GUIDING LIFE'S JOURNEYS FOR OVER 110 YEARS.

New Zealand Automobile Association

ANNUAL REPORT

2015 - 2016

NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED

CONTENTS

The year in review

The AA's longstanding vision is clear – to forge a relationship with as many New Zealanders as possible that provides a suite of services and benefits that are, or become, indispensable to their mobility needs.

The work we do in support of our vision has many facets. Each focuses on developing deeper relationships with our existing Members while continuing to expand the range of services and benefits to provide even more compelling reasons for other Kiwis to join.

In the 2015/16 financial year, success in this regard was highlighted on two fronts. The first was unprecedented retention of our existing Member affiliation with 91% renewing their subscription. Second was the record number of first time Member sign ups. In fact, during the year 127,000 new Members were recorded. As a result, the AA finished the year with 1.54 million Members on the books, with an average growth rate of about 2500 every month.

An additional highlight on the Membership front was the growth on the business service side – another record smashed with an increase of 6.3% to more than 561,000.

The current financial year is on track to exceed that number again and just after the beginning of 2017, the number of personal AA Members exceeded a million. Combined with our vehicle-based business Members, the AA's total Membership is now more than 1.5 million.

Broadening the range of services and benefits are just part of the equation. Just as important is the expectation that we deliver exceptional service in everything we do and provide quality products.

This is critical across all services provided by the Association, but in particular in the areas with the most Member and customer contact such as Roadservice, the counter services in the Centre Network and vehicle repairs and service through our Motoring Services division.

Hand-in-hand with the continual enhancement of service delivery has been the broadening of our Member benefits range.

Since the incorporation of a single national Automobile Association more than 25 years ago, we have specifically looked for ways to provide more to our Members outside the traditional services and, each year, that range of benefits grows.

The free Specsavers eye exam available to Members every two years is just one of those contributing benefits. It sits strongly alongside the AA Driving School's AA Ignition programme, which offers three free driving lessons to new learner drivers who are Members or the children of Members. The School now offers our more senior Members access to Senior Driver, which provides a free driving assessment – initially from the age of 80, which we lowered to 74 after it was introduced – as they enter the period of more frequent licence renewals.

Those benefits also extend to advantages for Members when selection some of our other products and services noting AA Insurance, AA Life and more recently AA Health.

Beyond that, our philosophy of continually enhancing the value of Membership with no increases in the cost of subscription owes much to our drive to build strong commercial partnerships and the subsequent financial contribution as a result of their successful management. This enables us to operate strongly and provides the investment funding necessary to continue the search for new ways for the Association to be even more relevant to motorists by increasing the range of benefits on offer.

In the current environment, the Association finds itself in the fortunate and confident position of looking forward to a continual increase in Membership driven by a further development of the range of services and benefits, offered to Members with no additional cost.

From left, AA Chief Executive Brian Gibbons and AA President Trevor Follows.

Membership

The financial year to 30 June 2016 saw unprecedented Membership growth with a net increase of 63,094 Members to finish the year with some 1,544,014 Members.

A record 126,717 new Personal Members joined the Association during the year, up nearly 17% on the previous year. A very strong Membership renewal rate of 90.16% saw the year conclude with 982,970 Personal Members, a net growth of 28,735 over the year.

Records also tumbled with our Business Vehicle Solutions (BVS) Membership with net growth of 32,726 to reach 561,044 Members, the year's 6.3% growth rate comfortably surpassing the previous year's growth rate of 5.1%.

Alongside the traditional Member benefits such as our iconic AA Roadservice, continuing development of existing and new Member benefits is helping to drive the record Membership growth.

New Membership benefits introduced over recent years include free vehicle safety checks, discounted movie tickets at EVENT Cinemas (when booking online at aa.co.nz), heavily discounted all-inclusive rates with Thrifty Car Rentals, and exclusive discounts accommodation and insurances alongside the very popular free eye check at Specsavers available to AA Members once every two years, and the AA Smartfuel programme.

The combined result of the Member benefits was an average annual saving for Members of $54.02, excluding any Roadservice callouts and free maps and guides. This is $1.61 less than the average cost of renewal, which means Members are getting more value than the cost of subscription.

AA Smartfuel

AA Members saved nearly $30 million in fuel discounts over the year with the average active Member saving $54 over the 12 months. The total cardholder base exceeds 1.8 million and in the year to 30 June 2016 more than $80 million in fuel discounts.

AA Smartfuel's key focus is continuing education on how to use the programme best and growing our retail partner base.

The launch of the phone app has been a great tool to inform and educate Members on their fuel saving balance and how they can accumulate to save even more on their weekly fuel bill. Work will continue on improving the app and further grow its use.

After five years of operation, AA Smartfuel has entered a stage of strong growth. The year saw a number of changes with Caltex acquired by Z Energy and increasing competition from other fuel companies matching AA Smartfuel offers. None of them have the ability to accumulate the fuel discounts which is our key point of difference.

During the year a big part of the focus was planning Countdown's change from its standalone OneCard loyalty programme to offering AA Smartfuel discounts. With Countdown holding nearly 50% of the grocery market alongside fuel partners BP and Caltex with a similar share, AA Smartfuel is well placed to provide further fuel savings to AA Members with their everyday shopping.

AA Motoring Services

The main focus for AA Motoring Services during the year was continuing to grow our network of AA Auto Centres, a one-stop-shop for all motorists' needs.

During the year we opened sites in Whangarei and Christchurch Airport, as well as converting several AA Auto Service & Repair outlets to AA Auto Centres.

The changes to the Warrant of Fitness (WOF) intervals continued to see decline in volumes with many vehicles now requiring just one inspection every year. New vehicles are able to avoid inspection for three years.

High volumes of used car arrivals continued to keep the Association's compliance services busy.

On the free Member advice front, increased depth and detail in the online space ensures information is available around the clock.

AA Roadservice

The AA continues to grow and maintain its position as the premier provider of roadside assistance services for New Zealand motorists.

The goal is to consistently deliver a quality service to Members – both on the scene of a breakdown and proactively managing attendance and any potential delays by providing accurate response times to keep them well informed.

During the year key service improvements involved continued expansion of AA Roadservice's flexible resourcing models made up of a mix of Contractors and AA's valued Service Officers. As a result, the AA continues to better meet peak demand periods and improve service levels. Pleasingly, the Member Service Monitor measures continue to remain well above target levels.

In addition, the AA continues to drive innovation and efficiencies such as beginning the rollout of automated job workflow for all of our Service Providers and 'Track My Job' which gives Members the ability to follow their assigned Service Officer through the Roadservice phone app.

AA Roadservice has also rolled out a Roadside Safety Improvement Programme, ensuring the team has a safe working environment and complies with strengthened health and safety legislation. The programme identifies a number of key improvement initiatives and opportunities which include the visibility of our breakdown vehicles and better lighting with brand decals, roadside hazard identification and risk reduction methods.

Service Officers, AA Assist, AA Battery Service and Contractors attended more than 480,000 jobs over the year:

- 39% for flat batteries
- 14% for mechanical and electrical faults
- 17% for towing services
- 8% for lockouts
- 9% for tyre changes
- 6% for fuel

Roadservice attended 88% of our Member calls within 60 minutes and were able to mobilise 92% of all breakdowns.

