of configuration and customisation is recognised as an operating expense.

However, if the configuration and customisation were performed by the software supplier, the Group also considers whether that upfront service is distinct from the cloud computing arrangement. If it is not distinct, then the operating expense may be initially treated as a prepayment and expensed over the term of the cloud computing arrangement.

m) Leased assets

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) Payables from exchange transactions

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.

Statement of accounting policies (continued)

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 surplus for the year. Taxable surplus differs from profit as reported in the consolidated statement of comprehensive revenue and expense 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 at balance date.

Deferred tax

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base used in the computation of taxable surplus 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 surplus nor accounting surplus.

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 surpluses 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 balance 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 balance 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.

Statement of accounting policies (continued)

o) Taxation (continued)

Current and deferred tax for the period

Current and deferred tax movements are recognised as an expense or income in surplus or deficit, 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.

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.

Statement of accounting policies (continued)

r) Statement of cash flows

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash in banks and call deposits and fixed term deposits less than three months, net of outstanding bank overdrafts. The following terms are used in the consolidated 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 Group.

s) Foreign currency 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 consolidated statement of comprehensive revenue and expense in the period in which they arise.

t) Impairment

At each balance 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 surplus or deficit 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 surplus or deficit, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Statement of accounting policies (continued)

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Board is 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.

Judgements

Statement of Service Performance

In compiling the Consolidated Statement of Service Performance report, Management has made judgements in relation to which outcomes and outputs best reflect the achievement of performance for the Group's purpose. The Group delivers targeted outputs in accordance with its Group Strategy and budget. These outputs are designed to achieve intermediate and long-term outcomes that will enable the Group to achieve its purpose of caring for its members and the people, spaces and places that are important to them. These outputs are designed to ensure the Group can deliver on its strategic intent of being the most loved, trusted and connected brand in New Zealand. All outcomes and outputs are categorised by the Group's three strategic priorities and are outlined in the Statement of Service Performance, included within this Financial Report.

Key sources of estimation uncertainty

Fair value of land and buildings and investment property

The fair value of land and 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 5.91% to 7.50% (2022: 5.22% to 7.79%)) that appropriately reflects the risks inherent in the expected cash flows. The most significant property is Great South Road (including Marei Road) in Penrose (2022: Penrose) and the effective market yield was 6.21% as at 30 June 2023 (2022: 5.23%). Valuations are completed in accordance with the New Zealand Institute of Valuers (NZIV), Property Institute of New Zealand (PINZ) Code of Ethics, and Valuation Standards, including API and NZPI Professional Practice Fifth Edition, New Zealand Valuation Guidance Note 1 and International Valuation Application 1. Refer to note 9 and 12 for valuations.

Joint Ventures

Although the Group holds less or more than 50% ownership interest in some of their investments (refer to note 21), these are classified as joint ventures as there is a contractual arrangement pursuant to which 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 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 to note 10.

1. Revenue

	2023 $'000	2022 $'000
Revenue from exchange transactions:		
Membership fees and subscriptions	64,876	63,257
Sale of goods	6,933	5,648
Rendering of services to members and public	103,129	87,332
Dividends	4	4
Interest revenue (loans and receivables)	1,491	516
	176,433	156,757

2. Other gains/(losses)

	2023 $'000	2022 $'000
Revaluation of investment properties	15	14
Change in fair value of financial assets classified as fair value through surplus or deficit	19,847	(23,029)
Impairment (losses)/reversal on revalued land and buildings	-	(1,494)
Impairment (losses)/reversal on available-for-sale assets	190	-
	20,052	(24,509)

3. Expenses

		2023 $'000	2022 $'000
	Net surplus/(loss) for the year has been arrived at after charging/(crediting):		
(a)	***General expenses***		
	Depreciation of property, plant and equipment (note 9)	3,364	3,198
	Amortisation of intangible assets (note 11)	2,105	1,306
	Operating lease expense	3,629	3,590
	Raw materials and consumables used (note 7)	4,041	3,635
	(Gain)/loss on disposal of property, plant and equipment	(363)	(496)
	Legal expenses	87	112
(b)	***Personnel expenses***		
	Employee benefits expense	85,085	78,634
	Defined contribution plans	3,717	3,518

4. Taxation

4a. *Income tax expense*

	2023 $'000	2022 $'000
Current tax (expense)/benefit	-	-
Deferred tax	-	-
Income tax (expense)/benefit for the year	-	-
Income tax (expense)/benefit for the year can be reconciled to the accounting profit as follows:		
Operating surplus/(loss) from continuing activities before tax and grants	10,593	(11,956)
Less Grant to NZAA Research Foundation	(250)	(250)
Less Grant to SADD Aotearoa - Students Against Dangerous Driving Charitable Trust	(400)	(200)
	9,943	(12,406)
Income tax using company tax rate 28%	2,784	(3,474)
Effect of exempt (surplus)/deficit	(1,188)	(6,459)
Effect of permanent differences	1	13,502
Effect of losses generated/utilised and imputation credits recognised	(1,597)	(3,569)
	-	-

4b. *Deferred tax assets/(liabilities)*

Deferred tax assets and liabilities are offset, only to the extent that they offset taxable temporary differences, on the face of the consolidated statement of financial position where they relate to entities within the same taxation group.

