ANNUAL REPORT

2019-2020

NEW ZEALAND
AUTOMOBILE ASSOCIATION
INCORPORATED

1.75M AA MEMBERS

1.39% Membership growth

$70.97 average AA Member saving

$18.21 more than average Membership subscription

122,729 free eye exams

Combined $7.36M saving for Members

2965

free motoring advice consultations for Members by AA Motoring experts

117,706 discounted movie vouchers purchased

NEW MEMBER BENEFIT INTRODUCED:

Torpedo7

Free AA 14-Point Bicycle check and 10-20% discount

Front and back photos: Alex Wallace

AA Chief Executive
Brian Gibbons

Standing strong IN TESTING TIMES

There is little doubt that the year in review, more than any other for a number of decades, has been unprecedented in terms of its challenges and also the growth of services and their delivery during these testing times brought on by the onset of Covid.

As will be etched into the history books, New Zealand first saw Covid emerge across our borders in February 2020, and just one month later forced us into various stages of lockdown to contain the pandemic. Each of these stages meant significant changes in the Association's ability to service Members' needs, and at its worst, in Alert Level 4, saw AA Centres and offices closed with staff working from home.

A degree of normality was restored post-lockdown, but the threat of continuing disruption still persists. This has meant we must be prepared at all times to deal with further outbreaks, but not let this remain our sole focus.

We should be proud of the way the Association has faced the Covid pandemic. While a number of our service areas, particularly those related to travel and tourism suffered significant business impacts, all employees were paid in full during lockdown, including those who could not work from home.

The Association also chose not to seek the Government's wage subsidy support. This was made possible due to the past prudent financial management that had built up the financial reserves necessary to weather the storm.

Our objective at all times was to meet the ever changing needs of Members, and look to the future positively, and as President and CEO we have forged a resolve to respond as the times dictate but never compromise service standards, all of which is critical to building ongoing relevance and value to Members.

Certainly from our perspective, service never faltered during that lockdown period. Whilst there was lesser demand associated with fewer vehicles on the roads, service was maintained. Certainly Member feedback on how the Association responded saw increasing appreciation for "the service" and continued to draw gratitude during those trying times.

What we do know is that, when lockdown eased, business quickly bounced back and certainly impacted differently on our various services. Overall, in many ways, all factors considered, it was a year of multiple successes and certainly from a financial perspective enabled the Association to finish the year with a more than acceptable result.

Fortunately the provision of Roadservice was never compromised or at risk under any level of lockdown as it was deemed an essential service, and when lockdown eased there were record-breaking demands by Members.

Certainly the Association's Battery Service saw a phenomenal increase in battery replacement, after many cars had not been used for some time. Battery-related Roadservice callouts for example doubled at Alert Level 3 from 40% to 80% of all jobs.

Conversely, with less traffic on the roads during lockdown AA Insurance experienced fewer claims. As a company that prides itself on putting the customer at the forefront of the business, it quickly moved to rebate back to car insurance customers the full benefit of those lower claims and in total some $19.5m premium rebates have been passed on. That was in addition to the hardship claims fund that was also set up to help customers in these difficult times.

The Association's Tourism services were not so fortunate to only suffer a decline in demand during lockdown. As a leading provider of travel insurance, international driver permits, and other tourism -related services reliant upon offshore visitors, this sector of our business still remains in decline with the continuing closure of New Zealand's borders, and we look forward to normality being restored once the pandemic is over.

Membership however, which for the Association is our life blood, continued to grow during the year with record levels of enrolment and total affiliation this year reached 1.758m Members.

Today those benefits Members can access certainly exceed the annual cost of the average subscription. In fact in dollar terms, the average saving an AA Member makes is $70.97 through discounts with Member partners, without counting the benefit of free services such as the popular annual free eye exam at Specsavers, or spot checks at Skin Institute.