Driver Education

The AA Ignition programme offering three free driving lessons to new learner drivers finished the financial year with almost 19,000 sign-ups after its first full financial year of operation.

In late November 2015, the AA Driving School launched AA Road Code Practice Tests – a tool to help pre-learners prepare for their theory tests. After seven full months of operation, more than 31,000 people have bought AA Road Code Practice Tests either online or in an AA Centre.

In addition to helping customers prepare for their learner licence, another focus for the year was the development and launch of the Simulated Driving Test designed to help students prepare for their restricted and full practical tests. After its launch in December 2015 more than 1000 were taken.

AA Driving School – Fleet & Business has increased its reach again this financial year with a stronger focus on health and safety practices in the workplace. Defensive Driving Plus was launched and incorporates the Defensive Driving for Fleet & Business theory session followed by a practical in-car session. Feedback from this course has been extremely positive to date.

Driver Licensing

Additional automation by the Transport Agency saw a 10% reduction in driver licence transactions for the year compared to the previous 12 months.

Learner licences grew by 9% with 121,537 of these processed at AA licensing outlets.

Following the 20% increase in overseas conversions for the previous year, there was a further increase of 16%.

The AA continues to be Transport Agency's largest service delivery channel, providing driver licensing transactions from 77 fixed locations and, 24 smaller communities which are serviced by three regionally based mobile units.

Vehicle licensing, including registrations, change of ownership and road user charges transactions are provided by all driver licensing sites as well as from the AA's Vehicle Testing stations – a total of 90 AA locations.

AA Traveller

AA Traveller's quest to be the champion of domestic tourism is progressing well.

The business has continued with successful development of new niche publications. These include two very successful NZ Cycle Trail publications alongside the Great New Zealand Golf Guide produced in partnership with Tourism NZ.

In addition, we produced two Chinese language editions of Travel Around New Zealand – separate editions for both the North and South Islands.

We continue to produce more than three million popular maps and guides.

In February 2016, we launched a new Best Price Around promise, allowing AA Members to book accommodation with confidence knowing they're getting the best price available on the day of booking.

From March to October 2016 we led the nationwide AA Traveller Great Spot campaign designed to stimulate domestic tourism during the off-peak season.

The campaign generated 885 bookings for campaign partners which included Thrifty Car Rentals, Real Journeys, Skyline Rides, Ngai Tahu Tourism and Fullers Intercity.

Content for the AA Traveller monthly email has been segmented geographically, with Upper North Island, Lower North Island and South Island versions now produced to promote drive tourism.

AA Finance

Following the previous year's 52% increase in car loans, the 2015/16 year continued with this dramatic growth achieving a further 65% increase.

Planning for the introduction of AA Personal Loans commenced during the final quarter, with a launch date of September 2016 for this new product.

An additional three business managers were added during the year to the Christchurch car loans call centre, which operates seven days a week.

Customer satisfaction, as measured by an external and independent supplier, continues to increase from already sector-leading levels.

The average car loan is now closer to $16,000, up from $14,000 12 months ago, and the average term for new loans is still about 39 months.

Attracting borrowers from other, more expensive finance companies has been a significant achievement this past year.

AA Insurance

This year, AA Insurance has invested significant time and effort in finalising its new claims and services systems, which were adopted last year in partnership with Suncorp.

These systems have enabled AA Insurance to provide added value benefits for customers such as Multi Product Discounts and Excess-Free Glass Cover. They've also enabled the launch of a new Landlord policy, which includes optional benefits for additional cover designed to cater for risks specifically associated with owning a rental property.

These refinements and additions have further bolstered AA Insurance's reputation in the marketplace, meaning more New Zealanders are not only recognising the brand, but are also giving greater consideration to its home and contents products, along with car.

AA Insurance's reputation as an award-winning insurer also continues to grow, not only for value-for-money policies, outstanding service and online capability, but also as a large workplace employer. The company has won the Direct Insurer of the Year Award for the past four years, and was recognised for the second year in a row by the Corporate Reputation Survey, rated third out of 50 companies.

For the past four years, AA Insurance has won Canstar Blue's Most Satisfied Customers award for Home and Contents, the Reader's Digest Most Trusted General Insurance Brand for the past five years, and the Reader's Digest Quality Service Awards for Home and Contents, and Car insurance for the second year.

AA Insurance's focus on achieving profitable growth has delivered strong customer and policy growth and enabled the company to provide solid returns to its shareholders. From a growth perspective, more people are choosing AA Insurance as a provider for their home and contents insurance as well as their car insurance. Finalising the new systems will facilitate further efficiencies for the benefit of existing and future customers.

Along with the new systems installation, AA Insurance also continues to look ahead to the future of insurance, to consider what that may look like for New Zealanders.

AA Life

AA Life is committed to making life insurance simple for all New Zealanders. It has continued to grow its customer base and policy sales again this year.

Part of this growth came from extending the sale of Funeral Cover to allow family to purchase cover for a loved one. It was again named New Zealand's Most Trusted Life Insurance Brand at the Reader's Digest Most Trusted Brands Awards for the fourth consecutive year.

Also, television commercials fronted by Ramsey and Lambert, the yellow father-and-son sheep duo, have been consistently voted as one of New Zealand's favourite ads through the year.

Campaigns centred around their adventures continue to generate inquiries about AA Life's life protection products, through all sales channels: AA Centres and over-the-phone, with particularly strong growth online.

Advocacy

The AA's advocacy efforts made significant differences in road safety, better transport infrastructure and battling congestion over the 12 month period.

One of the greatest successes came in the ongoing fight against drunk driving. Having championed alcohol interlocks for years as the best way to keep roads safe from drunk drivers, the government announced its intention to make them mandatory for many offenders. This is going to help keep innocent people safe on our roads.

With deaths and injuries on New Zealand roads having stopped falling in recent years, a priority for the government has been considering new ways to ensure people are travelling at safe speeds. The AA has been a partner in this, providing a perspective from everyday drivers. It has led to a new Speed Management Guide being created for local authorities to use. The guide will identify which roads have the highest risk around the country and ways they can be made safer.

Improving the quality of roads is another key to making them safer and there has been progress here as well. The AA's calls for more highways to have safety features like barriers and rumble strips added, were answered when the government announced it would invest $600m over six years to upgrade 90 high-risk rural highways. These upgrades are predicted to prevent 900 deaths and serious injuries in the following decade.

The Advocacy team worked with other groups across the AA to produce a major submission on the future of driver licensing. The possibility of people being able to renew their licence online and removing the need for an eye-test were being considered by the government. The Advocacy team surveyed Members to understand their views on the controversial proposed changes.

The AA Research Foundation delivered several major studies, including a ground-breaking examination of traffic offending by youth. A massive amount of court time and resources involves traffic offenders and this research looked at whether driving offences were leading young people into the criminal justice system and if there were more effective interventions. The AA Research Foundation also partnered with the NZ Transport Agency in its first major joint-funded project to investigate how the visual appearance of roads impacts on the speeds that drivers travel at.

In Auckland, the AA led calls for the Auckland Transport Alignment Project to be established and for local and central Government to work more closely together on the city's future transport plans, both of which happened. The AA was also a leading voice in the public debate around congestion and road-pricing, using Member surveys to show what people think and also setting up a congestion monitoring tool that will strengthen our future advocacy in this area.

