ANNUAL REPORT

2016-2017

NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED

CONTENTS

Our story of

The New Zealand motoring landscape is continually changing.

We now have more transport options than ever before, more people on the road, and technology that is shifting the way our vehicles operate. While tackling these challenges, the AA is also evolving. We're seeking new opportunities to meet the needs of our Members in ways that go beyond the conventional services provided by a traditional motoring club.

Throughout our history, our long-established services have evolved as New Zealanders increasingly came to depend on us to rescue them when things go wrong. We've helped at the roadside, and now, through our expanding insurance offerings, we're protecting cars, homes, contents, lives, and as of this year, even health. In the year ahead, we are taking that protection one step further with the launch of AA Home.

Much of the planning of this new AA service was undertaken this year in partnership with AA Insurance. It takes care of the hassle of finding a tradesperson to fix common household breakdowns like blocked or burst pipes, lockouts, and electrical failures.

It's AA Roadservice for your home, which means people can now have peace of mind in two critical areas of their lives. AA Home launched recently in Auckland and will progressively be available in other regions over the coming year.

We also evolved the traditional services offered by our AA Driving School. During the year, the Association gave more than 25,000 learner drivers access to free driving lessons through Ignition —our three-free driving lesson programme for learner drivers. This initiative has resonated strongly with young New Zealanders and driven unprecedented growth in the number of Youth Members joining the AA.

At the other end of the age scale, we successfully launched AA Senior Driver — a road safety initiative which gives AA Members aged 74 years and older access to a free one hour coaching session in their own vehicle. It's designed with the aim of helping our Members drive safely well into their golden years. This too has been well received and

evolution

utilised. It's yet another example of how in this financial year we looked for new ways of responding to Member needs.

While these addressed our Members motoring needs, our expansion into non-traditional services also continued to grow in popularity.

In this financial year, AA Members received 128,000 Specsaver eye exams, $53 million in AA Smartfuel savings, as well as significant discounts through a number of other partners.

This broadening range of services has definitely resonated with motorists. The expanding benefit strategy, which places Members at the heart of it, has driven record Membership growth for the AA in the year under review. We now have more than 1.6 million AA Members which, in the context of the New Zealand population, represents more than half of licenced drivers.

The pleasing aspect of this growth of service diversity and increased Membership is that it's been possible without the need to adjust the annual subscription fee, or at the expense of service quality.

The subscription has now held steady for almost two decades even as the Association evolved. The financial model for the AA of commercial activities and investment returns enables this broadening strategy of growth to be maintained confidently.

Likewise, that strong financial position further enables our continued commitment to road safety initiatives aimed at all New Zealanders staying safe on our roads. In a significant milestone, and after nearly a decade of AA advocacy, a new law will make alcohol interlocks mandatory for serious drink driving offences. The law will come into force from mid-2018.

Ultimately, this report demonstrates that progress this year has been real and meaningful across all of the various services of the Association. Our confidence to maintain our growth strategy is reinforced continually by the upward movement of Membership affiliation and positive feedback to the services at hand and the quality of our delivery. I'm excited to share more of this evolution with you as we continue to look for new ways of improving your Association in the years ahead.

From left, AA Chief Executive Brian Gibbons and AA President Roger Bull.

AA Membership

It was another year of record growth for both Personal and Business Membership.

Total AA Membership increased by more than 66,000 during the year, bringing the overall Membership to over 1.61 million, some 54% of licenced drivers.

This was driven by a record 131,425 new Personal Membership joins. That intake is up by almost 5000 new joins on the previous year, and now brings the total Personal Membership to more than one million — a milestone achieved in January 2017. This success was also assisted by excellent retention levels, noting that almost 90% of Members renewed their Personal Membership during the year.

AA Business Membership also set new records this year, growing by a healthy 6.8%, bringing the total business affiliation to almost 600,000 Members.

Driving this growth is a culmination of an ever increasing range of Member benefits, discounts, and services, without any increase in the annual Membership subscription fee.

The new benefits introduced over recent years continued to be very popular, adding to the appeal of Membership. Almost 128,000 Members used a free Specsavers eye exam, up nearly 8% on the previous year. Members also took advantage of free vehicle safety checks during the year, discounted online movie tickets at EVENT Cinemas, and discounted vehicle hire rates from Thrifty Car Rentals, Go Rentals and THL motorhomes. These were just a few benefits on offer to Members.

The combined value of all Member Benefits was an average annual saving for Members of $55.61, excluding any AA Roadservice callouts and the use of free maps and guides. This compares favourably as the average saving is $3.27 more than the average cost of the annual Membership renewal.

The Association this year added to these benefits by partnering with Rainbows End in Auckland. It now offers AA Members discounted entry to the park off the back of its launch of AA Driver's Town. The attraction engages young Kiwis in educated play, while teaching them about safe driving practices.

AA Roadservice

A core traditional service of the Association that most Members join for is AA Roadservice.

With the aim of continually improving the services on offer, the focus for the year has been on enhancing our response times. The quicker we can respond to Members on the roadside the more satisfied our Members will be.

This year, with increased congestion on our roads – particularly in metropolitan areas, our focus on service response times became a critical need. We successfully enhanced our response times by triaging the appropriate support needed for the job with the resources the AA has at its disposal. This includes its own AA Roadservice fleet, contractor garages, AA Battery vans, and towing assistance, as well as having appropriate levels of resources available at breakdown hotspots around the country. These initiatives have enabled the AA to better meet peak demand periods and improve service levels.

Pleasingly, our Member Service Monitor measures continue to remain well above target levels.

AA Roadservice Officers, AA Assist, AA Battery Service, and AA Contractors attended approximately 497,000 jobs over the year – 3.5% more than the previous year. These were made up of:

- **37% flat batteries**
- **14% mechanical and electrical faults**
- **19% towing services**
- **9% tyre changes**
- **8% lockouts**
- **5% fuel**

AA Roadservice attended 86% of our Member calls within 60 minutes and was able to mobilise 92% of all breakdowns.