During the year we again consolidated AA's Government Services as a delivery arm for assistance, specifically adding two new services to the portfolio namely RealMe identification and Kiwi Access Cards. A RealMe verified identity makes it easier to confirm your identity and prove that you are who you say you are online, while the Kiwi Access Card, replaces what was formerly known as the 18+ card, for those without a driver licence or other form of photo ID. Both services are available in the AA Centres, or Agents nationwide.

The Association also amalgamated its

ownership position in respect of AA Auto Glass which became an AA-owned and operated business – a business that today has 12 mobile glaziers and calibration technicians, six administration staff and more than 20 contracted businesses for nationwide coverage.

AA Money was also launched in February 2020 despite the emergence of Covid testing demand. AA Money's initial focus was providing access to vehicle loans covering cars, motorbikes, caravans, boats and jet skis, aiming to be fair, simple and transparent in all its fees and interactions, and provide customers with exceptional service that is worthy of the trust New Zealanders have in the AA.

Behind this expansion is the underlying belief that each of these successful innovations in the midst of such a turbulent year supports our primary focus on being a Member-centric organisation.

Finally, we would like to pay a special tribute to General Managers, David McLister, Stella Stocks and Trevor Pilkington, who retired during the year, and through their many decades of service put Members first, and at the heart of all we offer, giving confidence that despite any future challenges, whether pandemic-related or otherwise, New Zealanders will continue to be drawn to joining the country's largest Membership club.

AA President
Gary Stocker

Keeping calm AND CARRYING ON

While the initial Covid-19 outbreak and nationwide lockdown was definitely an anxious time, for AA General Manager Club Developments Dougal Swift it also provided a surprising high point to the year.

"I'm so proud of our staff, and how well our people on the frontline responded to the challenge of Covid-19," Dougal said. "They were fantastic. During those first few weeks of lockdown there was such anxiety about catching Covid, when none of us knew who else had it and we were putting on rubber gloves to go to the supermarket and lathering on hand sanitiser. And at the same time our Service Officers were attending breakdowns on the roadside and our AA Home Response contractors were going into people's homes to do emergency repairs and that's a big ask and they responded really really well."

While the Automobile Association has been in existence for a touch over 117 years, for many employees, Covid-19 was the first radical challenge during their time at the AA.

"It made us think about how we can be of assistance during tough times for many," Dougal said. "I think we should all be very proud that our organisation paid our employees throughout lockdown, regardless of whether they were able to work from home or not, and that we were able to offer our valued Roadservice and other services to Members with no restrictions in what we offered.

"We should also be proud that AA Insurance provided policy refunds to their customers who used vehicles less over that lengthy first lockdown."

Membership hit a new record immediately before Covid-19, but with a significant proportion of new Member joins normally coming from AA Centres, momentum shrank when they were forced to temporarily shut their doors under Alert Levels 4 and 3.

"But I think what's been really encouraging is that despite the tough economic climate Membership retention has held up so well, as consumers have seen value in our Roadservice offering and the savings our other Member Benefits provide. From a Member Benefits perspective many of our partners also had to close stores but recovered very quickly once we came out of lockdown, and with the strong range of wellbeing benefits that we've developed over the last few years with Bay Audiology, Dilworth Hearing, Skin Institute and of course Specsavers, we can help Members look after themselves in uncertain times."

$19.5M

premium rebates to AA Car Insurance customers

232,261

calls for help answered

90,002

Roadservice jobs attended during lockdown

I can walk to a food store but can't carry anything much home. You immediately reassured me that I was considered to have an essential need. I nearly cried with relief when the car was started and I was given good advice about keeping it going.

Thank you very much.

