2011 – 2012 NZAA Annual Report

(1 October 2011 – 30 June 2012)

PHOTOGRAPHY: JESSIE CASSON

On track

THIS ANNUAL REPORT reviews nine months of the AA's activities through to 30 June 2012. The shortened year aligns the Association's year-end date with the annual reporting dates of our joint ventures.

It was an outstanding nine months, with Membership growth directly attributable to significant enhancements to Membership value. The new AA Smartfuel programme, for example, provided major savings on the cost of fuel for New Zealand motorists. Likewise, a programme of free eye examinations for Members at Specsavers was a big success – and encouraging motorists to have regular eyesight checks supports the Association's continued efforts to enhance road safety.

In relation to road safety initiatives, it was decided at last year's Annual General Meeting to expand the Association's focus on driver education and it has now become one of our cornerstone services. Progress in this area will emerge over the coming year.

Overall, the diversity of the Association's activities has enabled us to remain resilient during challenging economic times. Members' demand for services continues, Membership has grown, and our relevance to the New Zealand motoring public is as strong as ever.

MEMBERSHIP

In the nine months to 30 June, Membership grew by a net 14,931, bringing the total to a record 1,344,503. Without doubt, that growth owes much to the establishment of AA Smartfuel, underlining the importance motorists place on reducing their fuel bills.

In this shortened operational year, AA Smartfuel issued more than $19 million in fuel discounts to New Zealand motorists. That's more than five times the dollar value Members received through our previous loyalty programme, AA Rewards, in a comparable time frame. More than 1,600 retailers currently participate in AA Smartfuel; the key objective now is to increase that number, thus providing more places to accumulate fuel discounts.

At 30 June, more than 27,000 Members had taken up the offer of a free eyesight examination through Specsavers – an extraordinary response since its launch in April. Many Members, as a result of the professional consultation, detected issues with their vision which might have impacted on their driving.

AA DRIVING SCHOOL

One traditional service we have focused attention on this year is our Driving School and related driver education activities.

Statistics show that those driving on their own for the first time are the most at-risk drivers. In recognition of the importance of teaching and upskilling novice drivers in an ongoing effort to improve road safety, the Association has elevated driver education to cornerstone status by creating its own business division.

Our vision is for new drivers to be among the most skilful and safety-conscious on the road, fully aware of the safety and welfare of other road users.

The strategy is to reinvest all commercial profits from our Driving School into education and supporting safer driving initiatives for novice drivers. This will involve a combination of learning literature, online assistance and the development of a new Defensive Driver course. Planning for these initiatives has been undertaken over the nine months under review and practical outcomes will emerge shortly.

INSURANCE

AA Insurance experienced strong customer growth over the past nine months.

Our revised, more affordable, comprehensive motor insurance product, launched in March, has filled a gap in the market and attracted new customers.

The earthquakes in Canterbury have impacted on reinsurance costs, resulting in substantially increased premiums for buildings. But, on a positive note, the settlement of claims gained further momentum.

To cope with our expanding customer base, AA Insurance also opened a 150-seat Contact Centre in Hamilton. And, for the second consecutive year, AA Insurance was voted New Zealand's most trusted insurer by consumers at the Readers Digest Most Trusted Brands awards.

ROADSERVICE

Our online team is finalizing a free Roadservice iPhone application, which can send Members accessing Roadservice progress updates and details of the Roadservice officer attending. This application, due to be launched in 2013, will also enable Roadservice officers to locate the Member in need of assistance using exact GPS coordinates. The plan is to make the application available for Android users as well.

The Service Response Centre received 450,141 calls from personal Members for roadside assistance in the past nine months. Pleasingly, 73% were answered within 20 seconds. Of the 344,590 jobs attended, 46% were for flat batteries, 11% for mechanical problems, 11% required towing to a place of repair, and 7% were for tyre changes. Our Roadservice battery team and breakdown contractors arrived at 59% of the jobs within 30 minutes, and 89% within an hour.

MOTORING SERVICES

AA Motoring Services supports motorists to maintain and manage their vehicles, with services such as vehicle inspections, entry compliance, technical advice, auto service and repair, and WoF testing. Demand for these services fluctuated with the continuing decline in used car sales. This did not slow our expansion plans for the various motoring services, with new AA Auto Service and Repair sites opening in Mt Wellington, Dunedin and Lower Hutt.

During the past nine months, 654,681 driver licensing transactions were processed by AA Centres and licensing agents – a slight reduction on the previous nine-month period due to the increase in the licensing age and changes to the Restricted licence test.

A positive signal of renewed confidence in the used and new car market was reflected in AA Car Loans' lending doubling in volume over the previous year, assisted by competitive interest rates and Members' trust in the AA brand.

Twelve-month AA Mechanical Breakdown Insurance policies also experienced strong growth, especially the monthly premium option, which proved popular with Members managing their budgets.

ADVOCACY

Advocacy on behalf of Members and the motoring public continues to be a key part of the AA's work. This was particularly evident around the 2011 general election, when AA Motoring Affairs circulated Election Calls, setting out eight changes the AA wanted the incoming Government to address to improve road safety. The Election Calls continue to be pursued with Government.

The Association embraced the call from the United Nations and the FIA (Federation Internationale de l'Automobile) to make the next 10 years the Decade of Action for Road Safety. In the first year of that safety focus, deaths and serious injuries on New Zealand roads reduced markedly. The contributing factors behind that owe much to the many agencies embracing the call for road safety intervention. The AA continues to work with the authorities to ensure Decade of Action principles are incorporated into transport plans.

Our campaign to change the right-hand give-way rule bore fruit in March and the changeover took place smoothly. The change was motivated by an expectation that the new rule would reduce crashes at intersections, preventing at least one death and 100 injuries each year.

Alcohol interlocks, successful in other countries, have now become a sentencing option for New Zealand judges, an initiative promoted by the Association. We will also continue to advocate for rehabilitation and the treatment of drink-driving to change destructive behaviour.

The AA has been involved with Vodafone to combat the issue of texting drivers via DriveSafe, a service allowing drivers to put their phone into 'driving mode', which automatically replies to an incoming text with a holding message. This service has been recognised as a world-first, with a global telecommunications award.

The AA Research Foundation has commissioned two major projects: research into the difference between objective and perceived risks on the road and how to reduce the difference; and a five-star/eco-safe project to research improving education on fuel-efficient driving techniques. Outcomes from these research projects will guide future advocacy policy.

In other advocacy activity, submissions were made to Government on issues including proposed changes to the RUC (road user charges) system and consumer law reform. Also, the AA's PetrolWatch, which monitors fuel prices, made numerous calls in the media for price reductions when calculations showed they were warranted.

TOURISM

AA Tourism launched a pre-travel email service for people who book accommodation online through AA Travel. Travellers receive an email 10 days prior to their check-in date, reminding them of their accommodation details, highlighting some of the local 101 Must-Do's while visiting, and suggesting road trips for the area. To add timeliness and relevance, Hot Deals will soon be included.