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

	1 July 22 $'000	Charge to surplus or deficit $'000	Charge to equity $'000	30 June 23 $'000
Gross deferred tax liabilities				
Property, plant and equipment	(1,340)	(142)	-	(1,482)
Investment property	(77)	(5)	-	(82)
Tax liabilities	(1,417)	(147)	-	(1,564)
Set off of deferred tax liabilities	1,417	147	-	1,564
Net tax liabilities	-	-	-	-
Gross deferred tax assets				
Employee provisions	1,223	191	-	1,414
Doubtful debts provision	23	(15)	-	8
Inventory provisions	36	33	-	69
Other	220	145	-	365
Deferred tax assets not recognised	(85)	(207)	-	(292)
Tax assets	1,417	147	-	1,564
Set off of deferred tax assets	(1,417)	(147)	-	(1,564)
Net tax assets	-	-	-	-

4b. Deferred tax assets/(liabilities) (continued)

	1 July 21 $'000	Restated Charge to surplus or deficit $'000	Charge to equity $'000	30 June 22 $'000
Gross deferred tax liabilities				
Property, plant and equipment	(2,067)	727	-	(1,340)
Investment property	(73)	(4)	-	(77)
Tax liabilities	(2,140)	723	-	1,417
Set off of deferred tax liabilities	2,140	(723)	-	1,417
Net tax liabilities	-	-	-	-
Gross deferred tax assets				
Employee provisions	1,126	97	-	1,223
Doubtful debts provision	57	(34)	-	23
Inventory provisions	26	10	-	36
Other	192	28	-	220
Deferred tax assets not recognised	739	(824)	-	(85)
Tax assets	2,140	(723)	-	(1,417)
Set off of deferred tax assets	(2,140)	723	-	(1,417)
Net tax assets	-	-	-	-

The Group has unrecognised New Zealand tax losses of approximately $43.59 million (2022: $34.16 million). Deferred tax assets have not been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. Refer statement of accounting policies note (o) Taxation.

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5. Other financial assets

	2023 $'000	2022 $'000
Fixed term deposits ≥ 3 months but ≤ 12 months	4,000	27,600
Investment managed funds	237,477	218,305
	241,477	245,905

Investment managed funds represent the Group's investment in three diversified portfolios managed by Milford Funds Limited, Nikko Asset Management New Zealand Limited and ANZ Investments New Zealand Limited. The portfolios consist of equities, units trusts and fixed interest investments.

6. Sundry receivables and prepaid expenses

	2023 $'000	2022 $'000
Sundry receivables - from exchange transactions	6,143	5,245
Credit Loss provision	(29)	(81)
Prepayments	2,531	2,110
Other	2,029	1,705
	10,674	8,980

The average credit period on sales of goods and service is 60 days (2022: 60 days). Interest is charged only when the customer 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 16% (2022: 16%) 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 $977,909 (2022: $653,125) which are past due at the reporting date for which the Group has not provided for 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	2023 $'000	2022 $'000
30-60 days	584	416
60-90 days	234	201
90+ days	160	36
	978	653

6. Sundry receivables and prepaid expenses (continued)

Movement in the credit loss provision	2023 $'000	2022 $'000
Balance at beginning of the period	81	203
Impairment losses recognised on receivables	26	67
Amounts written off as uncollectable	(23)	(175)
Amounts recovered during the year	-	-
Impairment losses reversed	(55)	(14)
Balance at end of period	29	81

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 believes 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 credit loss provision of 28,816 (2022: $81,357) is applicable to invoices aged 30+ days (2022: 30+ days).

7. Inventories

	2023 $'000	2022 $'000
Retail stock	411	715
Consumables	326	388
	737	1,103

The cost of inventories recognised as an expense during the period was $4,040,914 (2022: $3,635,483). The cost of inventories recognised as an expense includes $247,309 (2022: $128,116) in respect of write-downs of inventory to net realisable value and has increased by $119,193 (2022: $35,114) in respect of the increase of such write-downs.

8. Assets classified as held for resale

	2023 $'000	2022 $'000
Land & Buildings held for sale	7,000	-
	7,000	-

The valuation of the land and building being held for sale has been based on the purchase price specified in the sale and purchase agreement relating to that land and building. The property was used by head office staff. On 30 June 2023 an agreement was signed to sell the Albert Street property, with the settlement date to be determined but being not later than 31 March 2024.

9. Property, plant and equipment

	Freehold Land at fair value	Buildings at fair value	Leasehold Improvements at cost	Plant and Equipment at cost	Furniture and Fittings at cost	Motor Vehicles at cost	Computer Equipment at cost	Work in Progress at cost	Total
Gross carrying amount	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 21	16,426	13,107	6,732	3,198	10,685	9,694	3,410	1,339	64,591
Net additions/(transfers)	-	1,150	277	246	459	2,849	580	(1,139)	4,422
Disposals	-	-	(70)	(68)	(171)	(1,717)	(519)	-	(2,545)
Revaluation increase/(decrease)	460	(2,336)	-	-	-	-	-	-	(1,876)
Reclassified as held for sale	-	-	-	-	-	-	-	-	-
Balance at 30 June 22	16,886	11,921	6,939	3,376	10,973	10,826	3,471	200	64,592
Net additions/(transfers)	-	396	106	143	477	672	1,549	462	3,805
Disposals	-	-	(90)	(16)	(554)	(1,099)	(847)	-	(2,606)
Revaluation increase/(decrease)	(646)	(920)	-	-	-	-	-	-	(1,566)
Reclassified as held for sale	(2,409)	(4,591)	-	-	-	-	-	-	(7,000)
Balance at 30 June 23	13,831	6,806	6,955	3,503	10,896	10,399	4,173	662	57,225
Accumulated depreciation									
Balance at 1 July 21	-	-	6,003	2,257	9,693	4,668	2,545	-	25,166
Depreciation expense	-	313	161	142	420	1,627	535	-	3,198
Eliminated on disposals	-	-	(68)	(68)	(166)	(1,436)	(519)	-	(2,257)
Eliminated on revaluation	-	(313)	-	-	-	-	-	-	(313)
Reclassified as held for sale	-	-	-	-	-	-	-	-	-
Balance at 30 June 22	-	-	6,096	2,331	9,947	4,859	2,561	-	25,794
Depreciation expense	-	296	180	153	420	1,673	642	-	3,364
Eliminated on disposals	-	-	(76)	(16)	(547)	(1,026)	(847)	-	(2,512)
Eliminated on revaluation	-	(296)	-	-	-	-	-	-	(296)
Reclassified as held for sale	-	-	-	-	-	-	-	-	-
Balance at 30 June 23	-	-	6,200	2,468	9,820	5,506	2,356	-	26,350
Carrying amount									
As at 30 June 22	16,886	11,921	843	1,045	1,026	5,967	910	200	38,798
As at 30 June 23	13,831	6,806	755	1,035	1,076	4,893	1,817	662	30,875