AA Smartfuel

It was another strong year for AA Smartfuel, delivering more than $53 million in fuel savings to AA Members. This is an increase of $23 million in savings compared to the previous year.

Highlights for the year include Contact Energy joining the AA Smartfuel programme and providing significant fuel discounts of 30 cents per litre every month for those participants locking into specific Contact offers.

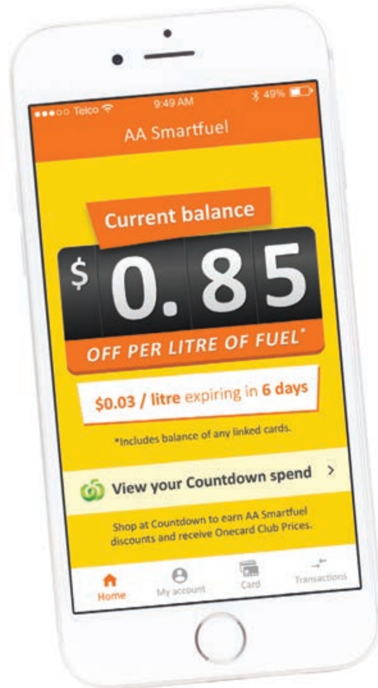
The continued growth of our Countdown partnership resulted in more cardholders adding to their accumulated fuel discounts by shopping at Countdown. This helped to drive home our message of accumulating your savings to get greater value from the AA Smartfuel programme.

A competitive fuel market was a key characteristic of the 2016/17 financial year.

Our partners, BP and Caltex, offered strong fuel discounts nearly every week of up to 10 cents per litre. This resulted in a record year in the value of fuel discounts issued by the programme, taking the total value of discounts redeemed by all our cardholders to more than $72 million.

We now have more than 1400 retail outlets in the programme where customers can earn AA Smartfuel discounts. This number is continually growing, making us one of the largest loyalty programmes in the market. This gives us the ability to deliver increasingly meaningful fuel discounts to AA Smartfuel participants.

The team at AA Smartfuel also continues to keep an eye on what's next. The AA Smartfuel phone app is a key business focus with a total number of downloads at 30 June 2017 of almost 412,000. This is an important driver of participant engagement, and makes up a key part of our focus on future technology changes. It also ensures we're ready to adapt and give our cardholders options like 'cardless' transactions in the near future.



AA Driving School

During this financial year the AA Driving School has had several significant developments aimed at helping to make New Zealand roads safer.

We continued to expand our AA Ignition programme, the AA's three free driving lessons for learner drivers. Through this Member Benefit and road safety based scheme, we have given more than 20,000 new learner drivers access to free professional driving lessons. These are undertaken by one of the 130 AA Driving Instructors located throughout New Zealand.

A further programme was launched during the year which is aimed at keeping our Members safe and mobile well into their older years. More than 6000 AA Members benefitted from the AA Senior Driver initiative, a one-hour coaching session in the Members' own vehicle with an AA Driving Instructor.

AA Member Mildred Low gets her AA Senior Driver session.

The AA's Defensive Driving Course continues to have strong appeal, mainly to drivers holding a restricted licence. The course combines classroom-based theory with real world, in-car driving and delivers skills and knowledge which can be potentially lifesaving. More than 15,000 students have undertaken the course in the year under review. This is extremely encouraging as we continue to attempt to address the high incidence of young drivers being over-represented in road trauma statistics.

The suite of offerings to experienced drivers has widened during the year as our focus on the fleet and business sector continues. We have developed new products and secured several new clients. The progress here, combined with the vast reach of our learner driver programmes, lends increased credibility and weight to the AA Driving School's voice and opinions, which are often sought by the media for comment or input on road safety and driver related issues.

The AA Driving School also continues to be a key partner and sponsor of Students Against Dangerous Driving (SADD), a charity aimed at empowering young Kiwis to make safer and better choices on the road. The relationship strengthened during the past year as SADD reorganised and refocussed. We are proud to align with and support SADD as the relationship delivers on our road safety goals and also helps introduce the AA to the young people involved with SADD.

AA Motoring Services

The vision for AA Motoring Services is to provide, wherever possible, a one-stop shop for all motorists when it comes to their vehicle servicing needs. This vision is being realised through the growing national network of AA Auto Centres.

During the year we opened sites in Timaru, Whanganui, and Kelburn in Wellington. In addition, the majority of the former AA Auto Service & Repair outlets were converted to AA Auto Centres.

Changes to the Warrant of Fitness (WOF) intervals continued to affect service levels. Many vehicles now require only one inspection every year, and new vehicles require inspecting only after three years. That decline in volume for Motoring Services was offset during the year by high numbers of used car arrivals, keeping the Association's compliance services busy.

While many of the motoring services are of a commercial nature, the Association remains active in providing free advice for Members particularly through our online presence available 24/7. We also continued to provide sound consumer advice on vehicle safety through our ongoing support of the Australasian New Car Assessment Programme (ANCAP) and the Used Car Safety Ratings (UCSR) study.

Driver Licensing

The Association has been a delivery agent for NZTA for the provision of driver licensing services for almost two decades. Over that period the AA has processed more than 20.2 million transactions.

In recent years, with the Government's desire to transact more driver licensing services online, we have experienced a gradual decline in services over our Centre Network counters.

Transaction numbers overall declined by 9.5% year on year as a consequence of the automation project, plus the increased use of the NZTA's own 0800 phone number and web-based booking systems for practical tests.

However, overseas conversions still remain on par with the previous financial year with close to 50,000 conversions completed during the year.