To help travellers cut their fuel bills, AA Tourism's refreshed website makes it easier to locate accommodation providers where AA Smartfuel discounts can be accumulated. Also, booking accommodation online with an AA Smartfuel card can earn travellers fuel discounts.

FINANCIAL

The accompanying financial statements cover nine months to 30 June 2012.

The final trading result of $4.1 million for these nine months is a combination of increased income from Membership growth (without the need to increase subscription rates), the Association enjoying strong patronage of commercial services, and prudent cost containment within the organization.

The AA is in a solid financial position to weather the tough economic conditions that businesses continue to face.

The Association expects to maintain a strong financial result without the need for subscription increases, and our strong liquidity position will enable us to continue expanding and broadening our services and Member benefits.

Summarized Financial Statements

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 JUNE 2012

	9 MONTHS ENDING 30 JUNE 2012 $000	12 MONTHS ENDING 30 SEPTEMBER 2011 $000
INCOME WAS RECEIVED FROM:		
Revenue	76,928	100,410
Share of profit or loss in joint ventures	3,772	3,535
Other gains/(losses)	407	(230)
INCOME FROM CONTINUING ACTIVITIES	**81,107**	**103,715**
EXPENDITURE WAS INCURRED BY:		
Employee entitlements	42,215	54,482
Delivery and distribution	13,859	17,557
Plant, office and property	6,244	8,181
Advertising and promotion	2,349	3,273
IT and telecommunications	4,986	6,470
Motor vehicle expenses	2,390	3,112
Other expenses	4,909	6,550
EXPENSES FROM CONTINUING ACTIVITIES	**76,952**	**99,625**
Operating surplus from continuing activities before tax and grants	4,155	4,090
Grant to NZAA Research Foundation	(96)	(91)
Taxation benefit/(expense)	3	1,127
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE ASSOCIATION ACTING IN THE INTERESTS OF MEMBERS	**4,062**	**5,126**
OTHER COMPREHENSIVE INCOME NET OF TAX:		
Revaluation of properties	-	(88)
Gain/(loss) arising on translation of foreign joint venture	12	(40)
Share of other comprehensive income/(loss) of joint ventures	(138)	(34)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(126)**	**(162)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE ASSOCIATION ACTING IN THE INTERESTS OF MEMBERS, NET OF TAX	**3,936**	**4,964**

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2012

	2012 $000	2011 $000
ASSETS		
Cash and cash equivalents	28,717	21,333
Other financial assets	22,923	22,374
Sundry receivables & prepaid expenses	6,249	6,790
Dividend receivable	-	8,000
Related party receivable	-	2,285
TOTAL CURRENT ASSETS	**57,889**	**60,782**
Property, plant and equipment	32,978	33,039
Investments	43,662	40,743
Related party receivable	3,661	2,889
Capitalised lease	30	44
Deferred tax asset	738	735
Goodwill	6,090	6,090
Other intangible assets	1,985	2,505
TOTAL NON CURRENT ASSETS	**89,144**	**86,045**
TOTAL ASSETS	**147,033**	**146,827**
LIABILITIES		
CURRENT LIABILITIES	15,811	18,485
NON CURRENT LIABILITIES	2,381	2,447
TOTAL LIABILITIES	**18,192**	**20,932**
NET ASSETS	**128,841**	**125,895**
ASSOCIATION FUNDS AND SUBSCRIPTIONS IN ADVANCE		
Accumulated funds	100,333	96,409
Asset revaluation reserve	9,139	9,139
Foreign currency translation reserve	31	19
TOTAL ASSOCIATION FUNDS	**109,503**	**105,567**
Subscriptions in advance	19,338	20,328
TOTAL ASSOCIATION FUNDS AND SUBSCRIPTIONS IN ADVANCE	**128,841**	**125,895**

For and on behalf of the Board, B W Petrenas, President,
M R Winger, Board Member
28 September 2012

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 JUNE 2012

	9 MONTHS ENDING 30 JUNE 2012 $000	12 MONTHS ENDING 30 SEPTEMBER 2011 $000
ASSOCIATION FUNDS AT BEGINNING OF PERIOD	**105,567**	**100,603**
Net profit for the period attributable to the Association acting in the interests of Members	4,062	5,126
OTHER COMPREHENSIVE INCOME:		
Loss on revaluation of properties	-	(88)
Gain/(loss) arising on translation of foreign joint venture	12	(40)
Share of other comprehensive income/(loss) of joint ventures	(138)	(34)
TOTAL OTHER COMPREHENSIVE INCOME	**(126)**	**(162)**
TOTAL COMPREHENSIVE INCOME, NET OF TAX	3,936	4,964
ASSOCIATION FUNDS AT END OF PERIOD	**109,503**	**105,567**

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 JUNE 2012

	9 MONTHS ENDING 30 JUNE 2012 $000	12 MONTHS ENDING 30 SEPTEMBER 2011 $000
Net cash from operating activities	9,963	5,138
Net cash used in investing activities	(2,579)	(4,235)
Net cash used in financing activities	0	(57)
Net increase in cash and cash equivalents	7,384	846
Cash and cash equivalents at the beginning of period	21,333	20,487
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**28,717**	**21,333**
REPRESENTED BY CASH AND CASH EQUIVALENTS	**28,717**	**21,333**

NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED NOTES TO THE SUMMARIZED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 JUNE 2012

MEASUREMENT BASE

The reporting currency is New Zealand Dollars.

ACCOUNTING POLICIES

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

EVENTS SUBSEQUENT TO BALANCE DATE

The Group received a dividend of $6.4 million on 3 September 2012, being their share of a dividend declared by a joint venture on 9 August 2012.

RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	9 MONTHS ENDING 30 JUNE 2012 $000	12 MONTHS ENDING 30 SEPTEMBER 2011 $000
Operating Surplus after taxation	4,062	5,126
Movement in non cash items	(768)	1,230
Movement in assets and liabilities	4,813	(1,030)
Movement in financing/investing activities	1,856	(188)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**9,963**	**5,138**

FULL FINANCIAL STATEMENTS AVAILABLE

These summarized financial statements are unaudited and have been extracted from the full financial statements for the Association for the nine months ended 30 June 2012. The Association has chosen to report a nine month reporting period to June 2012. This will enable the Association to align its balance date with its significant joint venture holdings going forward. As a result, the amounts presented in the financial statements are not entirely comparable. The full financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for public benefit oriented entities. The full financial statements comply with International Financial Reporting Standards.

The full financial statements were issued by the Board, and approved for distribution by the National Council on the 28th of September 2012.

The summarized financial report may not contain sufficient information for a full understanding of the financial affairs of the Group, but copies of the full financial statements and the unqualified auditors' opinion, dated 28 September 2012, can be obtained by Members from:

The Secretary, The New Zealand Automobile Association Incorporated,
P.O. Box 5, Auckland, 1140.