9. Property, plant and equipment (continued)

Valuation of land and buildings

Land and buildings were last revalued by independent registered valuers as at 30 June 2023. The total value as per each valuer was as follows:

	Date of Inspection	2023 $'000	2022 $'000
Colliers International	11/07/2023	8,000	16,000
Telfer Young	11/07/2023	3,600	3,865
Chadderton & Associates Ltd	11/07/2023	1,045	985
SW Binnie	30/06/2023	937	662
Duke & Cooke	11/07/2023	1,550	1,700
Alexander Hayward Limited	11/07/2023	2,500	2,475
Telfer Young	17/06/2023	505	520
Telfer Young	17/07/2023	2,500	2,600
		20,637	28,807

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

	2023 $'000	2022 $'000
Freehold land	2,900	2,900
Buildings	6,204	6,374
	9,104	9,274

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10. Goodwill

	2023 $'000	2022 $'000
Cost		
Balance at 1 July	10,911	10,911
Balance at 30 June	10,911	10,911
Accumulated impairment losses		
Balance at 1 July	(7,793)	(7,793)
Impairment losses charged to surplus or deficit	-	-
Balance at 30 June	(7,793)	(7,793)
Carrying amount		
As at 1 July	3,118	3,118
As at 30 June	3,118	3,118

Allocation of goodwill to cash-generating units

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

	2023 $'000	2022 $'000
New Zealand Automobile Association Inc	3,118	3,118
	3,118	3,118

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

For the CGU above, the recoverable amounts of the CGU are determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Board. The period used is a five year period and the discount rate used is 10% per annum (2022: 10% per annum).

For the CGU the cash flow projections during the budget period are based on the same expected gross margins and 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 believes that any reasonably possible change in the key assumptions upon which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

11. Other intangible assets

	Computer Software $'000
Gross carrying amount	
Balance at 1 July 21	19,593
Additions	4,743
Disposals	-
Balance at 30 June 22	24,336
Additions	3,431
Disposals	(850)
Balance at 30 June 23	26,917
Accumulated amortisation and impairment	
Balance at 1 July 21	16,370
Amortisation expense	1,306
Eliminated on disposals	-
Balance at 30 June 21	17,676
Amortisation expense	2,105
Eliminated on disposals	(850)
Balance at 30 June 23	18,931
Carrying amount	
As at 30 June 22	6,660
As at 30 June 23	7,986

12. Investment properties

	2023 $'000	2022 $'000
At fair value		
Balance at 1 July	270	256
Change in fair value	15	14
Balance at 30 June	285	270

The Association holds the freehold title to all investment properties.

Valuation of investment properties

All investment properties were valued by independent registered valuers as at 30 June 2023. The total value per each valuer was as follows:

	Date of Valuation	2023 $'000	2022 $'000
Telfer Young	30/06/2023	285	270
		285	270

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13. Payables

	2023 $'000	2022 $'000
Trade payables - from exchange transactions	10,886	6,929
Accrued expenses	6,865	6,034
Goods and services tax ("GST") payable	397	334
Other	2,318	2,177
	20,466	15,474

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

14. Clawback provision

The clawback provision relates to the expected clawback of commission earnt on life insurance policies within the first twelve months of the policy.

	2023 $'000	2022 $'000
Balance at 1 July	419	370
Movement for period	422	49
Balance at 30 June	841	419

15. Make good provision

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

	2023 $'000	2022 $'000
Balance at 1 July	186	162
Movement for period	40	24
Balance at 30 June	226	186

16. Deferred income

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

This is disclosed as:	2023 $'000	2022 $'000
Current portion	4,469	4,380
Non-current portion	3,365	3,626
	7,834	8,006

17. Unearned revenue

Unearned revenue represents the deferral of licence fees received and the impact on the consolidated statement of financial position of deferring the advertising revenues and directly attributable development costs relating to undistributed publications.

This is disclosed as:	2023 $'000	2022 $'000
Current portion	92	865
Non-current portion	-	-
	92	865

18. Asset revaluation reserve

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 comprehensive revenue and expenses.

	2023 $'000	2022 $'000
Balance at 1 July	15,684	15,927
Increase on revaluation of properties	278	893
Decrease on revaluation of properties	(1,739)	(963)
Transfer to accumulated comprehensive revenue and expenses	-	(174)
Balance at 30 June	14,223	15,684

19. Accumulated comprehensive revenue and expense

	2023 $'000	2022 $'000
Balance at 1 July	312,392	324,680
Transfer from asset revaluation reserve	-	174
Net surplus for the year ended attributable to the Association acting in the interest of members restated	9,943	(12,406)
Share of other comprehensive revenue and expense of joint ventures	(25)	(56)
Balance at 30 June restated	322,310	312,392

In the event the Association is wound up, the residual assets are to be applied towards an entity having substantially similar objectives and activities. The transfer from the asset revaluation reserve has arisen due to the reintroduction of depreciation on buildings during the prior year.