The AA continues to be the NZTA's largest counter services channel with a total of 101 representation points operating. Our work with New Zealand prisons also sees us complete approximately 60 prison visits each year.

AA's market share for learner licences sits consistently around 77%, for senior driver renewals at 81%, and for general licence renewals at 75%.

AA Traveller

As a key cornerstone of the AA's tourism focus, AA Traveller has set itself the objective of expanding the Associations publications alongside our longstanding accommodation directories.

In the year under review, we successfully published new editions of our niche publications; The NZ Cycle Trail Guide – of which AA Traveller is now the premier partner, NZ Golf Guide, two further Chinese language editions of North and South Island guidebooks, and a very successful 2017 Lions Tour Guide in partnership with NZ Rugby as an official licensee.

These books were in addition to our mainstay publications; three Accommodation Guides, plus our Visitor Guides for all New Zealand regions.

We also published approximately 800,000 maps, which continue to prove very popular with both international and domestic travellers.

AA Traveller also widened its scope of Tourism Partnerships. We successfully launched a new rental car partner. We also added more nationwide hotel partnerships into AA's booking inventory, and introduced a Australian self-drive touring product suite. AA Traveller also launched a new and improved offering for AA Smartfuel cardholders and AA Members who book accommodation at participating properties either instore or online through the AA's newly launched booking engine.

AA's joint venture partnership with Fresh Information Limited has also seen the launch of a new digital version of the AA Traveller Monitor, the most comprehensive domestic tourism survey data available in the market today.

Further strategic partnerships are also being considered which will progress the AA's vision of delivering meaningful benefits to AA Members and the travelling public throughout 2018 and beyond.

AA Finance

Car Finance is the main product of AA Finance, and in the year under review new lending levels grew by 21%.

This growth was facilitated by the introduction during the year of several new technologies, plus additional business managers joining the team in the seven-day Christchurch call centre. The new levels of staffing will assist response times and has been structured to further meet similar growth levels for the year ahead.

Sales levels of AA Mechanical Breakdown Insurance (MBI) are also experiencing similar growth across both the AA Centre Network and the AA Finance divisions.

AA Health

AA Health launched in October 2016 and has already established strong preference and consideration relative to the established competitors in the market. By year end AA Health had made significant inroads in policy sales and continues to grow.

The new offering was launched with television advertising with the campaign message of "Your health is everything, protect it with AA Health", and has been followed up through the year with digital marketing, and specific health and wellbeing related Member only offers.

AA Insurance

AA Insurance prides itself on employing the right people and doing the right thing for its customers. That belief and commitment to customer service and quality is reflected in record growth this year in insurance policy numbers.

Today the company looks after nearly 350,000 customers and more than 700,000 policies. Despite these numbers, the needs of each and every customer are paramount. This is the foundation of the company's growth and its continued reputation as an award-winning insurer.

For the third consecutive year, it has earned a place in Kiwi hearts with the Colmar Brunton Corporate Reputation Index ranking fourth among 100 of New Zealand's most successful companies, including Air New Zealand, Toyota, and Pak'nSave.

This outstanding service is further proven by the company winning the IBM Kenexa Best Large Workplace category, and the Supreme Award for customer service at the New Zealand CRM Contact Centre Awards. AA Insurance was also recognised by SAP's New Zealand Digital Experience Report, scoring second overall across eight New Zealand industries, and recorded a 5-star rating for the Canstar Blue Most Satisfied Customers Award for Home & Contents Insurance.

Over the past financial year, the insurance industry has experienced considerable motor insurance-related issues. AA Insurance has had a significant increase in claim numbers and increased costs, which has put pressure on premiums. In addition, the auto refinishing and panel repair sector has faced challenges over several years of attracting and retaining skilled technicians. Customer Service Centres and vehicle repair service Capital SMART have gone a long way to significantly reduce the time it takes to repair vehicles and help get customers back on the road faster.

AA Insurance also introduced full home replacement cover for damage caused by a non-natural disaster. It's another step in AA Insurance's continual focus on the future and long-term solutions to provide the best possible outcome for customers.

During the year AA Insurance faced its fair share of major weather events and natural disasters. Our strong reinsurance arrangements and proven track record of managing large scale events enabled the company to progress claims with minimal impact on operational or financial performance.

AA Life

AA Life specialises in life insurance, accident recovery, and funeral plan policies and has a policy base that now exceeds 85,000.

It was named New Zealand's Most Trusted Life Insurance Brand at the Reader's Digest Most Trusted Brands Awards for the fifth consecutive year.

In this financial year we continued to streamline our customer interactions and re-aligned operational aspects of the business to focus on future growth.

Advocacy

The AA's advocacy team continued to represent the interests of motorists on many fronts.

Its efforts are enhanced by the work of volunteer AA District Councillors throughout the country and together they ensure AA Members' voices are heard by national and local Government.

Surveys to understand our Members' views are a crucial part of the AA's advocacy, and in a new development we compiled a wide range of survey results in a publication called *"What our Members Think"*. We have used these results in our dealings with transport authorities and the publication is available on the AA website.

As the country started building towards the General Election, the advocacy team produced several publications outlining AA aspirations for road safety and transport developments for the next Government. These Election Calls included focussing more on seatbelt wearing; more effective interventions to reduce drink and drug driving; increasing safety improvements on high risk regional roads; increasing the number of safe passing opportunities; rolling out more assistance for visiting drivers nationwide; installing more red light cameras around the country; establishing a congestion reduction taskforce; requiring vehicle safety information to be displayed by car traders and rental companies; and requiring service stations to advertise all fuel prices on their price boards.

Meanwhile, throughout the year, our Auckland team extended the AA's congestion-monitoring capability to now include Wellington, Christchurch, and Queenstown, as well as Auckland. The AA can now comment more authoritatively on congestion trends and contribute to public discussions about ways to alleviate the problem.