The New Zealand Automobile Association Incorporated

ANNUAL REPORT

FOR THE 9 MONTHS ENDED 30 JUNE 2012

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
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FOR THE 9 MONTHS ENDED 30 JUNE 2012

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THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
DIRECTORY
FOR THE 9 MONTHS ENDED 30 JUNE 2012

BOARD MEMBERS		Appointed	Resigned
B W Petrenas	President	10/12/2004	
T G Follows	Vice President	24/03/2007	
R K Bull		29/03/2008	
B H Flintoff		27/03/2010	
G B Lange		25/03/1999	19/03/2011
W S Masters		19/03/2011	
G T Stocker		28/03/2009	
L J Tait		18/04/2002	
MR Winger		25/06/1993	

REGISTERED OFFICE

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

INCORPORATED SOCIETY NUMBER

215426

POSTAL ADDRESS

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

AUDITORS

Deloitte

BANKERS

ANZ National

SOLICITORS
Holmden Horrocks

Disclosure to the National Council and Members

The Board Members have pleasure in presenting the Annual Report for the 9 months ended 30 June 2012.

The Board Members have approved the financial statements of The New Zealand Automobile Association Incorporated for the 9 months ended 30 June 2012.

For and on behalf of the Board.

B W Petrenas, President

M R Winger, Board Member

28/9/2012
Date

28 Sept 2012
Date

Approved for distribution by the National Council on 28 September 2012.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 9 MONTHS ENDED 30 JUNE 2012

	Note	9 months ending 30 June 2012 $'000	12 months ending 30 September 2011 $'000
Revenue	1	76,928	100,410
Share of profit or loss in joint ventures	20	3,772	3,535
Other gains / (losses)	2	407	(230)
Income from continuing activities		81,107	103,715
Employee entitlements		42,215	54,482
Delivery and distribution		13,859	17,557
Plant, office and property overheads		6,244	8,181
Advertising and promotion		2,349	3,273
IT and telecommunications		4,986	6,470
Motor vehicle expenses		2,390	3,112
Other expenses		4,909	6,550
Expenses from continuing activities	3	76,952	99,625
Operating surplus from continuing activities before tax and grants	4	4,155	4,090
Grant to NZAA Research Foundation	4	96	91
Taxation benefit/(expense)	4	3	1,127
Net profit for the year attributable to the association acting in the interests of members		4,062	5,126
Other comprehensive income net of tax			
Revaluation of properties	16	-	(88)
Gain/(loss) arising on translation of foreign joint venture	17	12	(40)
Share of other comprehensive income/(loss) of joint ventures	20	(138)	(34)
Other comprehensive income for the period net of tax		(126)	(162)
Total comprehensive income for the period attributable to the association acting in the interests of members, net of tax		3,936	4,964

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

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 9 MONTHS ENDED 30 JUNE 2012

	Note	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Accumulated funds $'000	Total $'000
Balance at 1 October 2010		9,227	59	91,317	100,603
Net profit for the year attributable to the association acting in the interests of members		-	-	5,126	5,126
Other comprehensive income					
Loss on revaluation of properties	16	(88)	-	-	(88)
Gain arising on translation of foreign associate	17	-	(40)	-	(40)
Share of other comprehensive income of associates	20	-	-	(34)	(34)
Total other comprehensive income		(88)	(40)	(34)	(162)
Total comprehensive income, net of tax		(88)	(40)	5,092	4,964
Balance at 30 September 2011	16, 17 & 18	9,139	19	96,409	105,567
Net profit for the 9 months period attributable to the association acting in the interests of members		-	-	4,062	4,062
Other comprehensive income					
Gain arising on translation of foreign associate	17	-	12	-	12
Share of other comprehensive income of associates	20	-	-	(138)	(138)
Total other comprehensive income		-	12	(138)	(126)
Total comprehensive income, net of tax		-	12	3,924	3,936
Balance at 30 June 2012	16, 17 & 18	9,139	31	100,333	109,503

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

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	23	28,717	21,333
Other financial assets	5	22,923	22,374
Taxation receivable		1	1
Sundry receivables & prepaid expenses	6	4,953	5,423
Dividend receivable		-	8,000
Inventories	7	1,295	1,367
Related party receivable	21	-	2,284
Total current assets		57,889	60,782
Non-current assets			
Property, plant and equipment	8	32,978	33,039
Investment properties	11	1,021	1,216
Investments accounted for using the equity method	20	42,641	39,527
Related party receivable	21	3,661	2,889
Capitalised lease		30	44
Deferred tax asset	4	738	735
Goodwill	9	6,090	6,090
Other intangible assets	10	1,985	2,505
Total non-current assets		89,144	86,045
Total assets		147,033	146,827
Current liabilities			
Accounts payable	12	8,670	11,227
Employee entitlements		4,601	4,658
Unearned revenue	15	410	454
Deferred income	14	2,130	2,006
Finance lease liabilities		-	3
Total current liabilities		15,811	18,348
Non-current liabilities			
Make good provision	13	110	137
Unearned revenue	15	700	1,000
Deferred income	14	1,571	1,447
Total non-current liabilities		2,381	2,584
Total liabilities before subscriptions in advance		18,192	20,932
Net assets		128,841	125,895
Association funds			
Accumulated funds	18	100,333	96,409
Asset revaluation reserve	16	9,139	9,139
Foreign currency translation reserve	17	31	19
Total association funds		109,503	105,567
Subscriptions in advance		19,338	20,328
Total association funds and subscriptions in advance		128,841	125,895

For and on behalf of the Board.

B. Petrenas

B W Petrenas, President

M R Winger, Board Member

28/9/2012

Date

28 Sept 2012

Date

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

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 9 MONTHS ENDED 30 JUNE 2012

	Note	9 months ending 30 June 2012 $'000	12 months ending 30 September 2011 $'000
Operating activities			
Receipts from members and customers		75,194	99,257
Interest received		968	922
Dividends received		-	5
Dividends received from joint ventures		9,825	-
Payments to suppliers and employees		(75,928)	(94,938)
Interest paid		-	(17)
Grant to the NZAA Research Foundation		(96)	(91)
Net cash from operating activities	24	9,963	5,138
Investing activities			
Proceeds from sales of property, plant and equipment		297	430
Decrease/(increase) in joint ventures		3	(356)
Payments for property, plant and equipment		(2,644)	(5,121)
Payment for intangible assets		(504)	(574)
Loans to joint ventures		(2,319)	(1,949)
Repayment of joint venture loans		250	1,125
Proceeds from disposal of business		2,338	2,210
Net cash used in investing activities		(2,579)	(4,235)
Financing activities			
Repayment of finance lease liabilities		-	(57)
Net cash used in financing activities		-	(57)
Net increase / (decrease) in cash and cash equivalents		7,384	846
Cash and cash equivalents at the beginning of year		21,333	20,487
Cash and cash equivalents at the end of year	23	28,717	21,333

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

Statement of accounting policies

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

The New Zealand Automobile Association business is in providing motoring and auxiliary services to its members and the public within New Zealand. It is a public benefit entity.

Statement of compliance

The Association is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The financial statements have been prepared in accordance with General Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate for public benefit entities.

These financial statements comply with International Financial Reporting Standards ("IFRS").

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

The financial statements of the Group are for the 9 months ended 30 June 2012. The financial statements were issued by the Board, and approved for distribution by the National Council, on the 28 of September 2012.