20. Subsidiaries

Details of the Group's significant subsidiaries at 30 June 2023 are as follows:

Name of Subsidiary	Place of Incorporation	Principle activity	Ownership interest and voting rights (%) 2023	2022
The New Zealand Automobile Association Limited	New Zealand	Brand Licensing	100	100
AA Tourism Publishing Limited	New Zealand	Publishing Guides and Maps	100	100
AA Auto Service Limited	New Zealand	Vehicle Servicing Franchise	100	100
AA Driver Training Limited	New Zealand	Driver Training Franchise	100	100
NZAA Assets Limited	New Zealand	Service Provider	100	100
AA2002 Limited (formerly AA Finance Limited)	New Zealand	Non Trading	100	100
AA Rewards Operations Limited	New Zealand	Non Trading	100	100
AA Tourism Limited	New Zealand	Non Trading	100	100
AA Vehicle Testing Limited	New Zealand	Non Trading	100	100

21. Investments accounted for using the equity method

Investments in joint ventures

Name of Joint Venture	Financial year end	Place of Incorporation	Principle activity	Voting rights on significant transactions (%) 2023	2022	Ownership interest (%) 2023	2022
AA Insurance Limited	30 June	New Zealand	Insurance Provider	50	50	32	32
AA Battery Services Limited	30 June	New Zealand	Service Provider	50	50	60	60
AA Smartfuel Limited	30 June	New Zealand	Loyalty Program	50	50	50	50
AA Finance Marketing Partnership	30 June	New Zealand	Finance Marketing	50	50	50	50
AA Home Limited	30 June	New Zealand	Membership Program	50	50	66	66
AA Finance Limited	30 June	New Zealand	Finance Provider	50	50	50	50

Although the Group holds less or more than 50% ownership interest in three of the investments listed above they are classified as a 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 Group has no rights to the assets and no obligation to the liabilities of these joint ventures except for AA Finance Limited. The Group is guarantor to 50% of a term loan facility agreement in place with ANZ Bank New Zealand Limited to which AA Finance Limited are a party. The Group's exposure to this facility is $40.2 million.

21. Investments accounted for using the equity method (continued)

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

	2023 $'000	2022 $'000
Current assets	1,043,079	760,100
Non-current assets	133,259	75,313
Total assets	1,176,338	835,413
Current liabilities	455,742	236,130
Non-current liabilities	516,931	412,008
Total liabilities	972,673	648,138
Net assets	203,665	187,275
Group's share of net assets of joint ventures	72,545	67,055
Total revenue	1,038,865	672,121
Total expenses	(999,568)	(608,250)
Total net surplus/(losses)	39,297	39,296
Group's share of net surplus/(losses) of joint ventures	13,385	21,397

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

	2023 $'000	2022 $'000
Carrying value of joint ventures		
Carrying value at 1 July	67,055	60,214
Increase in shares	2,500	1,750
Share of net surplus/(losses)	13,385	21,397
Share of other comprehensive revenue and expense of joint ventures	(25)	(56)
Dividends received	(10,370)	(16,250)
Dividends owing	-	-
Distribution of tax credit	-	-
Carrying value at 30 June	72,545	67,055

21. Investments accounted for using the equity method (continued)

	2023 $'000	2022 $'000
The carrying value is comprised of:		
Cost	30,815	28,315
Share of joint venture post-acquisition reserves	34,989	31,999
Goodwill	6,741	6,741
	72,545	67,055
Joint venture share of net surplus/(losses)		
Share of surplus before taxation	18,603	30,412
Share of taxation expense	(5,218)	(9,015)
	13,385	21,397

22. Related parties

The Association is an incorporated society acting in the interest of its members.

Equity interest in related parties

Details of interests in subsidiaries and joint ventures are disclosed in notes 20 and 21 respectively.

Related party transactions and outstanding balances

Transactions with and amounts outstanding between the Group and related parties are as per the following tables.

22. Related parties (continued)

2023

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
AA Insurance Limited			
	Amount Owed to NZAA		966
	Amount Owed to AA Insurance Limited		-
	Service Commission and Operational Funding	13,319	
AA Battery Services Ltd			
	Amount Owed to NZAA		139
	Amount Owed to AA Battery Services		236
	Purchase of Battery Stock	2,169	
	Service Commission and Operational Funding	(2,059)	
AA Smartfuel Limited			
	Amount Owed to NZAA		104
	Amount Owed to AA Smartfuel Limited		20
	Service Provider and Operational Funding	461	
	Brand Licensing and Program Fees	(293)	
AA Finance Limited			
	Amount Owed to NZAA		43
	Amount Owed to AA Finance Limited		-
	Administrative Services and Operational Activities	1,091	
	Share Capital Injection	2,500	

22. Related parties (continued)

2023

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
AA Home Limited			
	Amount Owed to NZAA		100
	Amount Owed to AA Home Limited		59
	Administrative Services and Operational Activities	89	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	3,717	
	Expenses	450	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		-
	Service Provider and Operational Funding	82	
	Grant paid to NZAA Research Foundation	250	
SADD Aotearoa - Students Against Dangerous Driving Charitable Trust			
	Amount Owed to NZAA		4
	Service Provider and Operational Funding	85	
	Grant paid to Students Against Dangerous Driving Aotearoa	400	