In a significant milestone, after nearly a decade of AA advocacy, we saw a new law passed that will make alcohol interlocks mandatory for serious drink driving offences. While interlocks have been a sentencing option since September 2012, only about 2% of eligible offenders have been ordered to have one installed in their vehicle. The law will come into force from mid-2018.

Finally, the AA increased its investment into road safety research via the AA Research Foundation, which completed studies into the ways drivers perceive risk and the number of young people receiving traffic infringements and the impact this has on the justice system.

impact this has on the justice system.

Financial Results

Despite a challenging operating environment, the AA has performed well financially, in part due to our diversity of commercial activities and various joint ventures.

After spending $3.7 million on free Member initiatives, the AA achieved a net surplus for the year of $20.9 million, up 14% from the previous financial year.

The major contributors to this result were a strong performance by the financial markets over the past 12 months, which saw the AA's return on investments up $9 million from the prior year, and the continued growth achieved by our joint ventures and partnerships.

The AA's financial position remains very strong with no debt, net assets of $220 million - an increase of 11% from the previous year - and diversified business streams.

This financial success has enabled the AA to continue to develop new Member initiatives and products, thus adding to the value of AA Membership, without changing the cost of Membership for yet another year.

The financial stability has also provided the confidence to invest significantly in the AA's online presence to ensure we remain relevant and modern in today's digital world.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONTENTS
FOR THE YEAR ENDED 30 JUNE 2017

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2017

BOARD MEMBERS		Appointed	Resigned
R K Bull	President	29/03/2008	
G T Stocker	Vice President	28/03/2009	
B H Flintoff		27/03/2010	
S J Grant		22/03/2014	
W S Masters		19/03/2011	
L J Tait		18/04/2002	
M R Winger		25/06/1993	
A G McKillop		25/03/2017	
T G Follows		24/03/2007	25/03/2017

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

INCORPORATED SOCIETY NUMBER
215426

POSTAL ADDRESS
The New Zealand Automobile Association Inc.
Head Office, Level 17
AA Centre
99 Albert Street (corner Albert and Victoria Streets)
PO Box 5
Auckland, 1140

AUDITORS
Deloitte

BANKERS
ANZ

SOLICITORS
Holmden Horrocks

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
BOARD MEMBERS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

Disclosure to the National Council and Members

The Board Members have pleasure in presenting the Annual Report for the year ended 30 June 2017.

The Board Members have approved the financial statements of The New Zealand Automobile Association Incorporated for the year ended 30 June 2017.

For and on behalf of the Board.

R K Bull, President

22 September 2017

Date

M R Winger, Board Member

22 September 2017

Date

Approved for distribution by the National Council on 22 September 2017.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Revenue	1	129,695	125,380
Share of profit or loss in joint ventures	19	14,137	15,719
Other gains / (losses)	2	11,871	2,211
Total revenue		155,703	143,310
Employee entitlements		67,502	66,203
Delivery and distribution		30,767	28,770
Plant, office and property overheads		7,990	8,049
Advertising and promotion		3,649	3,966
IT and telecommunications		7,942	6,793
Motor vehicle expenses		2,903	3,014
Goodwill impairment expense	9	4,821	-
Driver Education Programs		3,269	2,749
Other expenses		6,088	5,731
Total expenses	3	134,931	125,275
Operating surplus before tax and grants		20,772	18,035
Grant to NZAA Research Foundation		350	300
Grant to SADD Aotearoa - Students against Dangerous Driving Charitable Trust		100	425
Taxation benefit/(expense)	4	-	-
Net surplus for the year attributable to the association acting in the interests of members		20,322	17,310
Other comprehensive revenue and expense net of tax			
Gain/(loss) on revaluation of properties	16	652	999
Share of other comprehensive revenue and expense of joint ventures	19	(36)	23
Other comprehensive revenue and expense for the year net of tax		616	1,022
Total comprehensive revenue and expense for the year attributable to the association acting in the interests of members, net of tax		20,938	18,332

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 2017

	Note	Asset revaluation reserve $'000	Accumulated comprehensive revenue and expense $'000	Total $'000
Balance at 30 June 2015		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
Share of other comprehensive revenue and expense of joint ventures	17	-	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	10,148	164,808	174,956
Net surplus for the year attributable to the association acting in the interests of members		-	20,322	20,322
Other comprehensive revenue and expense				
Gain/(loss) on revaluation of properties	16	652	-	652
Share of other comprehensive revenue and expense of joint ventures	17	-	(36)	(36)
Total other comprehensive revenue and expense		652	(36)	616
Total comprehensive revenue and expense, net of tax		652	20,286	20,938
Balance at 30 June 2017	16 & 17	10,800	185,094	195,894

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 2017

	Note	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	22	34,412	43,181
Other financial assets	5	119,457	78,968
Taxation receivable		5	1
Sundry receivables & prepaid expenses	6	9,276	8,383
Dividend receivable	19	187	9,863
Inventories	7	1,065	1,024
Total current assets		164,402	141,420
Non-current assets			
Property, plant and equipment	8	35,085	32,701
Investment properties	11	195	190
Investments accounted for using the equity method	19	40,142	38,150
Capitalised lease		50	11
Goodwill	9	3,118	7,939
Other intangible assets	10	2,566	1,765
Total non-current assets		81,156	80,756
Total assets		245,558	222,176
Current liabilities			
Payables	12	12,430	11,460
Employee entitlements		5,223	5,234
Unearned revenue	15	1,241	1,753
Deferred income	14	3,828	3,409
Total current liabilities		22,722	21,856
Non-current liabilities			
Make good provision	13	119	130
Deferred income	14	2,652	2,443
Total non-current liabilities		2,771	2,573
Total liabilities before subscriptions in advance		25,493	24,429
		220,065	197,747
Association funds			
Accumulated comprehensive revenue and expense	17	185,094	164,808
Asset revaluation reserve	16	10,800	10,148
Total association funds		195,894	174,956
Subscriptions in advance		24,171	22,791
Total association funds and subscriptions in advance		220,065	197,747