Basis of preparation

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

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the 9 months ended 30 June 2012 and in the comparative information presented in these financial statements for the year ended 30 September 2011.

Presentation and Functional currency

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

Significant accounting policies

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

a) Basis of Consolidation

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

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

All subsidiaries are accounted for under the group policies.

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

Refer to note 19 for a full listing of subsidiaries at balance date.

Only the group results have been presented.

Statement of accounting policies (cont.)

b) **Investments in associates**

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

The group has no investment in Associates.

c) **Interest in joint ventures**

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

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss (refer to (d)).

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture. However, where the Group provides loans to its jointly controlled entities interest earnt is recognised within the group and it is not eliminated on consolidation.

Refer to note 20 for a full listing of joint ventures at balance date.

d) **Goodwill**

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

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

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

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

Statement of accounting policies (cont.)

e) Revenue

Revenue from services

Revenue from the rendering of services is measured at the fair value of the consideration received or receivable, net of returns and allowances, discounts and volume rebates. Depending on contractual arrangements, revenue is recognised either when services are rendered, or when the period of cover is complete.

Subscription income

Members' subscriptions are paid annually in advance throughout the year and are allocated to revenue on a daily pro rata time basis. The proportion of subscriptions received, which relate to the period after balance date, are included in the financial statements as subscriptions in advance.

Deferred income

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

Rental income

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

Dividend and interest revenue

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

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

f) Cash and cash equivalents

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

g) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'investments accounted using the equity method' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest method less impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial asset.

Financial assets at fair value through profit and loss

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

A financial asset is classified as held for trading if:
• it has been acquired principally for the purpose of selling in the near future; or
• it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
• it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
• the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
• it forms part of a contract containing one or more embedded derivatives, and NZ IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Statement of accounting policies (cont.)

g) Financial assets (cont)

Impairment of financial assets
Financial assets other than those at fair value through profit or loss are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.
Objective evidence of impairment could include:
• significant financial difficulty of the issuer or counterparty; or
• default or delinquency in interest or principal payments; or
• it becoming probable that the borrower will enter bankruptcy or financial re-organisation.
For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.
For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

i) Property, plant and equipment
Carrying amount
Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet 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 sheet date.

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

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

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

Statement of accounting policies (cont.)

i) **Property, plant and equipment (cont)**

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

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

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land.

Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

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

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

The residual value of assets is reassessed annually.

j) **Investment Property**

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

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

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

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

k) **Intangible assets**

Computer software assets are finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over an estimated useful life of 3 or 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

l) **Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year form the date of classification.

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

Statement of accounting policies (cont.)

m) Leased assets

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

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

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

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

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

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

n) Trade payables and other accounts payable

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables and other accounts payable are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

A provision for make good is recognised when there is a present obligation as a result of a property lease, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably.

o) Taxation

The Group is liable for taxation on its commercial trading activities, interest and rental income under section CB33 of the Income Tax Act 2007. The Group is exempt from taxation on membership related activities.

Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Statement of accounting policies (cont.)

o) Taxation (cont)

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Imputation credits

No disclosure is made in respect of imputation credits, since these are not utilisable by parties external to the Group.

p) Goods and services tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Statement of accounting policies (cont.)

q) **Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Defined contribution plans

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

r) **Statement of cash flows**

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

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

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

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

s) **Foreign currencies**

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

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

t) **Impairment**

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying value does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Statement of accounting policies (cont.)

Critical accounting judgments and key sources of estimation uncertainty

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

Critical judgments in applying accounting policies

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

Key sources of estimation uncertainty

Fair value of land and buildings and investment properties

The fair value of land & buildings and investment properties is determined at balance date using market values determined by independent registered valuers. In the absence of current prices in an active market, the valuations are prepared using a discounted cashflow methodology based on the estimated rental cash flows expected to be received from the property adjusted by a discount rate(ranging from 7.0% to 12.00%) that appropriately reflects the risks inherent in the expected cash flows. The most significant property is Albert Street and the effective market yield is 9.11% as at 31 August 2011. Valuations are completed in accordance with the New Zealand Institute of Valuers (NZIV) and Property Institute of New Zealand (PINZ) Code of Ethics, and Valuation Standards, including API and NZPI Professional Practice Fifth Edition, New Zealand Valuation Guidance Note 1 and International Valuation Application 1. Refer to note 8 and 11 for valuations.

Joint Ventures

Although the Group holds less than 50% ownership interest in some of their investments (refer note 20), these are classified as joint ventures as there is a contractual arrangement and the Group holds 50% of the voting rights and hence has joint control in all cases. The carrying value of investments in joint ventures is reviewed at balance date to determine whether or not any losses over and above the carrying amount of the investment should be recognised. If the Group determines there is a constructive obligation to the joint venture then the Group will continue to recognise their share of the losses.

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Board members to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, refer note 9.

Statement of accounting policies (cont.)

Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised Standards and interpretations issued by the Financial Reporting Standards Board (the FRSB) and approved by the Accounting Standards Review Board (the ASRB) that are relevant to its operations and effective annual reporting periods beginning on 1 July 2012.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective.

Standard	*Effective for annual reporting periods beginning on or after*	*Expected to be initially applied in the financial year ending*
Amendments to NZ IAS 12 'Income Taxes' - Deferred Tax: Recovery of Underlying Assets	1-Jan-12	30-Jun-13
Amendments fo NZ IAS 1 'Presentation of Financial Statements' - Presentation of Items of Other Comprehensive Income	1-Jul-12	30-Jun-13
Annual improvements to IFRSs: 2009-2011 Cycle	1-Jan-13	30-Jun-14
NZ IFRS 10 Consolidated Financial Statements, NZ IAS 27 Separate Financial Statements and NZ IAS 28 Investments in Associates and Joint Ventures	1-Jan-13	30-Jun-14
NZ IFRS 11 Joint Arrangements	1-Jan-13	30-Jun-14
NZ IFRS 12 Disclosure of Interests in Other Entities	1-Jan-13	30-Jun-14
NZ IFRS 13 Fair Value Measurement	1-Jan-13	30-Jun-14
Amendments to NZ IAS 19 'Employee Benefits'	1-Jan-13	30-Jun-14
Amendments to NZ IFRS 7 'Financial Instruments: Disclosures' - Offsetting Financial Assets and Financial Liabilities	1-Jan-13	30-Jun-14
Amendments to NZ IAS 32 'Financial Instruments: Presentation' - Offsetting Financial Assets and Financial Liabilities	1-Jan-14	30-Jun-15
NZ IFRS 9 'Financial Instruments'	1-Jan-15	30-Jun-16
Revised NZ IFRS 9 'Financial Instruments' (2010)	1-Jan-15	30-Jun-16
Amendments to NZ IFRS 9 and NZ IFRS 7 Mandatory Effective Date and Transition Disclosures	1-Jan-15	30-Jun-16

The Board members anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Group, but will change the presentation and disclosures presently made in relation to the Group financial report.