The team also led a top-to-toe review of the Students Against Dangerous Driving (SADD) charity, which spreads the safe driving message to young people in 77% of New Zealand colleges. This led to SADD extending its focus beyond just drink driving to now encourage sober drivers, safe speeds, no distractions, avoiding risk, driving to the conditions and building experience.

AA Advocacy key numbers

- 19 surveys of AA Members
- 10 submissions made to central Government
- Nearly 200 meetings of AA District Councils across 17 districts
- More than 7000 news stories where we featured

Financial Results

The Association has had another strong financial year recording a consolidated result of $18.3m.

While this was down slightly on the previous year's result of $20.8m revenue, equity returns from our joint ventures were up by 4% and 19% respectively. However, the investment return from surplus funds under external management was down by $4.3m against the previous year, a reflection of the volatility in financial markets over the 12 months.

While the joint ventures continue to be a major contributor to the consolidated result the Association's trading result through the Club, from Membership subscription income, and the commercial arms also performed strongly.

It is also worth noting that this result has been achieved after spending $3.5m on Member initiatives such as the driver education programmes for learner and senior drivers and grants to the NZAA Research Foundation and SADD Aotearoa.

The result has seen a further lift in the Association's financial position with net assets now being just under $200m thus providing the necessary reserves to not only fund future developments and Member benefits but to also take advantage of investment opportunities that may present themselves.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
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FOR THE YEAR ENDED 30 JUNE 2016

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2016

BOARD MEMBERS		Appointed	Resigned
T G Follows	President	24/03/2007	
R K Bull	Vice President	29/03/2008	
B H Flintoff		27/03/2010	
S J Grant		22/03/2014	
W S Masters		19/03/2011	
G T Stocker		28/03/2009	
L J Tait		18/04/2002	
M R Winger		25/06/1993	

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Auckland

INCORPORATED SOCIETY NUMBER
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AUDITORS
Deloitte

BANKERS
ANZ

SOLICITORS
Holmden Horrocks

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
BOARD MEMBERS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

Disclosure to the National Council and Members

The Board Members have pleasure in presenting the Annual Report for the year ended 30 June 2016.

The Board Members have approved the financial statements of The New Zealand Automobile Association Incorporated for the year ended 30 June 2016.

For and on behalf of the Board.

T G Follows, President	M R Winger, Board Member
29 September 2016	29 September 2016
Date	Date

Approved for distribution by the National Council on 29 September 2016.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $'000	2015 $'000
Revenue	1	125,380	120,483
Share of profit or loss in joint ventures	20	15,719	13,152
Other gains / (losses)	2	2,211	6,543
Total revenue		143,310	140,178
Employee entitlements		66,203	63,754
Delivery and distribution		28,770	26,292
Plant, office and property overheads		8,049	8,348
Advertising and promotion		3,966	3,721
IT and telecommunications		6,793	6,108
Motor vehicle expenses		3,014	3,174
Goodwill impairment expense	9	-	293
Driver Education Program		2,749	1,703
Other expenses		5,731	5,742
Total expenses	3	125,275	119,135
Operating surplus before tax and grants		18,035	21,043
Grant to NZAA Research Foundation		300	303
Grant to SADD Aotearoa - Students against Driving Drunk Charitable Trust		425	100
Taxation benefit/(expense)	4	-	-
Net surplus for the year attributable to the association acting in the interests of members		17,310	20,640
Other comprehensive revenue and expense net of tax			
Revaluation of properties	16	999	621
Gain/(loss) arising on translation of foreign joint venture	17	-	(382)
Share of other comprehensive revenue and expense of joint ventures	20	23	(73)
Other comprehensive revenue and expense for the year net of tax		1,022	166
Total comprehensive revenue and expense for the year attributable to the association acting in the interests of members, net of tax		18,332	20,806

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 NET ASSETS/EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Note	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Accumulated comprehensive revenue and expense $'000	Total $'000
Balance at 30 June 2014		8,528	382	126,908	135,818
Net surplus for the year attributable to the association acting in the interests of members		-	-	20,640	20,640
Other comprehensive revenue and expense					
Gain/(loss) on revaluation of properties	16	621	-	-	621
Gain arising on translation of foreign joint venture	17	-	(17)	-	(17)
Transfer to profit and loss on disposal of foreign operation	17	-	(365)	-	(365)
Share of other comprehensive income of joint ventures	20	-	-	(73)	(73)
Total other comprehensive revenue and expense		621	(382)	(73)	166
Total comprehensive revenue and expense, net of tax		621	(382)	20,567	20,806
Balance at 30 June 2015	16, 17 & 18	9,149	-	147,475	156,624
Net surplus for the year attributable to the association acting in the interests of members		-	-	17,310	17,310
Other comprehensive revenue and expense					
Gain/(loss) on revaluation of properties	16	999	-	-	999
Gain arising on translation of foreign joint venture	17	-	-	-	-
Transfer to profit and loss on disposal of foreign operation	17	-	-	-	-
Share of other comprehensive income of joint ventures	20	-	-	23	23
Total other comprehensive revenue and expense		999	-	23	1,022
Total comprehensive revenue and expense, net of tax		999	-	17,333	18,332
Balance at 30 June 2016	16, 17 & 18	10,148	-	164,808	174,956

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 2016

	Note	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents	23	43,181	46,377
Other financial assets	5	78,968	57,445
Taxation receivable		1	-
Sundry receivables & prepaid expenses	6	8,383	9,380
Dividend receivable	20	9,863	42
Inventories	7	1,024	1,094
Related party receivable	21	-	610
Total current assets		141,420	114,948
Non-current assets			
Property, plant and equipment	8	32,701	31,160
Investment properties	11	190	180
Investments accounted for using the equity method	20	38,150	48,602
Capitalised lease		11	31
Goodwill	9	7,939	7,939
Other intangible assets	10	1,765	2,036
Total non-current assets		80,756	89,948
Total assets		222,176	204,896
Current liabilities			
Payables	12	11,460	13,931
Employee entitlements		5,234	5,212
Unearned revenue	15	1,753	1,842
Deferred income	14	3,409	3,042
Total current liabilities		21,856	24,027
Non-current liabilities			
Make good provision	13	130	143
Deferred income	14	2,443	2,229
Total non-current liabilities		2,573	2,372
Total liabilities before subscriptions in advance		24,429	26,399
		197,747	178,498
Association funds			
Accumulated comprehensive revenue and expense	18	164,808	147,475
Asset revaluation reserve	16	10,148	9,149
Foreign currency translation reserve	17	-	-
Total association funds		174,956	156,624
Subscriptions in advance		22,791	21,874
Total association funds and subscriptions in advance		197,747	178,498

For and on behalf of the Board

T G Follows

T G Follows, President

29 September 2016

Date

M R Winger, Board Member

29 September 2016

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 YEAR ENDED 30 JUNE 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from members and customers		126,140	120,201
Interest received		1,331	1,649
Dividends received		5	5
Payments to suppliers and employees		(123,490)	(113,005)
Grant to the NZAA Research Foundation		(300)	(303)
Grant to Students Against Dangerous Driving Trust		(425)	(100)
Net cash flows from/(used in) operating activities	24	3,261	8,447
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		786	726
Proceeds from disposal of joint ventures		2,480	-
Dividends received from joint ventures		12,290	8,589
Payments for property, plant and equipment		(3,694)	(4,283)
Payment for intangible assets		(689)	(706)
Payments for purchase of equity accounted investments		(40)	-
Loans (to)/repaid from joint ventures		2,410	2,705
Decrease/(increase) in deposits		(20,000)	-
Net cash flows from/(used in) investing activities		(6,457)	7,031
Cash flows from financing activities			
Net cash flows from/(used in) financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		(3,196)	15,478
Cash and cash equivalents at the beginning of year		46,377	30,899
Cash and cash equivalents at the end of year	23	43,181	46,377

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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Summary of significant accounting policies

Reporting entity

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

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

The financial statements of the Association and its subsidiaries (the "Group") are for the year ended 30 June 2016. The financial statements were issued by the Board, and approved for distribution by the National Council, on the 29 of September 2016.