- 70-year-old AA Member, one of many helped during lockdown

412

emergency AA Home Response jobs

Jason Dawson
@WebTaniwha

Huge shout out to the team @NZAA who are continuing to provide roadside breakdown service during @covid19nz! Thanks for being so responsive & provide exceptional service given the circumstances they need to operate under #kiakaha #custserv #roadsideheroes

11:53 AM · May 4, 2020 · Twitter for iPhone

Giving all AA MEMBERS A REASON TO BELONG

Despite the challenges the last quarter brought, AA General Manager Club Developments Dougal Swift continued to introduce new Member Benefits and innovation.

"We are very happy to have launched a strong new partner in Torpedo7, with Members now able to get a free 14-Point bicycle safety check each year, and discounts on cycling gear, bikes and e-bikes. We're seeing more and more Members interested in utilising new cycling infrastructure that's emerging nationwide, and while we're known as the Automobile Association, we recognise that many of our Members increasingly commute in different ways; walking, cycling, and public transport. With electric power added to traditional bikes it's becoming a more viable option for many, particularly in our hilly cities and as Members take up new means of mobility we want to continue to provide assistance," Dougal said.

Membership retention was well supported over the year by some enhancements to the renewal process, with the vast bulk of Members now renewing either in response to an email renewal notice, or online.

"The changes give us the ability via highly personalised emails to showcase many of the Member Benefits that we think people might be interested in but are perhaps not utilising already. We have seen an accelerated rate of renewal online, which has helped us to reduce our renewal costs, which is good for Members as it's helped to again hold our Membership subscription price which hasn't increased for many years now. It's really pleasing that despite the economic climate we have been able to hold the subscription at current levels, and there are no plans to increase it," Dougal added.

AA Plus subscriptions, which offer additional towing and emergency accommodation benefits, also continued to be very popular, likely partly due to more New Zealanders travelling domestically and holidaying locally while international borders remained closed.

The focus is now on continuing to build on Member experience and engagement.

"I'm excited to make our Member Benefits more visible and accessible, and to make it easier for Members to engage with us, by enabling more common transactions and functions to be done on a self-service basis for those Members who wish to do so," Dougal said.

"Consumers clearly gravitated towards more trusted brands and organisations during the Covid uncertainty so it makes me, if anything, more determined to live up to those expectations, and to continue to protect the very strong service culture the AA has developed over a long time. It's been reassuring how much our offering continues to be valued by our Members and that Membership has actually grown during this unprecedented time."

MOBILITY AND SAFETY

AA ROADSIDE SOLUTIONS

An essential recognition to keep Kiwis moving

If there was ever a time that highlighted how valued AA Roadservice is to keep AA Members moving, it was this year.

As New Zealand locked down, our service providers were given “essential worker” status and new procedures were established to ensure the health and safety of all. The callouts continued as Roadservice helped both the essential service workforce and Members get to the essential services they required.

Despite reduced roadside jobs during the lockdown, things quickly picked up as alert levels shifted. The first day of Alert Level 3, saw 2098 call outs and 2110 the following day, nearing double the amount the team would usually see in a 24-hour period. This was again the case for the move to Alert Level 2.

In a record-breaking achievement, the Net Promoter Score (NPS) for Roadside Solutions reached an incredible 88% for Member loyalty in April, a “world class” score.

General Manager Roadside Solutions Bashir Khan says, “Our people at Roadside and in the Contact Centre have done a phenomenal job working through some of the toughest times we have seen. They adapted to new conditions and procedures and maintained their high standard of support to our Members, customers and people.”

Overall Roadservice attended 478,780 roadside jobs throughout the year, over 100,000 of which were flat battery-related.