	9 months ending 30 June 2012 $'000	12 months ending 30 September 2011 $'000
1 Revenue		
Continuing operations		
Sale of goods	3,198	4,391
Rendering of services to members and public	72,684	94,940
Rental income from investment property	80	126
Dividends	0	5
Interest revenue (loans and receivables)	966	948
	76,928	100,410

	9 months ending 30 June 2012 $'000	12 months ending 30 September 2011 $'000
2 Other gains / (losses)		
Continuing operations		
Revaluation of investment properties	(195)	(92)
Change in fair value of financial asset classified as fair value through profit or loss	549	19
Net foreign exchange gains / losses	53	(115)
Impairment losses on revalued land and buildings	-	(42)
	407	(230)

	9 months ending 30 June 2012 $'000	12 months ending 30 September 2011 $'000
3 Expenses		
Continuing operations profit for the year has been arrived at after charging/(crediting):		
(a) General expenses		
Depreciation of property, plant and equipment (note 8)	2,596	3,291
Amortisation - Software (note 10)	996	1,416
Operating lease expense	3,550	3,170
Raw materials and consumables used	1,965	2,731
(Gain)/loss on disposal of property, plant and equipment	191	309
Legal expenses	115	150
Direct operating expenses (including repairs and maintenance) arising from investment properties	25	31
(b) Personnel expenses		
Employee benefits expense	39,101	50,666
Defined contribution plans	1,669	2,097
(c) Finance expenses		
Interest obligations under finance leases	-	17

4 Taxation

4a *Income tax expense*

	9 months ending 30 June 2012 $'000	12 months ending 30 September 2011 $'000
Current tax	3	352
Deferred tax	-	775
Income tax (expense)/benefit for the year	3	1,127

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

	9 months ending 30 June 2012 $'000	12 months ending 30 September 2011 $'000
Profit/(loss) before tax and grants - continuing activities	4,155	4,090
Less grants to NZAA Research Foundation	(96)	(91)
	4,059	3,999
Income tax using company tax rate 28% (2011: 30%)	1,136	1,200
Non-deductible/(non-assessable) expenses/(income)	2,134	(2,559)
Effect of unused tax losses not recognised as deferred tax assets	(3,270)	1,359
Deferred tax	-	775
Effect of associates operating in foreign tax jurisdictions	-	365
Exchange difference on a foreign operation	3	(13)
	3	1,127

4b *Deferred tax assets/(liabilities)*

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

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

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

	1-Oct-10 $'000	Charge to profit or loss $'000	Charge to equity $'000	Changes in tax rate $'000	30-Sep-11 $'000
Gross deferred tax liabilities					
Property, plant and equipment	(3,491)	(89)	-	239	(3,341)
Equity accounted investments in foreign tax jurisdictions	(1)	(10)	-	-	(11)
Tax liabilities	(3,492)	(99)	-	239	(3,352)
Set off of tax	2,717	874	-	(239)	3,352
Net tax liabilities	(775)	775	-	-	-
Gross deferred tax assets					
Employee provisions	595	58	-	(44)	609
Doubtful debts provision	48	(28)	-	(1)	19
Inventory provisions	28	(8)	-	(1)	19
Equity accounted investments in foreign tax jurisdictions	385	375	-	-	760
Exchange difference on a foreign operation	-	(13)	-	-	(13)
Other	35	24	-	(4)	55
Brought forward tax losses recognised	2,009	818	-	(189)	2,638
Tax assets	3,100	1,226	-	(239)	4,087
Set off of tax	(2,717)	(874)	-	239	(3,352)
Net tax assets	383	352	-	-	735

The Association has unrecognised New Zealand tax losses of approximately $12.2 million (2011: $10.8 million) and Australian recognised tax losses of $738,731 (2011: $735,355) and Australian unrecognised tax losses of $387,281 (2011: $0).

On 20 May 2010 the Government announced a reduction in the income tax rate from 30% to 28% which will apply to the Association. The new rate has been applied in the 2012 income year. The impact on the value of deferred tax liabilities and assets that are expected to be realised in the 2012 and subsequent income years is shown above.

5 Other financial assets	2012 $'000	2011 $'000
Investment managed fund	22,923	22,374
	22,923	22,374

Investment managed fund represents the Group's investment in a diversified portfolio managed by JMIS Limited. The portfolio consists of equities, trust units and fixed interest investments.

6 Sundry receivables, prepaid expenses and other current assets	2012 $'000	2011 $'000
Sundry receivables	2,553	2,850
Prepayments	1,208	1,338
Other	1,192	1,235
	4,953	5,423

The average credit period on sales of goods and service is 60 days (2011: 60 days). Interest is charged only when the customers goes beyond their agreed credit period. The Group provides for doubtful debts on a customer by customer basis. Payment terms are determined by contractual arrangements.

The receivables balance is made up of a large number of low-value receivables, there are no customers who represent more than 13% 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 $814,531 (2011: $530,227) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing past due sundry receivables that are not impaired	2012 $'000	2011 $'000
30-60 days	431	312
60-90 days	154	164
90+ days	230	54
	815	530

Movement in the allowance for doubtful debts	2012 $'000	2011 $'000
Balance at beginning of the period	68	162
Impairment losses recognised on receivables	5	(5)
Amounts written off as uncollectable	(39)	(86)
Impairment losses reversed	0	(3)
Balance at end of period	34	68

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

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The Group does hold collateral over these balances. The net carrying amount is considered to approximate their fair value.

The doubtful debt provision of $34,032 (2011: $68,679) is applicable to invoices aged 90+ days.

7 Inventory	2012 $	2011 $
Retail stock	735	753
Consumables	560	613
	1,295	1,366

The cost of inventories recognised as an expense during the period was $1,964,634 (2011: $2,730,970). The cost of inventories recognised as an expense includes $48,854 (2011: $68,412) in respect of write-downs of inventory to net realisable value, and has been reduced by $19,558 (2011: $26,067) in respect of the reversal of such write-downs. Previous write-downs have been reversed as a result of decreased sales prices on certain products.

8 Property, plant and equipment

Gross carrying amount	Freehold Land at fair value $'000	Buildings at fair value $'000	Leasehold Improvements at cost $'000	Plant and Equipment at cost $'000	Furniture & Fittings at cost $'000	Motor Vehicles at cost $'000	Computer Equipment at cost $'000	Work in Progress at cost	Total $'000
Balance at 1-Oct-10	9,427	12,716	6,384	2,971	10,977	9,099	6,280	-	57,854
Additions	-	822	168	(39)	1,163	2,376	631	-	5,121
Disposals	-	-	(78)	(159)	(485)	(1,589)	(297)	-	(2,608)
Revaluation increase / (decrease)	368	(1,047)	-	-	-	-	-	-	(679)
Balance at 30-Sept-11	9,795	12,491	6,474	2,773	11,655	9,886	6,614	-	59,688
Additions	-	195	29	-	360	1,252	386	422	2,644
Disposals	-	-	(73)	(42)	(164)	(1,107)	(990)	-	(2,376)
Revaluation increase / (decrease)	-	-	-	-	-	-	-		-
Balance at 30-June-12	9,795	12,686	6,430	2,731	11,851	10,031	6,010	422	59,956