22. Related parties (continued)

2022

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
AA Insurance Limited			
	Amount Owed to NZAA		839
	Amount Owed to AA Insurance Limited		1
	Service Commission and Operational Funding	12,681	
AA Battery Services Ltd			
	Amount Owed to NZAA		148
	Amount Owed to AA Battery Services		218
	Purchase of Battery Stock	2,155	
	Service Commission and Operational Funding	(1,650)	
AA Smartfuel Limited			
	Amount Owed to NZAA		30
	Amount Owed to AA Smartfuel Limited		54
	Service Provider and Operational Funding	342	
	Brand Licensing and Program Fees	(305)	
AA Finance Limited			
	Amount Owed to NZAA		43
	Amount Owed to AA Finance Limited		-
	Administrative Services and Operational Activities	904	
	Share Capital Injection	1,750	

22. Related parties (continued)

2022

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
AA Home Limited			
	Amount Owed to NZAA		40
	Amount Owed to AA Home Limited		50
	Service Commission and Operational Funding	12	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	3,518	
	Expenses	552	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		-
	Service Provider and Operational Funding	82	
	Grant paid to NZAA Research Foundation	250	
SADD Aotearoa - Students Against Dangerous Driving Charitable Trust			
	Amount Owed to NZAA		3
	Service Provider and Operational Funding	85	
	Grant paid to Students Against Dangerous Driving Aotearoa	272	

Any amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in either period for bad or doubtful debts in respect of the amounts owed by related parties.

22. Related parties (continued)

Key management personnel remuneration

The Group classifies its key management personnel into one of two classes:

- Members of the governing body
- Chief executive officer and senior executive officers, responsible for the operation of the Group's operating segments, and reporting to the governing body.

	2023		2022	
	Remuneration $'000	**Number of Individuals**	**Remuneration $'000**	**Number of Individuals**
Members of the governing body	540	9 people	511	9 people
CEO and senior executive officers	7,004	13.09 FTEs	8,579	13.17 FTEs
	7,543		9,090	

Legal and other consulting fees totalling $39,470 (2022: $36,159) were paid at market rates to a law firm associated with a member of the governing body for the provision of expert legal advice for specific matters outside of the scope of their normal duties.

Loans and advances to key management personnel amounted to $Nil (2022: $Nil).

23. Remuneration of auditors

	2023 $'000	**2022 $'000**
Audit of the financial statements	340	318
Taxation compliance services	44	53
Taxation advisory services	70	43
Non-assurance related services	334	26
	788	441

The auditor of the Group is Deloitte. Deloitte also carries out other assignments for the Group in the areas of risk advisory, taxation compliance and taxation advice. Consulting and advisory work is captured under non-assurance related services.

24. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash in banks and call deposits and fixed term deposits less than 3 months, net of outstanding bank overdrafts. Cash and cash equivalents at balance date as shown in the cash flow statement can be reconciled to the related items in the consolidated statement of financial position as follows:

	2023 $'000	**2022 $'000**
Cash on hand	24	24
Cash in banks	821	927
Fixed term deposits less than 3 months	13,454	5,000
Call deposits	13,280	10,085
Total cash and cash equivalents per statement of cash flows	27,579	16,036

25. Reconciliation of net surplus after taxation for the period to net cash

	2023 $'000	**2022 $'000**
Net surplus/(loss) for the year attributable to the Association acting in the interest of members	9,943	(12,406)
Adjustments for non-cash items:		
Depreciation expense (note 9)	3,364	3,198
Amortisation expense (note 11)	2,105	1,306
Capitalised lease	-	-
Share of equity accounted joint venture (surplus)/deficit (note 21)	(13,385)	(21,397)
Loss/(gain) on managed funds (note 2)	(19,847)	23,029
Loss/(gain) of disposal of property, plant and equipment	(363)	(496)
Loss/(gain) on revalued land and buildings (note 2)	(190)	1,494
Loss/(gain) on revaluation of investment property (note 2)	(15)	(14)
Adjustments for movements in:		
Taxation receivable	(1)	(1)
Sundry receivables and prepaid expenses	(1,694)	(723)
Inventories	366	86
Payables	5,657	4,272
Employee entitlements	326	683
Clawback provision	422	49
Make good provision	40	24
Unearned and deferred income	(945)	962
Subscriptions in advance	1,060	249
Net cash flows (used in)/from operating activities	(13,157)	315

26. Amount, timing and uncertainty of cash flows

The Group's revenue is widely sourced across a range of services, products and industries and as such the Board considers the risk to cash flow to be minimal.

The major source of revenue for the Group is membership subscription income. This risk is mitigated as there are a large number of personal members, who pay a comparatively low subscription, so suffering 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, 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.

Income derived from other activities is spread across a wide range of business ventures, some involving a discretionary spend (Tourism and Vehicle Inspections) and others where expenditure is unavoidable (Warrants of Fitness, Registration, and Licensing). The spread of income amongst these categories minimises the risk to the overall revenue received from the source, particularly where the transactions tend to be of small value but involve large numbers of customers.

27. Operating lease and capital commitments

The Group as lessee:

Operating leases primarily relate to retail space with lease terms of between one month to 15 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 under any operating lease at the expiry of the lease period.

Obligations payable after balance date on non-cancellable leases are as follows:

	2023 $'000	2022 $'000
Within one year	3,288	3,629
Between one and five years	3,778	4,140
After five years	212	488
	7,278	8,257

Capital commitments

At balance date the Group had no capital commitments (2022: $Nil).

28. Contingent assets

At balance date the Group had no contingent assets (2022: $Nil).

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29. Contingent liabilities

	2023 $'000	2022 $'000
Contingent liabilities are categorised as follows:		
Motorway emergency telephone service indemnity bond	8	8
Auckland International Airport performance bond	8	8

30. Subsequent events

The Group received the following dividend post balance date from joint ventures; $4.8 million, net of imputation credits of $1.9 million, on 13 September 2023, being its share of a dividend declared on 7 September 2023.