Statement of compliance

The statutory base for the Association is the Incorporated Societies Act 1908. The statutory base for the Association's subsidiaries is the Companies Act 1993 and the Financial Reporting Act 2013.

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable Financial Reporting Standards, as appropriate for Tier 1 not-for-profit public benefit entities, except for PBE IPSAS 17, whereby the Association has accounted for revaluations on an asset by asset basis rather than by class of asset.

Measurement base

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

Functional and presentation currency

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

Effect of first-time adoption of PBE standards on accounting policies and disclosures

This is the first set of financial statements the Association has presented in accordance with PBE standards. The Association has previously reported in accordance with NZ IFRS (PBE), except for NZ IAS 16 whereby the Association accounted for revaluations on an asset by asset basis rather than by class of asset.

The accounting policies adopted in these financial statements are consistent with those of the previous financial year, except for instances when the accounting or reporting requirements of a PBE standard are different to requirements under NZ IFRS (PBE) as outlined below.

The changes to accounting policies and disclosures caused by first time application of PBE accounting standards are as follows:

Summary of significant accounting policies continued

Effect of first-time adoption of PBE standards on accounting policies and disclosures continued

PBE IPSAS 1: Presentation of Financial Statements

There are minor differences between PBE IPSAS 1 and the equivalent NZ IFRS (PBE) standard. These differences have an effect on disclosure only and there have been no adjustments to accumulated comprehensive revenue and expenses as a result of transition.

PBE IPSAS 20: Related Party Disclosures

PBE IPSAS 20 prescribes the financial reporting requirements for key management personnel remuneration. The Group is required to disclose aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within this category, and showing separately the major classes of key management personnel and giving a description of each class. Previously the Group showed aggregate remuneration paid to a select subset of key management personnel and the members of the governing body, broken into short-term and post-employment employee benefits. The number of individuals receiving this remuneration was not disclosed. These differences have an effect on disclosure only and there have been no adjustments to accumulated comprehensive revenue and expenses as a result of transition.

Significant accounting policies

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and in the comparative information presented in these financial statements.

a) Basis of Consolidation

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

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

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

All subsidiaries are accounted for under the group 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 as under the Incorporated Societies Act 1908 parent results are not required.

b) Investments in associates

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

The group has no investment in Associates.

Statement of accounting policies (continued)

c) Interest in joint ventures

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

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

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

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

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

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

Refer to note 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 surplus or deficit 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 (continued)

e) Revenue from exchange transactions

Rendering of services

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

Subscription income

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

Unearned Income

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

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

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

Deferred income

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

Rental income

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

Dividend and interest revenue

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

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

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and call and term deposits < 3months, net of outstanding bank overdrafts.

Statement of accounting policies (continued)

g) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through surplus or deficit' 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 surplus and deficit (FVTSD)

Financial assets are classified as at FVTSD where the financial asset is designated as at FVTSD.

A financial asset is classified as held for trading if:

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

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

Impairment of financial assets

Financial assets other than those at fair value through surplus or deficit are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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 surplus or deficit 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.

Statement of accounting policies (continued)

h) Inventories

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

i) Property, plant and equipment

Carrying amount

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by independent registered valuers and with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the statement of financial position date.

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

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

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

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

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

Depreciation

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

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

Statement of accounting policies (continued)

i) Property, plant and equipment (continued)

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 surplus or deficit.

Investment property revaluations are performed annually. The values are based on market values being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

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

k) Intangible assets

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

l) Non-current assets held for sale

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

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

Statement of accounting policies (continued)

m) Leased assets

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

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

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

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

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

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

n) Trade payables and other accounts payable from exchange transactions

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

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

o) Taxation

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

Income tax expense

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

Current tax

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

Statement of accounting policies (continued)

o) Taxation (continued)

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

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

Imputation credits

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

Statement of accounting policies (continued)

p) Goods and services tax

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

(i) where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

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

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

q) Employee benefits

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

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

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

Defined contribution plans

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

r) Statement of cash flows

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

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

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

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

s) Foreign currencies

Foreign currencies transactions

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

Exchange differences are recognised in the statement of comprehensive revenue and expense in the period in which they arise.

Statement of accounting policies (continued)

s) Foreign currencies (continued)

Foreign operations

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

t) Impairment

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

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

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

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

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.

Statement of accounting policies (continued)

Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Fair value of land and buildings and investment property

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 6.53% to 10.27% (2015: 7.07% to 10.37%)) that appropriately reflects the risks inherent in the expected cash flows. The most significant property is Albert Street and the effective market yield ranges from 6.89% to 7.13% as at 30 June 2016 (2015: 7.07% to 7.33%). 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.

Changes in accounting policy

Voluntary changes in accounting policy

Reclassification of dividends received from joint ventures:

The Group has chosen to reclassify dividends received from joint ventures totalling $12.29 million (2015: $8.589 million) from cash flows from operating activities to cash flows from investing activities. This reclassification more accurately reflects the nature of this investment as it represents the return on our investment in joint ventures.

Accounting Standards and interpretations issued but not yet effective

There are no new, revised, or amended standards that are applicable to the Association which are in issue but are not yet required to be adopted, for the year ended 30 June 2016.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

		2016 $'000	2015 $'000
1	**Revenue**		
	Revenue from exchange transactions:		
	Membership fees and subscriptions	52,673	50,475
	Sale of goods	4,868	4,896
	Rendering of services to members and public	66,449	63,440
	Dividends	5	5
	Interest revenue (loans and receivables)	1,385	1,667
		125,380	120,483

		2016 $'000	2015 $'000
2	**Other gains / (losses)**		
	Revaluation of investment properties	10	-
	Change in fair value of financial asset classified as fair value through surplus or deficit	1,658	7,201
	Impairment reversal / (losses) on revalued land and buildings	363	288
	Disposal of joint ventures	180	-
	Reversal of joint venture losses previously recognised in the surplus or deficit	-	722
	Revaluation of investment in joint venture	-	(1,668)
		2,211	6,543