Accumulated depreciation	Freehold Land at fair value $'000	Buildings at fair value $'000	Leasehold Improvements at cost $'000	Plant and Equipment at cost $'000	Furniture & Fittings at cost $'000	Motor Vehicles at cost $'000	Computer Equipment at cost $'000	Work in Progress at cost $'000	Total $'000
Balance at 1-Oct-10	-	269	4,139	2,024	8,880	5,531	5,411	-	26,254
Depreciation expense	-	281	387	146	800	1,221	456	-	3,291
Eliminated on disposals	-	-	(60)	(151)	(340)	(1,501)	(294)	-	(2,346)
Eliminated on revaluation	-	(550)	-	-	-	-	-	-	(550)
Balance at 30-Sept-11	-	-	4,466	2,019	9,340	5,251	5,573	-	26,649
Depreciation expense	-	219	284	98	632	1,000	363	-	2,596
Eliminated on disposals	-	-	(51)	(42)	(161)	(1,024)	(989)	-	(2,267)
Eliminated on revaluation	-	-	-	-	-	-	-	-	-
Balance at 30-June-12	-	219	4,699	2,075	9,811	5,227	4,947	-	26,978

Carrying amount	Freehold Land at fair value $'000	Buildings at fair value $'000	Leasehold Improvements at cost $'000	Plant and Equipment at cost $'000	Furniture & Fittings at cost $'000	Motor Vehicles at cost $'000	Computer Equipment at cost $'000	Work in Progress at cost	Total $'000
As at 30-Sept-11	9,795	12,491	2,008	754	2,315	4,635	1,041	-	33,039
As at 30-June-12	9,795	12,467	1,731	656	2,040	4,804	1,063	422	32,978

The Group's obligations under finance leases have a carrying amount of $0 (2011: $2,500) and are included above.

Valuation of land & buildings

All land & buildings were last revalued by independent registered valuers at 31 August 2011. At the 30 June 2012 following enquiries of valuers market values were not deemed to have moved significantly and no formal revaluations were undertaken. The total value as per valuer was as follows:

	Date of Valuation	2012 $'000	2011 $'000
Colliers International	31/08/2011	10,000	10,000
Morgan Property Advisors	6/09/2011	2,320	2,320
Quotable Value New Zealand	22/08/2011	945	945
Telfer, Young	12/09/2011	1,855	1,855
Chadderton & Associates Ltd	5/09/2011	780	780
SW Binnie	30/08/2011	590	590
Telfer, Young	30/08/2011	300	300
Duke & Cooke	13/09/2011	1,380	1,380
Hadley & Lyall	18/08/2011	1,720	1,720
Graeme Isbister	31/08/2011	415	415
Telfer, Young	24/08/2011	1,560	1,560
		21,865	21,865

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

	2012 $'000	2011 $'000
Freehold land	1,633	1,633
Buildings	9,534	9,609
	11,167	11,242

	2012	2011
9 Goodwill	**$'000**	**$'000**
Cost		
Balance at beginning and end of period	6,090	6,090
Carrying amount		
Balance at beginning and end of period	6,090	6,090

9a *Allocation of goodwill to cash-generating units ("CGU's")*

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

	2012 $'000	2011 $'000
AA Vehicle Testing Ltd	3,776	3,776
Geosmart Maps Ltd	2,314	2,314
	6,090	**6,090**

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

For all CGU's above, the recoverable amounts of the cash-generating units are determined based on a value in use calculation which uses cash flow projections based on historical cash results and approved financial budgets. The period is a ten year period, and the discount rate used is based upon 5-year average government bond rates per annum 4.29% (2011: 5.03% per annum).

Cash flow projections during the budget period are based on the same expected gross margins during the budget period and a price inflation during the budget period. The cash flows beyond that five year period have been extrapolated using a conservative 0% per annum growth rate which is less than the projected long-term average growth rate. The Board members believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

10 Other intangible assets

	Computer Software $'000
Gross carrying amount	
Balance at 30-Sept-10	12,242
Additions	574
Disposals	(579)
Balance at 30-Sept-11	12,237
Additions	504
Disposals	(1,224)
Balance at 30-June-12	11,517
Accumulated amortisation and impairment	
Balance at 30-Sept-10	8,895
Amortisation expense	1,416
Eliminated on disposals	(579)
Balance at 30-Sept-11	9,732
Amortisation expense	996
Eliminated on disposals	(1,196)
Balance at 30-June-12	9,532
Carrying amount	
As at 30-Sept-11	2,505
As at 30-June-12	1,985

11 Investment properties

	2012	2011
At fair value	$'000	$'000
Balance at start of year	1,216	1,295
Change in fair value	(195)	(79)
Balance at the end of the period	1,021	1,216

The Association holds the freehold to all investment properties.

Valuation of investment properties

All investment properties were valued by independent registered valuers as at 30 June 2012. The total value per valuer was as follows:

	Date of Valuation	2012 $'000	2011 $'000
Baker & Associates	30/06/2012	886	1,060
Telfer Young	30/06/2012	135	156
		1,021	1,216

Operating Leases

The Group leases out its investment property held under operating leases. The lease period is up to 17 Years. The future minimum lease receivables under non-cancellable operating leases are as follows:

	2012 $'000	2011 $'000
Less than one year	120	112
Between one and five years	402	417
More than five years	420	427
	942	956

	2012	2011
12 Accounts payable	$'000	$'000
Trade payables	3,607	4,379
Accrued expenses	3,188	2,169
Goods and services tax (GST) payable	581	699
Rewards liability	328	3,025
Other	966	955
	8,670	11,227

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

13 Make Good Provision

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

	2012 $'000	2011 $'000
Balance at beginning of period	137	103
Movement for period	(27)	34
Balance at end of period	110	137

14 Deferred income

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

This is disclosed as:	2012 $'000	2011 $'000
Current portion	2,130	2,006
Non-current portion	1,571	1,447
	3,701	3,453

15 Unearned revenue

Unearned Revenue represents the deferral of brand fees received from related parties where appropriate.