On 13 September 2023 it was announced to AA Smartfuel Limited programme members that on 31 January 2024 the principal activity of the company, the fuel reward scheme, will permanently end. The investment held in AA Smartfuel Limited at 30 June 2023 has been reviewed and is not considered impaired (refer note 21).

On 14 September 2023 it was announced that a decision had been made to sell certain assets of AA Finance Limited. Finalisation of this sale is expected by 1 November 2023. The investment held in AA Finance Limited at 30 June 2023 has been reviewed and is not considered impaired (refer note 21).

31. Financial instruments

The Group manages its exposure to key financial risks, including interest rate risk, in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk, including interest rate risk. The Group uses different methods to measure and manage the 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 reviews and agrees 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 its objectives. 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 prepaid expenses, 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. These risk limits are regularly monitored.

Sundry 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.

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 sundry receivables.

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31. Financial instruments (continued)

Liquidity risk
Ultimate responsibility for liquidity risk management rests with the Board, 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 2023	**Carrying amounts $'000**	**Contractual cash flows $'000**	**On demand $'000**	**1 to 12 months $'000**	**1 to 5 years $'000**
Liabilities					
Payables	20,069	20,069	20,069	-	-
Total financial liabilities	20,069	20,069	20,069	-	-

As at 30 June 2022	**Carrying amounts $'000**	**Contractual cash flows $'000**	**On demand $'000**	**1 to 12 months $'000**	**1 to 5 years $'000**
Liabilities					
Payables	15,140	15,140	15,140	-	-
Total financial liabilities	15,140	15,140	15,140	-	-

31. Financial instruments (continued)

Categories of financial assets and financial liabilities

As at 30 June 2023	Financial assets at amortised costs $'000	At fair value through surplus or deficit $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets				
Cash and cash equivalents	27,579	-	-	27,579
Other financial assets	-	241,477	-	241,477
Sundry receivables	8,143	-	-	8,143
Total financial assets	35,722	241,477	-	277,199
Liabilities				
Payables	-	-	(20,069)	(20,069)
Total financial liabilities	-	-	(20,069)	(20,069)

As at 30 June 2022	Financial assets at amortised costs $'000	At fair value through surplus or deficit $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets				
Cash and cash equivalents	16,036	-	-	16,036
Other financial assets	-	245,905	-	245,905
Sundry receivables	6,869	-	-	6,869
Total financial assets	22,905	245,905	-	268,810
Liabilities				
Payables	-	-	(15,140)	(15,140)
Total financial liabilities	-	-	(15,140)	(15,140)

Market risks

Foreign currency risk
The Group has exposure to foreign exchange risk through its investment in three managed funds. This exposure relates to the translation of assets invested globally.

The Group manages its foreign exchange risk exposure through its Statement of Investment Policy and Objectives for Investment Funds. Exposure is limited by putting in place hedging and an outcome of this is the additional return that normally arises from the forward contracts which implement the hedging.

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 market interest rates. The Group is exposed to interest rate risk primarily through its cash and investments.

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31. Financial instruments (continued)

Interest rate risk (continued)
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 consolidated statement of comprehensive revenue and expense with all other variables held constant.

Equity price sensitivity analysis

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

Financial assets subject to interest rate risk

Financial assets subject to interest rate risk include cash and shares in managed funds. Risk analysis is therefore based on both changes in interest rate and equity price.

As at 30 June 2023	Balance $'000	Income impact of 1% fall in interest rate - deficit $'000	Income impact of 1% increase in interest rate - (surplus) $'000	Income impact of 5% fall in equity price - deficit $'000	Income impact of 5% increase in equity price - (surplus) $'000
Assets					
Cash and cash equivalents	27,579	276	(276)	-	-
Other financial assets	241,477	-	-	12,074	(12,074)
Total	269,056	276	(276)	12,074	(12,074)

As at 30 June 2022	Balance $'000	Income impact of 1% fall in interest rate - deficit $'000	Income impact of 1% increase in interest rate - (surplus) $'000	Income impact of 5% fall in equity price - deficit $'000	Income impact of 5% increase in equity price - (surplus) $'000
Assets					
Cash and cash equivalents	16,036	160	(160)	-	-
Other financial assets	245,905	-	-	12,295	(12,295)
Total	261,941	160	(160)	12,295	(12,295)

31. 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 sitting in this category is the managed fund investment which is a portfolio consisting of equities, unit trusts and fixed interest investments.

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

Fair value measurements recognised in the consolidated 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 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	4,000	237,477	-	241,477
Total financial assets	4,000	237,477	-	241,477

As at 30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	27,600	218,305	-	245,905
Total financial assets	27,600	218,305	-	245,905

Reconciliation of Level 3 fair value measurements of financial assets	2023 $'000	2022 $'000
Balance at beginning of period	-	-
Purchases	-	-
Sales	-	-
Gains/(losses) recognised in surplus or deficit (note 2)	-	-
Balance at end of period	-	-

Commodity and other market risk

The group has no significant exposure to commodity or other market risk.

About the AA

Founded in 1903, the New Zealand Automobile Association (NZAA) has grown from a small group of motoring enthusiasts focused on providing roadside assistance and advocating for driver safety and motorists' interests to an organisation offering a range of benefits and services to our Members.

Today, alongside our joint venture partners, we also provide insurance, vehicle finance, a fuel discount programme, travel benefits, home tradesperson assistance, and many other wellbeing, dining and entertainment Member Benefits.

While we have grown and our services have evolved, our Members remain our priority. We are, first and foremost, a Member organisation – it's our DNA, and what makes us different to most other organisations. We exist for our Members, to deliver value to and for them.