		2016 $'000	2015 $'000
3	**Expenses**		
	Net surplus for the year has been arrived at after charging/(crediting):		
(a)	***General expenses***		
	Depreciation of property, plant and equipment (note 8)	3,181	3,307
	Amortisation - Software (note 10)	859	839
	Operating lease expense	3,347	3,212
	Raw materials and consumables used	3,102	3,162
	(Gain)/loss on disposal of property, plant and equipment	(450)	(440)
	(Gain)/loss on disposal of intangible assets	101	201
	Legal expenses	139	240
(b)	***Personnel expenses***		
	Employee benefits expense	60,656	57,639
	Defined contribution plans	2,936	2,760

4 Taxation

	2016	2015
4a *Income tax expense*	**$'000**	**$'000**
Current tax (expense)/benefit	-	-
Deferred tax	-	-
Income tax (expense)/benefit for the year	-	-

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

	2016	2015
Operating surplus/(loss) from continuing activities before tax and grants	18,035	21,043
Less grants to NZAA Research Foundation	(300)	(303)
Less grant to Students against Dangerous Driving Trust	(425)	(100)
	17,310	20,640
Income tax using company tax rate 28%	4,847	5,779
Non-deductible/(non-assessable) expenses/(income)	(190)	(3,049)
Effect of unused tax losses not recognised as deferred tax assets	(4,657)	(2,730)
	-	-

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 statement of financial position purposes:

	1-Jul-15 $'000	Charge to profit or loss $'000	Charge to equity $'000	30-Jun-16 $'000
Gross deferred tax liabilities				
Property, plant and equipment	(2,923)	33	-	(2,890)
Investment Property	(49)	(3)	-	(52)
Tax liabilities	(2,972)	30	-	(2,942)
Set off of tax	2,972	(30)	-	2,942
Net tax liabilities	-	-	-	-
Gross deferred tax assets				
Employee provisions	690	254	-	944
Doubtful debts provision	48	(13)	-	35
Inventory provisions	5	3	-	8
Other	96	(8)	-	88
Brought forward tax losses recognised	2,133	(266)	-	1,867
Tax assets	2,972	(30)	-	2,942
Set off of tax	(2,972)	30	-	(2,942)
Net tax assets	-	-	-	-

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

	1-Jul-14 $'000	Charge to profit or loss $'000	Charge to equity $'000	30-Jun-15 $'000
Gross deferred tax liabilities				
Property, plant and equipment	(2,900)	(23)	-	(2,923)
Investment Property	(49)	-	-	(49)
Tax liabilities	(2,949)	(23)	-	(2,972)
Set off of tax	2,949	23	-	2,972
Net tax liabilities	-	-	-	-
Gross deferred tax assets				
Employee provisions	660	30	-	690
Doubtful debts provision	27	21	-	48
Inventory provisions	14	(9)	-	5
Other	95	1	-	96
Brought forward tax losses recognised	2,153	(20)	-	2,133
Tax assets	2,949	23	-	2,972
Set off of tax	(2,949)	(23)	-	(2,972)
Net tax assets	-	-	-	-

The Association has unrecognised New Zealand tax losses of approximately $23.93 million (2015: $26.65 million).

5 Other financial assets	2016 $'000	2015 $'000
Investment managed funds	78,968	57,445
	78,968	57,445

Investment managed fund represents the Group's investment in three diversified portfolios managed by JMIS Limited, Nikko Asset Management New Zealand Limited and ANZ Investments New Zealand Limited. The portfolios consist of equities, trust units and fixed interest investments.

6 Sundry receivables, prepaid expenses and other current assets	2016 $'000	2015 $'000
Sundry receivables - from exchange transactions	5,896	6,334
Allowance for doubtful debts	(125)	(170)
Prepayments	1,398	1,645
Deferred consideration on sale of assets	-	289
Deferred consideration on sale of joint venture	-	530
Other	1,214	752
	8,383	9,380

The average credit period on sales of goods and service is 60 days (2015: 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 4% (2015: 5%) of the total balance of trade receivables. Before accepting a new customer the Group assesses the potential customer's credit quality and defines credit limits by customer.

Included in the Group's sundry receivables balance are receivables with a carrying amount of $1,066,375 (2015: $1,027,668) 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.

6 Sundry receivables, prepaid expenses and other current assets (continued)

Ageing past due sundry receivables that are not impaired	2016 $'000	2015 $'000
30-60 days	710	528
60-90 days	190	148
90+ days	166	351
	1,066	1,027

Movement in the allowance for doubtful debts	2016 $'000	2015 $'000
Balance at beginning of the period	170	96
Impairment losses recognised on receivables	47	132
Amounts written off as uncollectable	(76)	(20)
Amounts recovered during the year	(16)	(38)
Balance at end of period	125	170

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

The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The Group does not hold collateral over these balances. The net carrying amount is considered to approximate their fair value.

The doubtful debt provision of $124,189 (2015: $169,934) is applicable to invoices aged 30+ days (2015: 30+ days).

7 Inventory

	2016 $	2015 $
Retail stock	627	615
Consumables	397	479
	1,024	1,094

The cost of inventories recognised as an expense during the period was $3,102,232 (2015: $3,161,718). The cost of inventories recognised as an expense includes $21,373 (2015: $20,729) in respect of write-downs of inventory to net realisable value, and has been increased by $643 (2015: $30,895) in respect of the increase of such write-downs.

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8 Property, plant and equipment

	Freehold Land at fair value	Buildings at fair value	Leasehold Improvements at cost	Plant and Equipment at cost	Furniture & Fittings at cost	Motor Vehicles at cost	Computer Equipment at cost	Work in Progress at cost	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000
Gross carrying amount									
Balance at 1-July-14	8,635	12,191	5,818	2,840	11,951	10,125	6,132	136	57,828
Net additions / (transfers)	-	746	582	3	957	1,733	306	(45)	4,282
Disposals	-	-	(180)	(18)	(163)	(2,063)	(1,674)	-	(4,098)
Revaluation increase / (decrease)	867	(247)	-	-	-	-	-	-	620
Balance at 30-June-15	9,502	12,690	6,220	2,825	12,745	9,795	4,764	91	58,632
Net additions / (transfers)	-	179	248	149	573	2,024	324	198	3,695
Disposals	-	-	(83)	(19)	(2,957)	(1,984)	(780)	-	(5,823)
Revaluation increase / (decrease)	764	300	-	-	-	-	-	-	1,064
Balance at 30-June-16	10,266	13,169	6,385	2,955	10,361	9,835	4,308	289	57,568
Accumulated depreciation									
Balance at 1-July-14	-	-	4,764	2,057	10,613	5,203	5,628	-	28,265
Depreciation expense	-	290	321	123	662	1,556	355	-	3,307
Eliminated on disposals	-	-	(179)	(17)	(163)	(1,781)	(1,670)	-	(3,810)
Eliminated on revaluation	-	(290)	-	-	-	-	-	-	(290)
Balance at 30-June-15	-	-	4,906	2,163	11,112	4,978	4,313	-	27,472
Depreciation expense	-	298	303	115	652	1,556	257	-	3,181
Eliminated on disposals	-	-	(78)	(19)	(2,883)	(1,733)	(775)	-	(5,488)
Eliminated on revaluation	-	(298)	-	-	-	-	-	-	(298)
Balance at 30-June-16	-	-	5,131	2,259	8,881	4,801	3,795	-	24,867
Carrying amount									
As at 30-June-15	9,502	12,690	1,314	662	1,633	4,817	451	91	31,160
As at 30-June-16	10,266	13,169	1,254	696	1,480	5,034	513	289	32,701