For and on behalf of the Board:

R K Bull, President

22 September 2017

Date

M R Winger, Board Member

22 September 2017

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 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from members and customers		128,709	126,140
Interest received		1,184	1,331
Dividends received		5	5
Payments to suppliers and employees		(125,026)	(123,490)
Grant to the NZAA Research Foundation		(350)	(300)
Grant to Students Against Dangerous Driving Trust		(100)	(425)
Net cash flows from/(used in) operating activities	23	4,422	3,261
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		605	786
Proceeds from disposal of joint ventures		-	2,480
Dividends received from joint ventures		21,780	12,290
Payments for property, plant and equipment		(3,840)	(3,694)
Payment for intangible assets		(1,736)	(689)
Payments for purchase of equity accounted investments		-	(40)
Loans repaid from joint ventures		-	2,410
Decrease/(increase) in other financial assets		(30,000)	(20,000)
Net cash flows from/(used in) investing activities		(13,191)	(6,457)
Cash flows from financing activities			
Net cash flows from/(used in) financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		(8,769)	(3,196)
Cash and cash equivalents at the beginning of year		43,181	46,377
Cash and cash equivalents at the end of year	22	34,412	43,181

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 2017

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 2017. The financial statements were issued by the Board, and approved for distribution by the National Council, on the 22 of September 2017.

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.

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).

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 2017 and in the comparative information presented in these financial statements.

Summary of significant accounting policies (continued)

Significant accounting policies

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 18 for a full listing of subsidiaries at balance date.

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

b) Investments in associates

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

The group has no investment in associates.

c) Interest in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, 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.

Statement of accounting policies (continued)

c) Interest in joint ventures continued

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

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture. However, where the Group provides loans to its jointly controlled entities interest 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. There were no loans outstanding to joint ventures at the end of the financial year.

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 19 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 < 3 months, 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 acquired, which is not an integral part of a related hardware item, is recognised as an intangible asset. The costs incurred internally in developing computer software are also recognised as intangible assets where the Group has a legal right to use the software and the ability to obtain future economic benefits from that software. Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These assets have a finite life and amortised on a straight line basis over their estimated useful life of 3 or 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Statement of accounting policies (continued)

l) 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.

m) 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.

n) 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)

n) 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)

o) 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.

p) 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.

q) 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.

r) 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) 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 6.08% to 9.75% (2016: 6.53% to 10.27%)) 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 6.58% to 6.78% as at 30 June 2017 (2016: 6.89% to 7.13%). 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 19), 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.

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 2017.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1. Revenue

	2017 $'000	2016 $'000
Revenue from exchange transactions:		
Membership fees and subscriptions	54,802	52,673
Sale of goods	5,162	4,868
Rendering of services to members and public	68,660	66,449
Dividends	5	5
Interest revenue (loans and receivables)	1,066	1,385
	129,695	125,380

2. Other gains / (losses)

	2017 $'000	2016 $'000
Revaluation of investment properties	5	10
Change in fair value of financial asset classified as fair value through surplus or deficit	10,701	1,658
Impairment reversal / (losses) on revalued land and buildings	1,165	363
Disposal of joint ventures	-	180
	11,871	2,211

3. Expenses

		2017 $'000	2016 $'000
	Net surplus for the year has been arrived at after charging/(crediting):		
(a)	***General expenses***		
	Depreciation of property, plant and equipment (note 8)	3,033	3,181
	Amortisation - Software (note 10)	935	859
	Impairment - Goodwill (note 9)	4,821	-
	Operating lease expense	3,476	3,347
	Raw materials and consumables used	3,343	3,102
	(Gain)/loss on disposal of property, plant and equipment	(363)	(450)
	(Gain)/loss on disposal of intangible assets	2	100
	Legal expenses	154	139
(b)	***Personnel expenses***		
	Employee benefits expense	61,618	60,656
	Defined contribution plans	3,202	2,936

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

4. Taxation

4a. Income tax expense

	2017 $'000	2016 $'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:

	2017 $'000	2016 $'000
Operating surplus/(loss) from continuing activities before tax and grants	20,772	18,035
Less grants to NZAA Research Foundation	(350)	(300)
Less grant to Students against Dangerous Driving Trust	(100)	(425)
	20,322	17,310
Income tax using company tax rate 28%	5,690	4,847
Effect of exempt (surplus)/deficit	(5,843)	(6,185)
Effect of permanent differences	8,725	5,995
Effect of temporary differences	95	294
Effect of prior period adjustments	34	(539)
Effect of unused tax losses not recognised as deferred tax assets	(534)	266
Effect of imputation credits recognised	(8,167)	(4,678)
	-	-

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-16 $'000	Charge to profit or loss $'000	Charge to equity $'000	30-Jun-17 $'000
Gross deferred tax liabilities				
Property, plant and equipment	(2,890)	(260)	-	(3,150)
Investment Property	(52)	(1)	-	(53)
Tax liabilities	(2,942)	(261)	-	(3,203)
Set off of tax losses	2,942	261	-	3,203
Net tax liabilities	-	-	-	-
Gross deferred tax assets				
Employee provisions	944	(251)	-	693
Doubtful debts provision	35	(16)	-	19
Inventory provisions	8	(2)	-	6
Other	88	(4)	-	84
Brought forward tax losses recognised	1,867	534	-	2,401
Tax assets	2,942	261	-	3,203
Set off of tax losses	(2,942)	(261)	-	(3,203)
Net tax assets	-	-	-	-

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

	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 losses	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 losses	(2,972)	30	-	(2,942)
Net tax assets	-	-	-	-

The Association has unrecognised New Zealand tax losses of approximately $21.93 million (2016: $23.93 million). Refer statement of accounting policies Taxation note (n). Losses continue to be subject to the approval of the Inland Revenue Department.