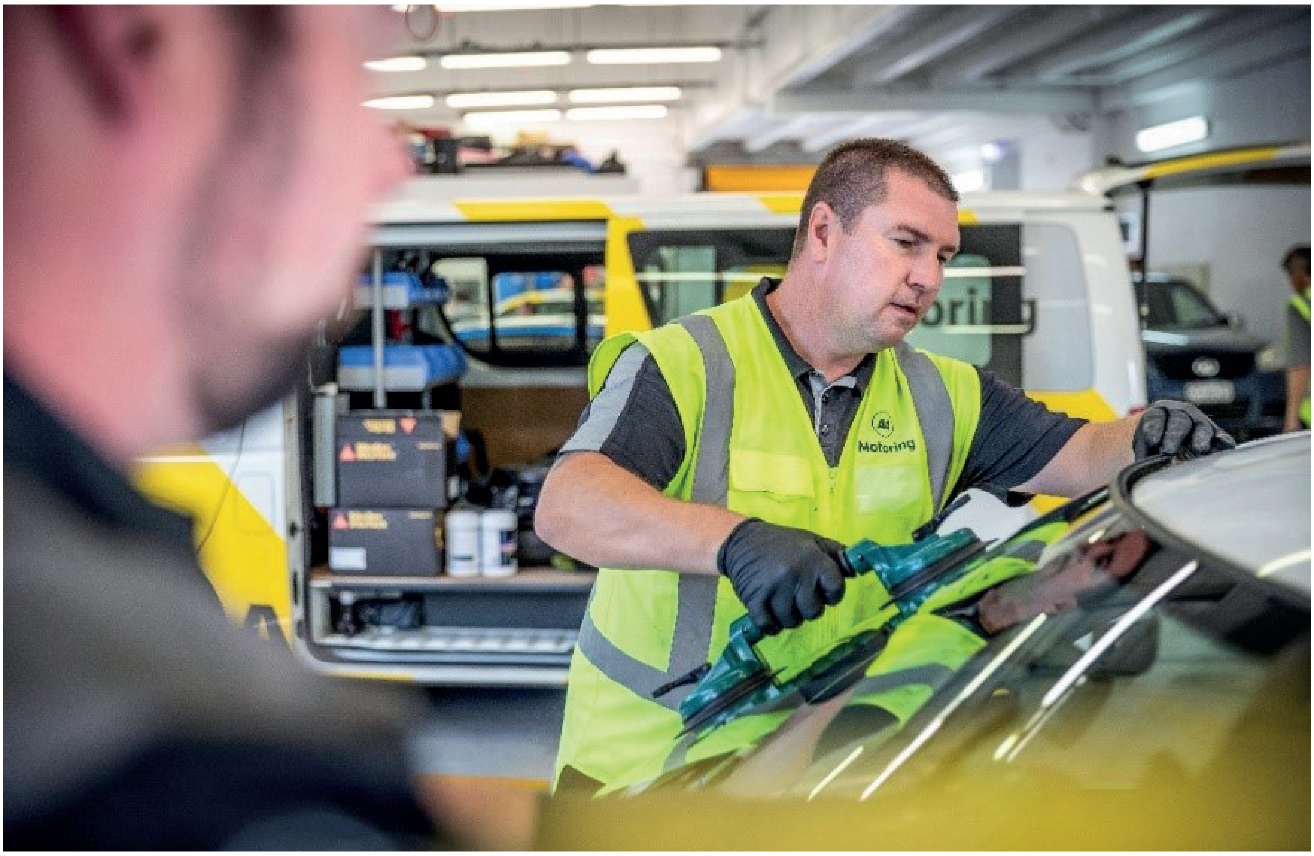
Moving forward, a new push from the Government towards domestic tourism is expected to alter the trends of Roadservice with more people travelling further afield throughout New Zealand.

Bashir says by understanding these travel trends and Member needs at Roadside, Roadservice aims to continue to be a relevant and highly valued service to AA Members.

He says, “Ensuring we have cover in both urban centres and more remote regions around New Zealand will be a continuous focus for us as well as enhancing our own procedures with the ever-increasing capability of technology.”

Although not without Covid interruption, other arms under Roadside Solutions have seen some significant growth. In July 2019, AA Auto Glass became a fully AA-owned and operated business under the Business Vehicle Solutions (BVS) team. There are now twelve mobile glaziers and calibration technicians, six administration staff and more than 20 contracted businesses for nationwide coverage.