This is disclosed as:	2012 $'000	2011 $'000
Current portion	410	454
Non-current portion	700	1,000
Total Unearned Revenue	1,110	1,454

16 Asset revaluation reserve	2012 $'000	2011 $'000
Balance at beginning of period	9,139	9,227
Increase on revaluation of properties	-	568
Impairment losses	-	(656)
Balance at end of period	9,139	9,139

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

17 Foreign currency translation reserve	2012 $'000	2011 $'000
Balance at beginning of period	19	59
Gain on translation of foreign operations	12	(40)
Balance at end of period	31	19

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

18 Accumulated funds	2012 $'000	2011 $'000
Balance at beginning of period	96,409	91,317
Net surplus for the 9 months ended attributable to the Association acting in the interest of members	3,924	5,092
Balance at end of period	100,333	96,409

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

19 Subsidiaries

Details of the Group's significant subsidiaries at 30 June 2012 are as follows:

Name of Subsidiary	Place of Incorporation	Principle activity	Ownership interest and voting rights (%) 2012	2011
The New Zealand Automobile Association Limited	New Zealand	Brand Licensing	100	100
AA Finance Limited	New Zealand	Finance Company - Non Trading	100	100
AA Guides Limited	New Zealand	Publishing Guides and Maps - Non Trading	100	100
Geosmart Maps Limited	New Zealand	Developing Mapping Software	100	100
AA Rewards Operations Limited	New Zealand	Loyalty Program	100	100
AA Auto Service Limited	New Zealand	Vehicle Servicing Franchise	100	100
AA Vehicle Testing Limited	New Zealand	Vehicle W.O.F & Related Services	100	100
AA Driver Training Limited	New Zealand	Driver Training Franchise	100	100
NZAA Assets Limited	New Zealand	Service Provider	100	100

20 Investments accounted for using the equity method

Investment in joint ventures

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

Name of Joint Venture	Financial year end	Place of Incorporation	Principle activity	Voting rights On Significant Transactions (%) 2012	2011	Ownership interest (%) 2012	2011
AA Insurance Limited	30 June	New Zealand	Insurance Provider	50%	50%	32%	32%
Qualmark New Zealand Limited	30 June	New Zealand	Tourism Agency	50%	50%	40%	40%
Access New Zealand Limited	30 September	New Zealand	Service Provider	50%	50%	50%	50%
AA Battery Services Limited	30 June	New Zealand	Service Provider	50%	50%	50%	50%
AA Life Services Limited	30 June	New Zealand	Insurance Provider	50%	50%	50%	50%
AA Bookabach Limited	30 June	New Zealand	Tourism	50%	50%	50%	50%
Bookastay.com.au Pty Limited	30 June	Australia	Tourism	50%	50%	50%	50%
Club Tourism Publishing	31 December	Australia	Tourism	50%	50%	50%	50%
AA Tourism Limited	31 December	New Zealand	Tourism	50%	50%	50%	50%
AAA Tourism Services Pty Limited	31 December	Australia	Tourism	50%	50%	50%	50%
Marac JV Holdings Limited	30 June	New Zealand	Insurance Provider	50%	50%	50%	50%
AA Smartfuel Limited	30 June	New Zealand	Loyalty Program	50%	50%	50%	50%

Although the Group holds less than 50% ownership interest in some of the investments listed above, these are classified as joint ventures as there is a contractual arrangement and the Group holds 50% of the voting rights and hence has joint control in all cases.

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

	2012 $'000	2011 $'000
Total assets	582,651	572,933
Total liabilities	(471,259)	(465,258)
Net assets	111,392	107,675
Group's share of net assets of joint ventures	42,641	39,527
Total revenue	177,782	218,392
Total profit	10,956	11,598
Group's share of profits of joint ventures	3,772	3,535

20 Investments accounted for using the equity method (continued)

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

	2012 $'000	2011 $'000
Carrying value of joint ventures		
- Carrying value at beginning of period	39,527	43,409
- Share of net surplus/(losses)	3,772	3,535
- Share of other comprehensive income of associates	(138)	(34)
- Losses offset against related party receivable	1,296	302
- Shareholder advances	(3)	(15)
- Dividends received	(1,825)	(8,000)
- Additional investment	-	370
- Gain arising on translation of foreign associate	12	(40)
- Carrying value at end of period	42,641	39,527

	$'000	$'000
The carrying value is comprised of:		
- Cost	24,698	24,685
- Share of joint venture post-acquisition reserves	10,072	6,982
- Goodwill	7,841	7,841
- Foreign currency translation reserve	30	19
	42,641	39,527

Joint venture share of net surplus		
- Share of surplus before taxation	5,119	5,272
- Share of taxation expense	(1,347)	(1,737)
- Share of total recognised revenues and expenses	3,772	3,535

21 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 19 and 20 respectively.

Related party transactions and outstanding balances

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

2012

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

21 Related Parties (Continued)

Joint Ventures (Continued)

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

2011

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 September ($'000)
Joint Ventures:			
Qualmark New Zealand Limited			
	Operational Transactions	5	
AA Insurance Limited			
	Amount Owed to NZAA		151
	Amount Owed to AA Insurance		1
	Service Commission and Operational Funding	4,177	
AA Life Services Ltd			
	Amount Owed to NZAA		26
	Service Commission and Operational Funding	1,033	
AA Battery Services Ltd			
	Amount Owed to NZAA		107
	Amount Owed to AA Battery Services		78
	Purchase of Battery Stock	863	
	Service Commission and Operational Funding	601	
AA Bookabach Limited			
	Amount Owed to NZAA		85
	Operational Funding	(25)	

21 Related Parties (Continued)

Joint Ventures (Continued)

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 September ($'000)
Bookastay.com.au Pty Limited			
	Operational Funding	10	
Club Tourism Publishing			
	Amount Owed to NZAA		159
	Deferred Consideration on Acquisition of Joint Venture		2,284
	Revolving Credit Facility		1,358
	Operational Funding	595	
AA Tourism Limited			
	Amount Owed to AA Tourism Limited		4
Marac JV Holdings Limited			
	Amount Owed to NZAA		2
	Service Commission and Operational Funding	861	
AA Smartfuel Limited			
	Revolving Credit Facility		1,531
Other related parties:			
Staff Superannuation Schemes			
	Subsidy	2,097	
	Expenses	655	
	Reimbursement	(164)	
AA Driver Education Foundation			
	Amount Owed to NZAA		13
	Amount Owed to AA Driver Education		9
	Grant paid to Driver Education Foundation	8	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		26
	Grant paid to NZAA Research Foundation	91	

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

Compensation of Key management personnel

Loans and advances to key management personnel amounted to $Nil (2011: $Nil).

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

	2012 $'000	2011 $'000
Short-term employee benefits	2,359	2,811
Post-employment benefits	206	273
	2,565	3,084

22 Remuneration of auditors

	2012 $'000	2011 $'000
Audit of the financial statements	200	210
Taxation services	94	281
Other assurance related services	6	31
	300	522

The auditor of The New Zealand Automobile Association Incorporated and subsidiaries is Deloitte. Auditor's remuneration for other assurance related services disclosed above consists of accounting advisory services.