5. Other financial assets

	2017 $'000	2016 $'000
Investment managed funds	119,457	78,968
	119,457	78,968

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

	2017 $'000	2016 $'000
Sundry receivables - from exchange transactions	6,705	5,896
Allowance for doubtful debts	(68)	(125)
Prepayments	1,626	1,398
Other	1,013	1,214
	9,276	8,383

The average credit period on sales of goods and service is 60 days (2016: 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% (2016: 4%) 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 $1,487,858 (2016: $1,066,375) 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	2017 $'000	2016 $'000
30-60 days	880	710
60-90 days	293	190
90+ days	315	166
	1,488	1,066

Movement in the allowance for doubtful debts	2017 $'000	2016 $'000
Balance at beginning of the period	125	170
Impairment losses recognised on receivables	14	47
Amounts written off as uncollectable	(54)	(76)
Amounts recovered during the year	(17)	(16)
Balance at end of period	68	125

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 $67,708 (2016: $124,189) is applicable to invoices aged 30+ days (2016: 30+ days).

7. Inventory

	2017 $	2016 $
Retail stock	638	627
Consumables	427	397
	1,065	1,024

The cost of inventories recognised as an expense during the period was $3,342,844 (2016: $3,102,232). The cost of inventories recognised as an expense includes $17,669 (2016: $21,373) in respect of write-downs of inventory to net realisable value, and has been reduced by $3,703 (2016: $643) in respect of the reversal of such write-downs. Previous write-downs have been reversed as a result of the destruction of certain out of date products.

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8. Property, plant and equipment

	Freehold Land	Buildings	Leasehold Improvements	Plant and Equipment	Furniture & Fittings	Motor Vehicles	Computer Equipment	Work in Progress	Total
	at fair value	at fair value	at cost	at cost	at cost	at cost	at cost	at cost	
Gross carrying amount	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1-July-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
Net additions / (transfers)	-	193	200	240	354	1,961	360	532	3,840
Disposals	-	-	(22)	(131)	(902)	(2,147)	(981)	-	(4,183)
Revaluation increase / (decrease)	1,355	152	-	-	-	-	-	-	1,507
Balance at 30-June-17	11,621	13,514	6,563	3,064	9,813	9,649	3,687	821	58,732
Accumulated depreciation									
Balance at 1-July-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
Depreciation expense	-	311	285	127	511	1,543	256	-	3,033
Eliminated on disposals	-	-	(22)	(131)	(904)	(1,909)	(976)	-	(3,942)
Eliminated on revaluation	-	(311)	-	-	-	-	-	-	(311)
Balance at 30-June-17	-	-	5,394	2,255	8,488	4,435	3,075	-	23,647
Carrying amount									
As at 30-June-16	10,266	13,169	1,254	696	1,480	5,034	513	289	32,701
As at 30-June-17	11,621	13,514	1,169	809	1,325	5,214	612	821	35,085

8. Property, plant and equipment (continued)

Valuation of land & buildings

Land & buildings were last revalued by independent registered valuers at 30 June 2017. The total value as per valuer was as follows:

	Date of Inspection	30 June 2017 $'000	30 June 2016 $'000
Colliers International	5/07/2017	14,425	12,975
Morgan Property Advisors	26/06/2017	360	370
Telfer, Young	13/07/2017	2,950	2,900
Chadderton & Associates Ltd	7/07/2017	765	735
SW Binnie	29/06/2017	775	735
Telfer, Young	3/07/2017	320	290
Duke & Cooke	7/07/2017	1,465	1,420
Alexander Hayward Limited	13/07/2017	2,000	1,925
Telfer, Young	11/07/2017	400	465
Telfer, Young	19/07/2017	1,675	1,620
		25,135	23,435

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

	2017 $'000	2016 $'000
Freehold land	1,464	1,464
Buildings	7,519	7,685
	8,983	9,149

9. Goodwill

	2017 $'000	2016 $'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)	(2,972)
Impairment losses charged to surplus or deficit	(4,821)	-
Balance at 30 June	(7,793)	(2,972)
Carrying amount		
As at 1 July	7,939	7,939
As at 30 June	3,118	7,939

9. Goodwill (continued)

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

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

	2017 $'000	2016 $'000
New Zealand Automobile Association Inc	3,118	3,118
AA Tourism Publishing Limited	-	4,821
	3,118	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% (2016: 10% per annum).

For the New Zealand Automobile Association Inc the 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 financial year the Group assessed the recoverable amount of AA Tourism Publishing Limited goodwill, and determined that goodwill was fully impaired. The Board members determined it necessary to impair the goodwill allocated to this CGU due to the change in the operating model adopted by AA Tourism Publishing Limited, brought about to meet the demands of the changing marketplace and consequential reduction in revenue and cashflow.

10. Other intangible assets

	Computer Software $'000
Gross carrying amount	
Balance at 30-June-15	12,423
Additions	689
Disposals	(509)
Balance at 30-June-16	12,603
Additions	1,736
Disposals	(201)
Balance at 30-June-17	14,138
Accumulated amortisation and impairment	
Balance at 30-June-15	10,387
Amortisation expense	859
Eliminated on disposals	(408)
Balance at 30-June-16	10,838
Amortisation expense	935
Eliminated on disposals	(201)
Balance at 30-June-17	11,572
Carrying amount	
As at 30-June-16	1,765
As at 30-June-17	2,566

11. Investment properties

At fair value	2017 $'000	2016 $'000
Balance at start of period	190	180
Change in fair value	5	10
Balance at the end of the period	195	190

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 2017. The total value per valuer was as follows:

	Date of Valuation	2017 $'000	2016 $'000
Telfer Young	30/06/2017	195	190
		195	190

12. Accounts payable

	2017 $'000	2016 $'000
Trade payables - from exchange transactions	4,894	4,793
Accrued expenses	3,258	3,374
Goods and services tax (GST) payable	600	378
Other	3,678	2,915
	12,430	11,460

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.