AA Auto Glass has since been leading the way with the calibration of windscreen mounted Advanced Driver Assistance Systems (ADAS). This innovative solution is proving extremely popular with current and prospective customers. Since its inception, over 500 windscreens have been successfully recalibrated across Auckland and Christchurch sites, well above initial projections.



BVS has also had a successful year. BVS provides service for more than 700,000 vehicle-based Members across New Zealand and deals with over 50 key accounts and over 2,500 small to medium enterprises offering tailored business-to-business roadside solutions.

During the year, major vehicle dealerships and dealer groups signed on for service retention and used vehicle roadside assistance programmes including Auckland BMW & Mini; Winger Subaru, Hamilton and AHG, which is one of Australasia’s largest motoring groups with nine dealerships across Auckland. Ford New Zealand, one of BVS’s biggest business customers, has also been retained for another 5 years.

One of BVS’s newest customers is SHAREaCAMPER, offering a platform for New Zealand campervan, motorhome and caravan owners to connect with travellers and share their under-utilised vehicles. The AA will be providing roadside breakdown assistance services to hirers of these campers and campervans across New Zealand, which have shaped up to be a popular choice due to closed borders.

AA BATTERY SERVICE

The busiest time in 20 years of operation

When AA Battery Service launched in March 2000 it was 100% owned by Australian-based Club Assist and there was only a General Manager, a Warehouse Manager, an Administration Manager and a small number of contractors who solely did battery jobs in main centres.

Now, 20 years later, the AA is a 60% shareholder of AA Battery Service (with Club Assist the 40% shareholder), and it is a leading provider of mobile battery solutions in New Zealand.

The team has grown too, with 15 people at its head office and warehouse, 12 Battery vans (which only do battery jobs), 23 AA Assist vans (which respond to all Roadservice callouts), five Country Sales Reps and about 500 wholesale customers.

“Our growth has been quite phenomenal,” AA Battery Service General Manager Mandy Mellar said. “We’re ever evolving, whether that’s bringing in new battery ranges or adapting to business, vehicle technology or environmental changes.”

Nothing could prepare AA Battery Service for the extraordinary numbers Covid-19 resulted in, however, with battery-related AA Member breakdowns doubling from 40% to 80% of all callouts at the start of Alert Level 3.

“The beginnings of Alert Levels 3 and 2 were our busiest time in history,” Mandy said. “Our vans went to 30-40 callouts a day, with more than 10,000 new batteries fitted in Members’ vehicles in April 2020 and more than 14,000 in May.

“The number of flat batteries when people returned to regular driving was extraordinary.”

AA Battery Service also spent lockdown preparing its first EV charging van ready for a July 2020 launch in Wellington. The van has been fitted with a lightweight EV charger which enables Members to drive up to 10km home or to a nearby charging station after a free 20-minute roadside charge.

“It was exciting and slightly crazy getting our EV charging van ready for the road while dealing with Covid-19,” Mandy said. “We were also proud to collect approximately 63,000 batteries for recycling during the year.”

AA MOTORING SERVICES

Close ties to industry nourished in year like no other

The now common phrase, "a year like no other" certainly applied to AA Motoring's year.

2019 finished on a high, with AA Driven New Zealand Car of the Year returning for a second highly-successful year. The Ford Focus took out the top prize, beating out everyday use family vehicles; luxury sports vehicles, and electric and hybrid models – which were in the running for the title for the first time in the award's history.

The end of 2019 also saw the retirement of General Manager Stella Stocks after a ground-breaking career in the motoring industry, including 20 years of service with the AA.

Then in 2020, Jonathan Sergel joined the AA as the new General Manager – Motoring Services with new energy and ideas, only to have to swiftly turn to managing AA Motoring's response to Covid-19.

"I thought starting at the AA would be the biggest change of 2020 for me, but then Covid-19 arrived and the motoring industry effectively stopped for six weeks," Jonathan said.