8 Property, plant and equipment (continued)

Valuation of land & buildings

Land & buildings were last revalued by independent registered valuers at 30 June 2016. The total value as per valuer was as follows:

	Date of Inspection	30 June 2016 $'000	30 June 2015 $'000
Colliers International	5/07/2016	12,975	12,200
Quotable Value New Zealand	14/07/2016	370	385
Telfer, Young	15/07/2016	2,900	2,700
Chadderton & Associates Ltd	28/06/2016	735	715
SW Binnie	5/07/2016	735	700
Telfer, Young	5/07/2016	290	290
Duke & Cooke	30/06/2016	1,420	1,340
Alexander Hayward Limited	6/07/2016	1,925	1,835
Graeme Isbister	30/06/2016	465	447
Telfer, Young	11/07/2016	1,620	1,580
		23,435	22,192

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

	2016 $'000	2015 $'000
Freehold land	1,464	1,464
Buildings	7,685	7,860
	9,149	9,324

9 Goodwill

	2016 $'000	2015 $'000
Cost		
Balance at 1 July	10,911	10,911
Balance at 30 June	10,911	10,911
Accumulated impairment losses		
Balance at 1 July	(2,972)	(2,679)
Impairment losses charged to surplus or deficit	-	(293)
Balance at 30 June	(2,972)	(2,972)
Carrying amount		
As at 1 July	7,939	8,232
As at 30 June	7,939	7,939

9 Goodwill (continued)

9b *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. After recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2016 $'000	2015 $'000
New Zealand Automobile Association Inc	3,118	3,118
AA Tourism Publishing Limited	4,821	4,821
	7,939	7,939

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

For all CGU's above, the recoverable amounts of the cash-generating units are determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors. The period is a five year period and the discount rate used is 10% (2015: 10% per annum).

Cash flow projections during the budget period are based on the same expected gross margins during the budget period and price inflation during the budget period. The cash flows beyond that five year period have been extrapolated using a 2% per annum growth rate which is less than the projected long-term average growth rate. The Board 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.

During the prior financial year the eight vehicle testing stations under AA Vehicle Testing were transferred to sit under the New Zealand Automobile Association Inc. This CGU contains eight (2015: eight) vehicle testing stations, which are grouped into appropriate geographical areas to which goodwill has been allocated for impairment testing purposes. During the prior financial year the Group assessed the recoverable amount of goodwill, and determined that goodwill allocated to one CGU within AA Vehicle Testing station's was impaired by $293,000. No impairment of other assets in the cash-generating unit was deemed necessary. The directors determined it necessary to impair the goodwill allocated to this CGU due to the continuing impact of the change to the Warrant of Fitness regime. No impairment has been deemed necessary for the current financial year following testing.

10 Other intangible assets

	Computer Software $'000
Gross carrying amount	
Balance at 30-June-14	12,114
Additions	706
Disposals	(397)
Balance at 30-June-15	12,423
Additions	689
Disposals	(509)
Balance at 30-June-16	12,603
Accumulated amortisation and impairment	
Balance at 30-June-14	9,745
Amortisation expense	839
Eliminated on disposals	(197)
Balance at 30-June-15	10,387
Amortisation expense	859
Eliminated on disposals	(408)
Balance at 30-June-16	10,838
Carrying amount	
As at 30-June-15	2,036
As at 30-June-16	1,765

11 Investment properties

At fair value	2016 $'000	2015 $'000
Balance at start of period	180	180
Change in fair value	10	-
Balance at the end of the period	190	180

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 2016. The total value per valuer was as follows:

	Date of Valuation	2016 $'000	2015 $'000
Telfer Young	30/06/2016	190	180
		190	180

12 Accounts payable

	2016 $'000	2015 $'000
Trade payables - from exchange transactions	4,793	5,708
Accrued expenses	3,374	4,553
Goods and services tax (GST) payable	378	700
Other	2,915	2,970
	11,460	13,931

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.

	2016 $'000	2015 $'000
Balance at beginning of period	143	138
Movement for period	(13)	5
Balance at end of period	130	143

14 Deferred income

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

This is disclosed as:	2016 $'000	2015 $'000
Current portion	3,409	3,042
Non-current portion	2,443	2,229
	5,852	5,271

15 Unearned revenue

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

	2016 $'000	2015 $'000
This is disclosed as:		
Current portion	1,753	1,842
Non-current portion	-	-
Total Unearned Revenue	1,753	1,842

16 Asset revaluation reserve	2016 $'000	2015 $'000
Balance at beginning of period	9,149	8,528
Increase on revaluation of properties	1,033	666
Decrease on revaluation of properties	(34)	(45)
Balance at end of period	10,148	9,149

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	2016 $'000	2015 $'000
Balance at beginning of period	-	382
Gain/(loss) on translation of foreign operations	-	(17)
Transfer to surplus or deficit on disposal of foreign operation	-	(365)
Balance at end of period	-	-

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

18 Accumulated comprehensive revenue and expenses	2016 $'000	2015 $'000
Balance at beginning of period	147,475	126,908
Net surplus for the year ended attributable to the Association acting in the interest of members	17,310	20,640
Share of other comprehensive revenue and expense of joint ventures	23	(73)
Balance at end of period	164,808	147,475

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 2016 are as follows:

Name of Subsidiary	Place of Incorporation	Principle activity	Ownership interest and voting rights (%) 2016	2015
The New Zealand Automobile Association Limited	New Zealand	Brand Licensing	100	100
AA Tourism Publishing Limited	New Zealand	Publishing Guides and Maps	100	100
AA Auto Service Limited	New Zealand	Vehicle Servicing Franchise	100	100
AA Driver Training Limited	New Zealand	Driver Training Franchise	100	100
NZAA Assets Limited	New Zealand	Service Provider	100	100
AA Finance Limited	New Zealand	Non Trading	100	100
AA Rewards Operations Limited	New Zealand	Non Trading	100	100
AA Tourism Limited	New Zealand	Non Trading	100	100
AA Vehicle Testing Limited	New Zealand	Non Trading	100	100
Geosmart Maps Limited	New Zealand	Non Trading	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 however these joint ventures are non-trading.

Name of Joint Venture	Financial year end	Place of Incorporation	Principle activity	Voting rights On Significant Transactions (%) 2016	2015	Ownership interest (%) 2016	2015
AA Insurance Limited	30 June	New Zealand	Insurance Provider	50%	50%	32%	32%
AA Battery Services Limited	30 June	New Zealand	Service Provider	50%	50%	50%	50%
AA Life Services Limited	30 June	New Zealand	Insurance Provider	50%	50%	50%	50%
AA Smartfuel Limited	30 June	New Zealand	Loyalty Program	50%	50%	50%	50%
AA Finance Marketing Partnership	30 June	New Zealand	Finance Marketing	50%	50%	50%	50%
Marac JV Holdings Limited	30 June	New Zealand	Insurance Provider	0%	50%	0%	50%
Qualmark New Zealand Limited	30 June	New Zealand	Tourism Agency	0%	50%	0%	40%
Access New Zealand Limited	30 September	New Zealand	Non Trading	50%	50%	50%	50%
Club Tourism Publishing	31 December	Australia	Non Trading	0%	50%	0%	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.