To ensure we continue to provide service at the highest levels and further strengthen the connection we have with our Members, we implemented a new strategy this year. It sets out a new purpose, strategic intent and three key priority areas which serve to guide our focus over the next five years and form the basis of how we will measure our success.

The NZAA's strategy

Our purpose:
Caring for our Members and the people, spaces and places that are important to them.

Our strategic intent:
To be the most loved, trusted and connected brand In New Zealand.

Strategic Priorities:
1. Member Loyalty and Engagement: To transform loyalty, relevancy and engagement with our Members.
2. Sustainable Mobility: To lead Members in the transition to more sustainable mobility solutions.
3. Meaningful Revenue Diversification: To establish meaningful and diversified new revenue, leveraging the power of the NZAA ecosystem.

Our key outcomes:
The outcomes and outputs of the Association are measured in relation to these three strategic priority areas.

1. Member Loyalty and Engagement

1.1. AA Membership

As a Membership organisation, we have two main types of members, personal and business. Personal memberships are the foundation of the Association so we deem the number of Members with a personal membership as a critical performance measure. This is a key performance indicator as we seek to continue to grow our personal membership base.

	2023	2022 (unaudited)
AA PERSONAL MEMBERSHIPS	1,122,464	1,094,643

1.2. Member advocacy

As one of the country's largest Membership organisations, we are committed to representing the interests of our Members and work with the government, industry and media on behalf of our Members.

The Transport Policy and Advocacy team, comprising 11 people, lead this engagement. To ensure they have a good understanding of Member's views, regular email surveys and research is undertaken on a wide range of topics. They also review local and international evidence and engage with the AA National and District Councils to develop robust positions.

The AA has 18 District Councils throughout the country that meet monthly to discuss transported-related issues and represent the interests of AA Members in their local areas.

Much of this work focusses on protecting the freedom of mobility and choice, whilst advocating for a system that is responsive, safe, reasonably priced and environmentally sustainable.

	2023 $'000	2022 (unaudited) $'000
MEMBER ADVOCACY SPEND	**3,383**	**3,650**

1.3. Community contribution

To improve road safety outcomes, the AA provides funding to the AA Research Foundation to enable it to deliver valuable research projects. In the 2022/23 year, projects that were completed included:

- Myth Busting for Older Drivers – a comprehensive examination of road safety outcomes and recommendations for older drivers.
- The Safety Impacts of New Roads – a review of the safety outcomes achieved from the construction of seven new roads in New Zealand.
- Adaption to Speed Limit Changes – a study of several sites where speed limits have changed and how drivers have responded.

The AA is also a long-time supporter of Kaitiaki o Ara/SADD - Students Against Dangerous Driving (SADD), a charitable organisation that aspires to prevent loss on New Zealand roads by championing road safety amongst youth. Through funding and governance support, the AA enables Kaitiaki o Ara/SADD to undertake their annual work programme which is focussed on the four road safety aspirations of:

- Safer road users
- Sharing our roads
- Driver licence journey
- Safer vehicles

	2023 $'000	2022 (unaudited) $'000
GRANT TO THE AA RESEARCH FOUNDATION	250	250
GRANT TO KAITIAKI O ARA/SADD	400	400

2. Sustainable mobility

Our sustainable mobility strategic priority seeks to minimise negative environmental, social, and economic impacts of the way the AA and our Members get around the country. It requires us to balance current and future mobility needs by continuing to develop our core vehicle, driving and mobility related services but also extending these into Sustainable Mobility options as Members' use of these solutions increases.

While it encompasses several key aspects, including environmental sustainability, social equity and safety, as we are in the early days of our sustainable mobility journey our outcomes and outputs do not yet reflect the full scope of sustainable mobility and will evolve as we progress.

Currently, our roadside assistance service is one way we support mobility safety by making sure our Members are not left stranded on the roadside away from home. We also seek to support the next generation of Kiwis to be safe drivers through facilitating driving lessons. These lessons also support social equity by enabling Kiwis to have greater opportunity to gain a Driver Licence, which is often required to secure employment and to aid social inclusion.

2.1. Service & Benefits – Roadside Assistance

The peace of mind that we are only a phone call away when things do not quite go to plan is the main reason many New Zealander's choose to be AA Members. Therefore, the volume of roadside jobs we undertake is a critical measure of our success.

	2023	2022 (unaudited)
ROADSERVICE JOBS – PERSONAL MEMBERS	405,587	381,171

Roadservice job numbers are based on the initial member call out and do not include instances where an additional job leg occurs.

2.2. Service & Benefits – Driving lessons

AA Membership provides more than just AA Roadservice, with access to a wide range of exclusive benefits and discounts including discounted driving lessons via the AA Driving School. A structured driving lesson programme, AA Driver's Seat/ AA Te Kaiurungi, was launched this year and provides AA Members with significant savings on driving lessons.

	2023	2022 (unaudited)
NO. OF DISCOUNTED DRIVING LESSONS	51,673	-
TOTAL MEMBER DISCOUNT $'000	1,104	-

AA Driver's Seat/ AA Te Kaiurungi launched in August 2022 and as a result there are no comparative figures available for the prior financial year (FY2022). Prior to this, we ran the AA Ignition programme, which offered three free driving lessons for learner drivers who were Members, or the children or grandchildren of Members. AA Ignition saw the AA pay back around $4m each year to Members by way of free driving lessons. However, along with many other services in New Zealand, Covid-19 impacted the AA Driving School's overall revenue and operations, and the decision was made to suspend the programme and conduct a review. This resulted in the development of AA Driver's Seat/ AA Te Kaiurungi, which is a restructured programme designed to better support drivers to develop the skills needed to be safe and confident behind the wheel by learning essential practices, skills and habits with a professional driving instructor.