AA Motoring pressed on, opening AA Auto Centres in 15 locations nationwide at Alert Level 4 for appointment-only Warrant of Fitness (WoF) and urgent repairs for vehicles involved in essential services, and their supply chains.

At Level 3, all AA Auto Centres, AA Mobile Vehicle Inspections and AA Vehicle Appraisals were able to operate contactless by appointment for the general public.

AA Motoring was also able to provide contactless Motor Vehicle Registration and supply of number plates for new vehicles for Trade customers in some areas at Level 3, as well as Third Party Entry Verification for the backlog of Japanese imports which had arrived during Level 4.

"Helping the industry get back on its feet was hugely important to us," Jonathan said.

"Nourishing our close ties with the industry continued to be a significant focus for the year, along with enhancing and expanding our existing products and networks, and putting significant work into developing new products."

AA Auto Centre Kapiti was opened in June, while other new sites were prepared for opening in the next financial year.

"We also continued to support our Members' motoring needs, not only through product and service discounts, but also almost 3000 free motoring advice consultations, weekly motoring advice articles on our AA Motoring blog, articles in AA Directions and providing advice in the media," Jonathan added.

AA DRIVING SCHOOL

Develping safer Kiwi drivers

The NZAA has been a leading provider of driver training for more than 50 years. Helping learner drivers to navigate the graduated driver licensing system continues to be a significant focus and the AA Driving School remains the largest provider of Class 1 training in New Zealand with national coverage delivered by 114 qualified Instructors operating as AA approved licensees.

Despite Covid interruptions, our team of Instructors delivered over 110,000 lessons to in excess of 27,000 students and over 14,000 students completed the AA Defensive Driving Course. Offering a regional spread of lessons continues to be a focus, and for the first time the AADS introduced instructors in Westport and Whakatane.

This year marked the second year the Motorcycle Training arm of the AADS has been a facilitator of the ACC-funded Ride Forever programme, teaching riders how to stay safe on their daily motorcycle commute and advanced riding techniques. The AADS is proud to maintain this partnership with another government body, so far putting 550 riders through the programme.

Approved and endorsed by Waka Kotahi NZTA to deliver their Instructor training courses, the AADS ensure the continued supply of the next generation of Instructors. 50 new Instructors completed the I-course this year and ongoing professional development was delivered for existing Instructors in the AADS network via annual auditing, face-to-face training and webinars.

In a successful collaboration between AA Government Services and the AADS, the in-school road code training on behalf of the Ministry of Social Development to lower decile schools remains in operation. Classroom-based road code tuition was offered in classroom, followed by bringing the Mobile Driver Licensing units to the schools so students could complete their Learner theory test.

The AADS also provided expertise in the media on driver safety, including after the Covid lockdown as people found themselves a bit rusty getting back behind the wheel.

The Fleet and Business Training arm launched a telematics product service, monitoring driving style and risk rating via an app and plug-in dongle, and also improved their e-learning offering to give clients the opportunity for drivers to take online modules for training outside the vehicle.

Largely due to the effects of Covid on business, the decision was made to suspend the Ignition programme in June 2020, which offered 3 free driving lessons for Learner drivers who are Members.

In the year ahead, the Ignition programme will undergo a detailed review examining the effectiveness of the programme including canvassing the opinions of AA Members, AA Smartfuel customers, AA Ignition participants and AA Driving Instructors. The six-year history of the Ignition programme means there is a wealth of data and insights to look back upon and assess.

As this process gets underway, AA Driving School General Manager Roger Venn says, "Our network of AA Driving Instructors and tutors are looking forward to continuing to be a part of the Learning to Drive & Ride journey for the NZ motoring public.

"We continue to offer the likes of lessons for new drivers, refresher sessions for experienced and senior drivers, simulated driving tests, advanced driver assessments, bespoke in-car sessions, Defensive Driving Courses (DDC) and the delivery of ACC's Ride Forever programme for our Members and customers who prefer two wheels to four."