	2017 $'000	2016 $'000
Balance at beginning of period	130	143
Movement for period	(11)	(13)
Balance at end of period	119	130

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:	2017 $'000	2016 $'000
Current portion	3,828	3,409
Non-current portion	2,652	2,443
	6,480	5,852

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.

	2017 $'000	2016 $'000
This is disclosed as:		
Current portion	1,241	1,753
Non-current portion	-	-
Total Unearned Revenue	1,241	1,753

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16. Asset revaluation reserve

	2017 $'000	2016 $'000
Balance at beginning of period	10,148	9,149
Increase on revaluation of properties	724	1,033
Decrease on revaluation of properties	(72)	(34)
Balance at end of period	10,800	10,148

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. Accumulated comprehensive revenue and expense

	2017 $'000	2016 $'000
Balance at beginning of period	164,808	147,475
Net surplus for the year ended attributable to the Association acting in the interest of members	20,322	17,310
Share of other comprehensive revenue and expense of joint ventures	(36)	23
Balance at end of period	185,094	164,808

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

18. Subsidiaries

Details of the Group's significant subsidiaries at 30 June 2017 are as follows:

Name of Subsidiary	Place of Incorporation	Principle activity	Ownership interest and voting rights (%)	
			2017	2016
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

19. Investments accounted for using the equity method

Investments 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 (%)		Ownership interest (%)	
				2017	2016	2017	2016
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%
Access New Zealand Limited	30 September	New Zealand	Non Trading	50%	50%	50%	50%

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

19. Investments accounted for using the equity method

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

	2017 $'000	2016 $'000
Current assets	404,967	430,011
Long term assets	66,513	79,522
Total assets	471,480	509,533
Current liabilities	142,245	196,332
Long term liabilities	231,441	218,356
Total liabilities	373,686	414,688
Net assets	97,794	94,845
Group's share of net assets of joint ventures	40,142	38,150
Total revenue	455,979	468,392
Total expenses	(418,012)	(423,367)
Total profit	37,967	45,025
Group's share of profits of joint ventures	14,137	15,719

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

	2017 $'000	2016 $'000
Carrying value of joint ventures		
Carrying value at beginning of period	38,150	48,602
Increase in shares	-	40
Share of net surplus/(losses)	14,137	15,719
Share of other comprehensive revenue and expense of joint ventures	(36)	23
Losses/(surplus) offset against related party receivable	-	(1,800)
Dividends received	(11,917)	(12,248)
Dividends owing	(187)	(9,863)
Distribution of tax credit	(5)	
Sale of business	-	(2,300)
Impairment of investment in joint venture	-	(23)
Carrying value at end of period	40,142	38,150

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

	2017 $'000	2016 $'000
The carrying value is comprised of:		
Cost	21,062	24,135
Share of joint venture post-acquisition reserves	12,339	7,274
Goodwill	6,741	6,741
Foreign currency translation reserve	-	-
	40,142	38,150
Joint venture share of net surplus		
Share of surplus before taxation	18,754	20,702
Share of taxation expense	(4,617)	(4,983)
Share of total recognised revenues and expenses	14,137	15,719

20. 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 18 and 19 respectively.

Related party transactions and outstanding balances

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

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20. Related parties (continued)
Joint Ventures (Continued)

2017

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
AA Insurance Limited			
	Amount Owed to NZAA		215
	Amount Owed to AA Insurance Limited		-
	Service Commission and Operational Funding	5,746	
AA Life Services Ltd			
	Amount Owed to NZAA		227
	Service Commission and Operational Funding	1,158	
AA Battery Services Ltd			
	Amount Owed to NZAA		134
	Amount Owed to AA Battery Services		141
	Purchase of Battery Stock	1,304	
	Service Commission and Operational Funding	(1,271)	
AA Smartfuel Limited			
	Amount Owed to NZAA		166
	Amount Owed to AA Smartfuel Limited		8
	Revolving Credit Facility	-	-
	Service Provider and Operational Funding	1,230	
	Brand Licensing and Program Fees	(346)	
Marac JV Holdings Limited			
	Amount Owed to Marac JV Holdings Limited		-
	Service Commission and Operational Funding	-	

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20. 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		291
	Service Provider and Operational Funding	613	
	Brand Licensing and Program Fees	651	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	3,202	
	Expenses	14	
	Reimbursement	-	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		11
	Service Provider and Operational Funding	96	
	Grant paid to NZAA Research Foundation	350	
SADD Aotearoa - Students against Dangerous Driving Charitable Trust			
	Amount Owed to NZAA		6
	Revolving Credit Facility	-	-
	Service Provider and Operational Funding	96	
	Grant paid to Students Against Dangerous Driving Aotearoa	(160)	

20. 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		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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20. 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 Dangerous Driving Charitable Trust			
	Amount Owed to NZAA		2
	Revolving Credit Facility	(10)	-
	Service Provider and Operational Funding	76	
	Grant paid to Students Against Dangerous Driving Aotearoa	(486)	

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.

20. 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.

	2017		2016	
	Remuneration $'000	Number of Individuals	Remuneration $'000	Number of Individuals
Members of the governing body	356	8 people	353	8 people
CEO and senior executive officers	7,318	14.7 FTE's	6,820	14.4 FTE's
	7,674		7,173	

Legal and other consulting fee's totalling $119,169 (2016: $119,018) 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 (2016: $Nil).