3. Meaningful Revenue Diversification

3.1. Revenue streams

To deliver on our purpose, strategic intent and priority areas, it is important we have diverse revenue streams and operate sustainably. We do this by supplementing income from Membership fees and subscriptions through delivering innovative products and services, creating new partnerships and business models and investing wisely.

	2023 $'000	2022 (unaudited) $'000
MEMBERSHIP FEES AND SUBSCRIPTIONS	64,876	63,257
COMMERCIAL ACTIVITY	111,557	93,500
INVESTMENT INCOME / (LOSS)	20,052	(24,509)
SHARE OF NET SURPLUSES/(LOSSES) FROM JOINT VENTURES	13,385	21,397

Deloitte.

Independent Auditor's Report

To the Members of the New Zealand Automobile Association Incorporated

Opinion

We have audited the consolidated general purpose financial report ('consolidated financial report) of the New Zealand Automobile Association Incorporated (the 'entity') and its subsidiaries (the 'Group'), which comprise the consolidated financial statements on pages 3 to 46, and the consolidated statement of service performance on pages 47 to 50. The complete set of consolidated financial statements comprise the statement of financial position as at 30 June 2023, and the consolidated statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial report presents fairly, in all material respects:

- the consolidated financial position of the group as at 30 June 2023, and its conslidated financial performance and cash flows for the year then ended; and
- the consolidated service performance for the year ended 30 June 2023 in accordance with the group's service performance criteria

in accordance with Public Benefit Entity Standards ('PBE Standards') issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with International Standards on Auditing ('ISAs'), and the audit of the consolidated service performance information in accordance with the ISAs (NZ) and New Zealand Auditing Standard 1 *The Audit of Service Performance Information* ('NZ AS 1'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Report* section of our report.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our firm carries out other assignments for the Group in the area of risk advisory, taxation compliance, taxation advice, due diligence services and services in relation to to artificial intelligence and data services. These services have not impaired our independence as auditor of the Group. In addition to this, partners and employees of our firm deal with the entity and its subdiaries on normal terms within the ordinary course of trading activities of the business of the entity and its subsidiaries. The firm has no other relationship with, or interest in, the entity or any of its subsidiaries.

Other matter

The corresponding service performance information in the statement of service performance being the year ended 30 June 2022 is unaudited.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors are responsible on behalf of the Group for

- the preparation and fair presentation of the consolidated financial statements and consolidated statement of service performance in accordance with PBE Standards;
- service performance criteria that are suitable in order to prepare service performance information in accordance with PBE Standards; and
- such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated financial report that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial report, the Board of Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole, and the consolidated statement of service performance are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and NZ AS 1 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial report.

A further description of our responsibilities for the audit of the consolidated financial report is located on at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-13/

This description forms part of our auditor's report.

Restriction on use

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.

Deloitte Limited

Auckland, New Zealand
29 September 2023

This audit report relates to the consolidated financial report of the New Zealand Automobile Association Incorporated (the 'entity') and its subsidiaries (the 'Group') for the year ended 30 June 2023 included on the entity's website. The Board of Directors are responsible for the maintenance and integrity of the entity's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the consolidated financial report since they were initially presented on the website. The audit report refers only to the consolidated financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the consolidated financial report. 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 consolidated financial report and related audit report dated 29 September 2023 to confirm the information included in the audited consolidated financial report presented on this website.

As a serial owner of classic cars there have been several callouts to AA Roadservice through my 30+ years of Membership, but thanks to the analogue technology, there's generally nothing they couldn't solve.

The most memorable occasion though was when I was driving my elderly station wagon into Wellington CBD around 9am on a weekday and heading to a high-rise carpark building. As I was driving up the steep ramp, the exhaust chose that precise moment to work its way loose and jam itself between the car and ramp. Attempting to reverse the car only made things worse – it was stuck fast. The only solution was a trolley jack and brute force. Cue the AA.

In the meantime, the queue of motorists behind me were fortunately able to proceed though the second entrance.

I can't recall, but somehow the Roadservice man was able to secure the exhaust so the car was driveable, but I do remember curious looks from fellow motorists as I crawled home along the Hutt motorway that evening in peak traffic with a very loud exhaust! – **Mark**

Celebrating 120 years

My story takes us back to 1967, my last year as a 7th former at Cashmere High School in Christchurch. The AA were offering free tuition to selected students to assist in obtaining a driver licence. This involved practical driving tests with an AA instructor and tutorials at the local AA headquarters on subjects like basic car maintenance.

Practical instructions were in a manual shift vehicle - a Morris 1100 from memory.

Handbrake starts on the Cashmere Hills were always daunting. The instructor probably wished he didn't have me drive up a narrow alleyway with a sharp left-hand turn. I did not execute it well at all and wedged the car against a bollard, placed to protect the corner of the adjacent building.

I am eternally grateful to the AA for the opportunity. – **Neale**

After a wonderful holiday in Vanuatu, we flew back into Christchurch, in the dead of night, and headed to the car storage facility to retrieve our vehicle. Unfortunately, our keys enjoyed their holiday too and remained behind in Port Vila. Living 50 km away from the airport meant calling a taxi wasn't financially viable, but calling the AA and being a Member definitely was. Our AA technician arrived promptly and after we'd all laughed together at our error, he got to work opening the vehicle for us. It's an older vehicle and my partner assured both myself and the technician that starting it would be a breeze. It was, and we were soon driving homewards - where a spare set of keys awaited us. The missing set flew home a few weeks later with a returning relative. Couldn't have done it without the help of a very efficient AA technician though. – **Jan**