AA GOVERNMENT SERVICES

More services added to 'brick and mortar' network

It was a big year for AA's Government Services, adding two new services to the portfolio; RealMe identity verification and Kiwi Access Cards.

A RealMe verified identity makes it easier to confirm your identity and prove that you are who you say you are online. The AA began offering RealMe identity verification as a contracted service via AA Centres, Driver and Vehicle Licensing Agents and Mobile Agents in early 2020 after a successful pilot programme and has now completed over 22,000 RealMe transactions. The Department of Internal Affairs (DIA) has the responsibility for delivering RealMe services.

Another new addition was the Kiwi Access Card, replacing what was formerly known as the 18+ card, for those without a driver licence or other form of photo ID.

AA Government Contracts General Manager Roger Venn says, "As the cross-counter identification verification specialist, the AA is constantly looking for new services we can offer to assist our Members and customers.

"These new services join the existing suite of identification services on offer at our Centres and Agents including personal IRD number applications and SuperGold cards."

In terms of Driver Licensing, the AA is now nearing 22.5 million transactions over the last 21 years since becoming the leading driver licensing provider in New Zealand and maintains over 70% of the market share.

Despite being subject to Covid restrictions to operations, more than 800,000 Driver Licence renewals were carried out.

Roger says the AA prides itself on its "bricks and mortar" network allowing access to vital products and services for the whole country.

ADVOCACY AND AA RESEARCH FOUNDATION

The next steps towards safer, cleaner transport

The Motoring Affairs team led by General Manager Mike Noon had one clear focus this year - developing our Election Calls.

“These define the key actions we want from the next Government, so a significant amount of time and effort goes into their creation. Using a combination of surveys to gather Members’ views, input from our 17 District Councils, academic research and our own analysis and expertise we came up with 12 changes that the next Government could make to create better, safer and greener transport,” Mike said.

The full 12 are available online at www.aa.co.nz/electioncalls but the three highest priorities for the AA are:

- Greater investment in road maintenance (particularly on State Highways)
- More testing and catching of drunk and drugged drivers
- Lifting the standard of regional highways

“We promoted our calls to all the major political parties in the lead up to the election and had quick success, with the Government announcing an increase in road maintenance funding in the next three-year period. This was a welcome move, but only represented a portion of what is needed so we will continue to push the Government for more to ensure our roads are kept up to the appropriate standard.”

Even before the global pandemic, the policy-making environment around transport was complex and challenging.

“At a national level we made 21 submissions on proposed Government policy changes, ranging from issues like the new Government Policy Statement for transport investment to the Emissions Trading Scheme and new regulations in the fuel market. Our District Councils also represented their Members on numerous local transport issues,” Mike added.

The Government began developing a new system for how authorities will approach managing speeds on the roads and the AA provided feedback on this as well as using Member surveys and data analysis to respond to a number of significant proposals for speed limit changes over the year.

“We conducted six email surveys of random samples of our Members on issues including our Election Calls, speed, rapid transit in Auckland and the biggest transport concerns in regions across the country. We also introduced a new Member feedback channel: the AA Auckland Panel. This is a representative panel of Auckland AA Members that regularly responds to quick-fire surveys on transport issues of the day. The AA Research Foundation also delivered, or contributed, to four completed projects during the year, including:

- Alcohol interlocks, and the proportion of drunk drivers being sentenced to them
- Opportunities to reduce distraction from cellphones
- Using artificial intelligence to gather Member views
- Whether ‘back-seat driving’ can be helpful to drivers

Despite the constraints, the AA was also able to develop a comprehensive and insightful response to the Government’s calls for ‘shovel-ready’ infrastructure projects to boost economic recovery from the pandemic.