20 Investments accounted for using the equity method (continued)

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

	2016 $'000	2015 $'000
Current assets	430,011	439,611
Long term assets	79,522	118,564
Total assets	509,533	558,175
Current liabilities	196,332	184,986
Long term liabilities	218,356	251,104
Total liabilities	414,688	436,090
Net assets	94,845	122,085
Group's share of net assets of joint ventures	38,150	48,602
Total revenue	468,392	256,969
Total expenses	(423,367)	(228,920)
Total profit	45,025	28,049
Group's share of profits of joint ventures	15,719	13,152

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

Carrying value of joint ventures	2016 $'000	2015 $'000
Carrying value at beginning of period	48,602	46,136
Increase in shares	40	-
Share of net surplus/(losses)	15,719	13,152
Share of other comprehensive revenue and expense of joint ventures	23	(73)
Losses/(surplus) offset against related party receivable	(1,800)	(314)
Dividends received	(12,248)	(8,589)
Dividends owing	(9,863)	(42)
Sale of business	(2,300)	-
Impairment of investment in joint venture	(23)	(1,668)
Carrying value at end of period	38,150	48,602

20 Investments accounted for using the equity method (continued)

	2016 $'000	2015 $'000
The carrying value is comprised of:		
Cost	24,135	22,661
Share of joint venture post-acquisition reserves	7,274	19,200
Goodwill	6,741	6,741
Foreign currency translation reserve	-	-
	38,150	48,602
Joint venture share of net surplus		
Share of surplus before taxation	20,702	17,176
Share of taxation expense	(4,983)	(4,024)
Share of total recognised revenues and expenses	15,719	13,152

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:

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21 Related parties (continued)
Joint Ventures (Continued)

2016

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
AA Insurance Limited			
	Amount Owed to NZAA		263
	Amount Owed to AA Insurance Limited		1
	Service Commission and Operational Funding	6,602	
AA Life Services Ltd			
	Amount Owed to NZAA		102
	Service Commission and Operational Funding	1,138	
AA Battery Services Ltd			
	Amount Owed to NZAA		132
	Amount Owed to AA Battery Services		111
	Purchase of Battery Stock	1,178	
	Service Commission and Operational Funding	(1,338)	
AA Smartfuel Limited			
	Amount Owed to NZAA		109
	Amount Owed to AA Smartfuel Limited		21
	Revolving Credit Facility	(600)	-
	Service Provider and Operational Funding	711	
	Brand Licensing and Program Fees	(384)	
Marac JV Holdings Limited			
	Amount Owed to Marac JV Holdings Limited		-
	Service Commission and Operational Funding	104	

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21 Related parties (continued)
Joint Ventures (Continued)

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
AA Finance Marketing Partnership			
	Amount Owed to NZAA		256
	Service Provider and Operational Funding	458	
	Brand Licensing and Program Fees	470	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	2,936	
	Expenses	438	
	Reimbursement	73	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		8
	Service Provider and Operational Funding	89	
	Grant paid to NZAA Research Foundation	300	
SADD Aotearoa - Students against Driving Drunk Charitable Trust			
	Amount Owed to NZAA		2
	Revolving Credit Facility	(10)	-
	Service Provider and Operational Funding	76	
	Grant paid to Students Against Driving Drunk Aotearoa	(486)	

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21 Related parties (continued)
Joint Ventures (Continued)

2015

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
AA Insurance Limited			
	Amount Owed to NZAA		137
	Service Commission and Operational Funding	6,551	
AA Life Services Ltd			
	Amount Owed to NZAA		32
	Service Commission and Operational Funding	854	
AA Battery Services Ltd			
	Amount Owed to NZAA		116
	Amount Owed to AA Battery Services		127
	Purchase of Battery Stock	1,123	
	Service Commission and Operational Funding	(326)	
AA Smartfuel Limited			
	Amount Owed to NZAA		133
	Revolving Credit Facility		600
	Service Provider and Operational Funding	1,205	
	Brand Licensing and Program Fees	(214)	
Marac JV Holdings Limited			
	Amount Owed to Marac JV Holdings Limited		13
	Service Commission and Operational Funding	684	

21 Related parties (continued)

Joint Ventures (Continued)

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
AA Finance Marketing Partnership			
	Amount Owed to NZAA		136
	Service Provider and Operational Funding	380	
	Brand Licensing and Program Fees	100	
Club Tourism Publishing			
	Amount Owed to NZAA		-
	Amount Owed to Club Tourism Publishing		-
	Revolving Credit Facility	(253)	-
	Operational Funding	-	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	2,760	
	Expenses	456	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		15
	Grant paid to NZAA Research Foundation	303	
SADD Aotearoa - Students against Driving Drunk Charitable Trust			
	Amount Owed to NZAA	95	6
	Amount Owed from NZAA	160	-
	Revolving Credit Facility	(50)	10
	Grant paid to Students Against Driving Drunk Aotearoa	100	

Any amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties. Joint venture losses have been offset against revolving credit facility balances owed by related parties (note 20).

21 Related Parties (continued)

Key management personnel remuneration

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

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

	2016		2015	
	Remuneration $'000	Number of Individuals	Remuneration $'000	Number of Individuals
Members of the governing body	353	8 people	334	8 people
CEO and senior executive officers	6,820	14.4 FTE's	6,394	14.4 FTE's
	7,174		6,728	

Legal and other consulting fee's totalling $119,018 (2015: $280,157) were paid at market rates to a law firm associated with a member of the governing body for the provision of expert legal advice for specific matters outside of the scope of their normal duties.

Loans and advances to key management personnel amounted to $Nil (2015: $Nil).

22 Remuneration of auditors	2016 $'000	2015 $'000
Audit of the financial statements	245	239
Audit of the Bureau circulation report	7	7
Taxation compliance services	84	92
Taxation advisory services	13	27
Non assurance related services	40	36
	389	401

The auditor of The New Zealand Automobile Association Incorporated and subsidiaries is Deloitte. Deloitte also provides consulting and advisory work which is captured under non assurance related services.

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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 call desposits and fixed term deposits < 3 months, 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 statement of financial position as follows:

	2016 $'000	2015 $'000
Cash on hand	46	47
Cash in banks	2,400	2,793
Fixed term deposits ≤ 3 months	20,315	30,274
Call deposits	20,420	13,263
Total cash and cash equivalents per statement of cash flow	43,181	46,377

24 Reconciliation of net surplus after taxation for the period to net cash

	2016 $'000	2015 $'000
Net surplus for the year attributable to the association acting in the interest of members	17,310	20,640
Adjustments for non-cash items:		
Depreciation expense	3,181	3,307
Amortisation expense	859	839
Impairment of goodwill recognised in surplus or deficit	-	293
Capitalised lease	20	19
Share of equity accounted joint venture (surplus)/deficit	(15,719)	(13,152)
Loss/(gain) on managed funds	(1,658)	(7,201)
Loss/(gain) of disposal of property, plant and equipment	(450)	(440)
Loss/(gain) of disposal of intangible assets	100	201
Loss/(gain) on revaluation of freehold land and buildings	(363)	(288)
Loss/(gain) on revaluation of investment property	(10)	-
Loss/(gain) on revaluation of joint venture	23	1,668
Reversal of joint venture losses previously recognised in the surplus or deficit	-	(722)
Adjustments for movements in:		
Taxation receivable	(1)	1
Sundry receivables and prepayments	996	686
Dividend receivable	(44)	-
Inventories	70	(42)
Accounts payable	(2,471)	1,555
Employee entitlements	22	174
Make Good Provision	(13)	5
Unearned & deferred income	492	(270)
Subscriptions in advance	917	1,174
Net Operating cash inflow / (outflow)	3,261	8,447

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 there are 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, and Licensing). The spread of income amongst these categories minimises the risk to the overall revenue received from the source, particularly where the transactions tend to be of small value but involve large numbers of customers.