23 Cash and cash equivalents

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

	2012 $'000	2011 $'000
Cash on hand	48	48
Cash in banks	1,810	1,343
Fixed term deposits ≤ 3 months	19,367	12,367
Call deposits	7,492	7,575
Total cash and cash equivalents per statement of cash flow	28,717	21,333

24 Reconciliation of net surplus after taxation for the period to net cash flows from operating activities	2012 $'000	2011 $'000
Net profit for the year attributable to the association acting in the interest of members	4,062	5,126
Non-cash items:		
Depreciation expense	2,596	3,291
Amortisation expense	996	1,416
Net foreign exchange loss/(gain) on related party receivable	(53)	115
Capitalised lease	14	(38)
Share of (profit)/loss of joint ventures	(3,772)	(3,535)
Loss/(gain) on managed funds	(549)	(19)
Changes in working capital:		
(Increase)/decrease in assets:		
Sundry receivables and prepayments	470	9
Dividend receivable	8,000	-
Inventories	71	(395)
Deferred tax asset	(3)	(352)
(Decrease)/increase in liabilities:		
Accounts payable	(2,555)	135
Employee entitlements	(57)	203
Make Good Provision	(27)	34
Unearned & deferred income	(96)	(286)
Subscriptions in advance	(990)	397
Deferred Tax Liability	-	(775)
Items classified as financing/investing activities:		
Loss/(gain) of disposal of property, plant and equipment	(191)	(309)
Loss/(gain) of disposal of intangible assets	27	-
Loss/(gain) on revaluation of freehold land and buildings	-	42
Loss/(gain) on revaluation of investment property	195	79
Dividend from joint venture companies	1,825	-
Net cash from operating activities	9,963	5,138

25 Amount, timing and uncertainty of cash flows

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

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

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

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

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

26 Operating lease and capital commitments

The group as lessee:

Operating leases primarily relate to retail space with lease terms of between one month to 20 years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Obligations payable after balance date on non-cancellable leases are as follows :	2012 $	2011 $
Within one year	3,311	3,550
Between one and five years	4,840	5,819
After five years	450	1,029
	8,601	10,398

Capital commitments
At balance date the Group had no capital commitments (2011: $92,000).

27 Contingent assets
At balance date the Group had no contingent assets (2011: $Nil).

28 Contingent liabilities	2012 $'000	2011 $'000
Contingent liabilities are categorised as follows:		
-Uncalled capital on shares in:		
Qualmark New Zealand Limited	40	40
-Motorway emergency telephone service indemnity bond	8	8

29 Subsequent events
The Group received a dividend of $6.4 million on 3 September 2012 being their share of a dividend declared by a joint venture on 9 August 2012.

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk including interest rate risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. Ageing analyses are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts. Levels of exposure to interest rate risk are monitored and assessments are made of market forecasts for interest rates.

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

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

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

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

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

30 Financial instruments (continued)

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

The Group does not hold collateral over these accounts receivable.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board members, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Contractual maturities of financial assets and financial liabilities

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

As at 30 June 2012	Carrying amounts $'000	Contractual cash flows $'000	On demand $'000	1 to 12 months $'000	1 to 5 years $'000
Assets					
Related party receivable	3,661	3,819	2,402	1,417	-
Total financial assets	3,661	3,819	2,402	1,417	-
Liabilities					
Accounts payable	8,670	8,670	8,670	-	-
Make good provision	110	110	110	-	-
Total financial liabilities	8,780	8,780	8,780	-	-

As at 30 September 2011	Carrying amounts $'000	Contractual cash flows $'000	On demand $'000	1 to 12 months $'000	1 to 5 years $'000
Assets					
Related party receivable	5,173	5,594	3,816	240	1,538
Total financial assets	5,173	5,594	3,816	240	1,538
Liabilities					
Accounts payable	11,227	11,227	11,227	-	-
Make good provision	137	137	137		
Finance lease liabilities	3	3	-	3	-
Total financial liabilities	11,367	11,367	11,364	3	-

The weighted average interest rate on the related party receivable is 9.2% (2011: 9.6%)

Categories of financial assets and financial liabilities

As at 30 June 2012	Loans and Receivables $'000	At fair value through profit or loss $'000	Investment accounted for using the equity method $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets					
Cash and cash equivalents	28,717	-	-	-	28,717
Other financial assets	-	22,923	-	-	22,923
Sundry receivables & other assets	3,745	-	-	-	3,745
Related party receivable	3,661				3,661
Investment accounted for using the equity method	-	-	42,641	-	42,641
Total financial assets	36,123	22,923	42,641	-	101,687
Liabilities					
Accounts payable	-	-	-	(8,670)	(8,670)
Make good provision	-	-	-	(110)	(110)
Total financial liabilities	-	-	-	(8,780)	(8,780)

30 Financial instruments (continued) As at 30 September 2011	Loans and Receivables $'000	At fair value through profit or loss $'000	Investment accounted for using the equity method $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets					
Cash and cash equivalents	21,333	-	-	-	21,333
Other financial assets	-	22,374	-	-	22,374
Sundry receivables & other assets	4,085	-	-	-	4,085
Related party receivable	5,173	-	-	-	5,173
Investment accounted for using the equity method	-	-	39,527	-	39,527
Total financial assets	30,592	22,374	39,527	-	92,492
Liabilities					
Accounts payable	-	-	-	(11,227)	(11,227)
Make good provision				(137)	(137)
Finance lease liabilities	-	-	-	(3)	(3)
Total financial liabilities	-	-	-	(11,367)	(11,367)

Market risks

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

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

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

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

Equity price sensitivity analysis
The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Financial Assets

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

As at 30 June 2012	Balance $'000	Income impact of 1% fall in interest rate $'000	Income impact of 1% increase in interest rate $'000	Income impact of 5% fall in equity price $'000	Income impact of 5% increase in equity price $'000
Assets					
Cash and cash equivalents	28,717	287	(287)	-	-
Other financial assets	22,923	115	(115)	573	(573)
Related party receivable	3,661	37	(37)	-	-
Total financial assets	55,301	439	(439)	573	(573)
Total	55,301	439	(439)	573	(573)

30 Financial instruments (continued) As at 30 September 2011	Balance $'000	Income impact of 1% fall in interest rate $'000	Income impact of 1% increase in interest rate $'000	Income impact of 5% fall in equity price $'000	Income impact of 5% increase in equity price $'000
Assets					
Cash and cash equivalents	21,333	213	(213)	-	-
Other financial assets	22,374	134	(134)	447	(447)
Related party receivable	5,173	52	(52)	-	-
Total financial assets	48,880	399	(399)	447	(447)
Total	48,880	399	(399)	447	(447)

Fair Values

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

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

Fair value measurements recognised in the statement of financial position

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

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

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

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

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

As at 30 September 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	22,374	-	-	22,374
Total financial assets	22,374	-	-	22,374

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

Commodity and other market risk

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED

Report on the Financial Statements

We have audited the financial statements of The New Zealand Automobile Association Incorporated on pages 3 to 32, which comprise the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Members, as a body, in accordance with the Rules of the Association and the Financial Reporting Act 1993. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members, as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibilities

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

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

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

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

Opinion

In our opinion, the financial statements on pages 3 to 32:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of The New Zealand Automobile Association Incorporated Group as at 30 June 2012, and their financial performance and cash flows for the period then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with the Financial Reporting Act 1993 and the Rules of the Association. In relation to our audit of the financial statements for the period ended 30 June 2012:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by The New Zealand Automobile Association Incorporated as far as appears from our examination of those records.

Deloitte

Chartered Accountants
28 September 2012
Auckland, New Zealand

This audit report relates to the financial statements of The New Zealand Automobile Association Incorporated for the year ended 30 June 2012 included on The New Zealand Automobile Association Incorporated's website. The entity's governing body is 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 financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 28 September 2012 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.