21. Remuneration of auditors

	2017 $'000	2016 $'000
Audit of the financial statements	246	245
Audit of the Bureau circulation report	-	7
Taxation compliance services	52	84
Taxation advisory services	91	13
Non assurance related services	137	40
	526	389

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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22. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash in banks and call deposits and fixed term deposits < 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:

	2017 $'000	2016 $'000
Cash on hand	45	46
Cash in banks	2,270	2,400
Fixed term deposits ≤ 3 months	20,276	20,315
Call deposits	11,821	20,420
Total cash and cash equivalents per statement of cash flows	34,412	43,181

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

	2017 $'000	2016 $'000
Net surplus for the year attributable to the association acting in the interest of members	20,322	17,310
Adjustments for non-cash items:		
Depreciation expense	3,033	3,181
Amortisation expense	935	859
Impairment of goodwill recognised in surplus or deficit	4,821	-
Capitalised lease	(39)	20
Share of equity accounted joint venture (surplus)/deficit	(14,137)	(15,719)
Loss/(gain) on managed funds	(10,701)	(1,658)
Loss/(gain) of disposal of property, plant and equipment	(363)	(450)
Loss/(gain) of disposal of intangible assets	2	100
Loss/(gain) on revaluation of freehold land and buildings	(1,165)	(363)
Loss/(gain) on revaluation of investment property	(5)	(10)
Loss/(gain) on revaluation of joint venture	-	23
Adjustments for movements in:		
Taxation receivable	-	(1)
Sundry receivables and prepayments	(893)	996
Dividend receivable	-	(44)
Inventories	(41)	70
Accounts payable	1,179	(2,471)
Employee entitlements	(11)	22
Make Good Provision	(11)	(13)
Unearned & deferred income	116	492
Subscriptions in advance	1,380	917
Net Operating cash inflow / (outflow)	4,422	3,261

24. 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.

25. 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:

	2017 $'000	2016 $'000
Within one year	3,047	3,476
Between one and five years	5,335	5,462
After five years	217	630
	8,599	9,568

Capital commitments

At balance date the Group had no capital commitments (2016: $Nil).

26. Contingent assets

At balance date the Group had no contingent assets (2016: $Nil).

27. Contingent liabilities

	2017 $'000	2016 $'000
Contingent liabilities are categorised as follows:		
Motorway emergency telephone service indemnity bond	8	8

28. Subsequent events

The Group received the following dividends post balance date from joint ventures; $3.2 million, net of imputation credits of $1.2 million, on the 11 August 2017 being their share of a dividend declared on 26 July 2017 and $1.2 million, net of imputation credits of $0.4 million, on the 13 September 2017, being their share of a dividend declared on 11 September 2017.

29. 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.

29. Financial instruments (continued)

Liquidity risk

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

Contractual maturities of financial liabilities

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

As at 30 June 2017	Carrying amounts $'000	Contractual cash flows $'000	On demand $'000	1 to 12 months $'000	1 to 5 years $'000
Liabilities					
Accounts payable	12,430	12,430	12,430	-	-
Total financial liabilities	12,430	12,430	12,430	-	-

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	-	-

29. Financial instruments (continued)

Categories of financial assets and financial liabilities

As at 30 June 2017	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	34,412	-	-	34,412
Other financial assets	-	119,457	-	119,457
Sundry receivables & other assets	7,837	-	-	7,837
Total financial assets	42,249	119,457	-	161,706
Liabilities				
Accounts payable	-	-	(12,430)	(12,430)
Total financial liabilities	-	-	(12,430)	(12,430)

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
Total financial assets	60,029	78,968	-	138,997
Liabilities				
Accounts payable	-	-	(11,460)	(11,460)
Total financial liabilities	-	-	(11,460)	(11,460)

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.

29. 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 - deficit	Income impact of 1% increase in interest rate - (surplus)	Income impact of 5% fall in equity price - deficit	Income impact of 5% increase in equity price - (surplus)
As at 30 June 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Cash and cash equivalents	34,412	344	(344)	-	-
Other financial assets	119,457	98	(98)	5,483	(5,483)
Total financial assets	153,869	442	(442)	5,483	(5,483)
Total	153,869	442	(442)	5,483	(5,483)

	Balance	Income impact of 1% fall in interest rate - deficit	Income impact of 1% increase in interest rate - (surplus)	Income impact of 5% fall in equity price - deficit	Income impact of 5% increase in equity price - (surplus)
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)
Total financial assets	122,149	470	(470)	3,759	(3,759)
Total	122,149	470	(470)	3,759	(3,759)

29. 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 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	21,728	26,527	71,202	119,457
Total financial assets	21,728	26,527	71,202	119,457

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

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

Reconciliation of Level 3 fair value measurements of financial assets	2017 $'000	2016 $'000
Balance at beginning of period	48,617	24,623
Purchases	17,817	21,900
Sales	-	-
Gains/(losses) recognised in surplus or deficit (note 2)	4,768	2,094
Balance at end of period	71,202	48,617

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

Opinion

We have audited the financial statements of the New Zealand Automobile Association Incorporated and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 3 to 45, present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2017, and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

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

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

Governing body's responsibilities for the consolidated financial statements

The Governing body is responsible on behalf of the group for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, the Governing body is responsible on behalf of the group for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing body either intend to liquidate the group or to cease operations, or has no realistic alternative but to do so.

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

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

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

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7

This description forms part of our auditor's report.

Restriction on use

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

Deloitte Limited

Auckland, New Zealand
22 September 2017

This audit report relates to the consolidated financial statements of New Zealand Automobile Association Inc. (the 'Group') and its subsidiaries (the 'Group') for the year ended 30 June 2017 included on the Group's website. The Governing body is responsible for the maintenance and integrity of the Group's website. We have not been engaged to report on the integrity of the Group'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 22 September 2017 to confirm the information included in the audited consolidated financial statements presented on this website.