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:

	2016 $'000	2015 $'000
Within one year	3,476	3,347
Between one and five years	5,462	5,528
After five years	630	819
	9,568	9,694

Capital commitments

At balance date the Group had no capital commitments (2015: $Nil).

27 Contingent assets

At balance date the Group had no contingent assets (2015: $Nil).

28 Contingent liabilities	2016 $'000	2015 $'000
Contingent liabilities are categorised as follows:		
Uncalled capital on shares in:		
Qualmark New Zealand Limited	0	40
Motorway emergency telephone service indemnity bond	8	8

Guarantees

The Group has provided a guarantee of AA Smartfuel Limited's second bank loan of $2.4m from Westpac New Zealand Limited in conjunction with the other shareholders of the company. The Group considers the risk of AA Smartfuel defaulting on its debt to be low given management cash flow projections show that the company is able to support its daily operations and current debt funding as it has sufficient cash reserves. Therefore a liability is not recognised.

29 Subsequent events

The Group received the following dividends post balance date from joint ventures; $12.8 million, net of imputation credits of $5.0 million, on the 24 August 2016. $9.6 million of the dividend received was declared on the 1 June 2016 with the balance of $3.2 million declared on the 26 July 2016.

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.

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.

30 Financial instruments (continued)

Liquidity risk

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

Contractual maturities of financial liabilities

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

As at 30 June 2016	Carrying amounts $'000	Contractual cash flows $'000	On demand $'000	1 to 12 months $'000	1 to 5 years $'000
Liabilities					
Accounts payable	11,460	11,460	11,460	-	-
Total financial liabilities	11,460	11,460	11,460	-	-

As at 30 June 2015	Carrying amounts $'000	Contractual cash flows $'000	On demand $'000	1 to 12 months $'000	1 to 5 years $'000
Liabilities					
Accounts payable	13,931	13,931	13,931	-	-
Total financial liabilities	13,931	13,931	13,931	-	-

30 Financial instruments (continued)

Categories of financial assets and financial liabilities

As at 30 June 2016	Loans and Receivables $'000	At fair value through surplus or deficit $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets				
Cash and cash equivalents	43,181	-	-	43,181
Other financial assets	-	78,968	-	78,968
Sundry receivables & other assets	16,848	-	-	16,848
Related party receivable	-	-	-	-
Total financial assets	60,029	78,968	-	138,997
Liabilities				
Accounts payable	-	-	(11,460)	(11,460)
Total financial liabilities	-	-	(11,460)	(11,460)

As at 30 June 2015	Loans and Receivables $'000	At fair value through surplus or deficit $'000	Financial liabilities at amortised cost $'000	Total $'000
Assets				
Cash and cash equivalents	46,377	-	-	46,377
Other financial assets	-	57,445	-	57,445
Sundry receivables & other assets	7,777	-	-	7,777
Related party receivable	610	-	-	610
Total financial assets	54,764	57,445	-	112,209
Liabilities				
Accounts payable	-	-	(13,931)	(13,931)
Total financial liabilities	-	-	(13,931)	(13,931)

Market risks

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

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

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

30 Financial instruments (continued)

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

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

Equity price sensitivity analysis

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

Financial Assets

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

	Balance	Income impact of 1% fall in interest rate - (surplus)/deficit	Income impact of 1% increase in interest rate - (surplus)/deficit	Income impact of 5% fall in equity price - (surplus)/deficit	Income impact of 5% increase in equity price - (surplus)/deficit
As at 30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Cash and cash equivalents	43,181	432	(432)	-	-
Other financial assets	78,968	38	(38)	3,759	(3,759)
Related party receivable	-	-	-	-	-
Total financial assets	122,149	470	(470)	3,759	(3,759)
Total	122,149	470	(470)	3,759	(3,759)

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

	Balance	Income impact of 1% fall in interest rate - (surplus)/deficit	Income impact of 1% increase in interest rate - (surplus)/deficit	Income impact of 5% fall in equity price - (surplus)/deficit	Income impact of 5% increase in equity price - (surplus)/deficit
As at 30 June 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Cash and cash equivalents	46,377	464	(464)	-	-
Other financial assets	57,445	170	(170)	2,022	(2,022)
Related party receivable	610	25	(25)	-	-
Total financial assets	104,432	659	(659)	2,022	(2,022)
Total	104,432	659	(659)	2,022	(2,022)

30 Financial instruments (continued)

Fair Values

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

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

Fair value measurements recognised in the statement of financial position

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

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

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

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

As at 30 June 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	16,219	14,132	48,617	78,968
Total financial assets	16,219	14,132	48,617	78,968

As at 30 June 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	27,348	5,474	24,623	57,445
Total financial assets	27,348	5,474	24,623	57,445

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

Reconciliation of Level 3 fair value measurements of	2016 $'000	2015 $'000
Balance at beginning of period	24,623	22,291
Purchases	21,900	-
Sales	-	-
Gains/(losses) recognised in surplus or deficit (note 2)	2,094	2,332
Balance at end of period	48,617	24,623

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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The New Zealand Automobile Association Incorporated and its subsidiaries ('the Group') on pages 3 to 45, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of revenue and expenses, statement of changes in net assets/equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Board's Responsibility for the Consolidated Financial Statements

The Board is responsible on behalf of the entity for the preparation and fair presentation of these consolidated financial statements, in accordance with Public Benefit Entity Standards, and for such internal control as the Governing Body determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Our firm carries out other assignments for The New Zealand Automobile Association Incorporated in the area of other assurance services, taxation compliance and taxation advice. These services have not impaired our independence as auditor of the Entity and Group. In addition to this, partners and employees of our firm deal with The New Zealand Automobile Association Incorporated and its subsidiaries on normal terms within the ordinary course of trading activities of the business of The New Zealand Automobile Association Incorporated and its subsidiaries. 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 consolidated financial statements on pages 3 to 45 present fairly, in all material respects, the financial position of The New Zealand Automobile Association Incorporated and its subsidiaries as at 30 June 2016, and their financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Deloitte

Chartered Accountants
29 September 2016
Auckland, New Zealand

This audit report relates to the consolidated financial statements of the New Zealand Automobile Association Incorporated for the year ended 30 June 2016 included on the New Zealand Automobile Association Incorporated's website. The Board Members are responsible for the maintenance and integrity of the New Zealand Automobile Association Incorporated's website. We have not been engaged to report on the integrity of the New Zealand Automobile Association Incorporated's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated 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 consolidated financial statements and related audit report dated 29 September 2016 to confirm the information included in the audited consolidated 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