"Our submission called for the Government to launch two complementary national programmes, one around road safety and another around maintenance. It also set out a list of transport projects in every region of the country that our Districts had identified as top priorities."

Ultimately, it was one of Motoring Affairs busiest and most successful years to date.

SADD

Broadening their wellbeing mission

Faced with national lockdown, SADD (Students Against Dangerous Driving) seized the day and moved to increase its mission from the roads to New Zealand's homes.

This saw the not-for-profit form SADD Digital Crew which became a permanent fixture, helping students across the country collaborate on everything from creating a new information pack for young drivers, to having lively discussions on how to encourage their peers to ride e-scooters safely, and encouraging those on their restricted licences to not take passengers.

Youth wellbeing became another focus, with SADD Digital Crew providing support to fellow students, sharing self-isolation tips and tricks, and inspiring their peers to stay motivated.

"We recognised early on in the piece that lockdown wouldn't hold down the passion our energetic young people have for safety campaigning," says SADD National Manager Donna Govorko.

"There may have been fewer people on the roads, but they were resolute in wanting to do everything they could to look out for their communities."

Pre-Covid-19's arrival in New Zealand, SADD ran its annual September road safety awareness campaign with a new name (SAFER September) and refreshed tagline - Students Advocating For Everyone's Road Safety. It saw 111 schools across New Zealand run more than 300 individual activities. There were 18 media articles during the month which featured the campaign.

Student National Leaders also led several other projects and activities throughout the year.

For example, National Leader James Graham, a student at Chanel College in Masterton, completed a research report on how a local stretch of road which has been a high crash rate area could be improved and made a submission to Wellington City Council with evidence-based recommendations. He also ran several activities in his school and community; garnering the attention of local media on multiple occasions.

Another National Leader Skylah-Marie Holmes, a student at Villa Maria College in Christchurch, worked on a project around how SADD could better connect with Māori young people to help reduce the number who enter the justice system through road-related offences. She also engaged with several businesses to create sober driver packs for her school formal.

HOME AND LIVING

AA INSURANCE

Getting things sorted in an extraordinary year

Several high-profile events punctuated the past financial year for AA Insurance (AAI), allowing the team to showcase its award-winning customer service along with the company purpose; to care, help and get things sorted.

On 22 October 2019 firefighters worked to extinguish a blaze on the roof of the SkyCity Convention Centre. While other insurers waited over 100 days for access to customer vehicles trapped in the flooded basement before processing claims, AAI settled its 32 customer claims immediately, without the need to assess the damage.

On 20 November, a hailstorm in Timaru turned into AAI's largest ever motor claim event. A team was onsite for over three weeks to help customers and by 27 Nov had lodged over 1,000 claims and assessed as many vehicles. Many customers were offered a hassle-free replacement car option via AAI's partnership with Turners. Instead of receiving a cash settlement for their written off car, customers have the option of a replacement vehicle sourced, and in some cases, delivered by Turners Cars.

The Covid crisis was completely new, however, it was not a claims event affecting any one region of New Zealand. The executive team began preparing for Covid as an event in January, so when lockdown was announced in March the immediate focus became getting people working effectively from their homes: almost all staff were set up to work from home over the first few days of lockdown, which meant little disruption for customers.

AAI very quickly determined, and announced on 17 April, three initiatives that were considered the right things to do to help customers, many of whom were affected financially; a $2 million genuine hardship fund to look after vulnerable customers; a freeze on premium increases across personal car, home and contents products, and a $19.5million premium rebate for all car insurance customers, as car claims plummeted.

The company was also aware of the increase in domestic violence incidents over lockdown, and made a $30,000 donation to the Women's Refuge in Auckland, North Shore and Waikato.

While the number of customers using digital options continues to increase year-on-year, there was a significant increase in digital use over lockdown. Customers can achieve more things on AAI's digital channels such as logging claims, cancelling or renewing policies. Interestingly, once lockdown was over many customers returned to using AA branches, reinforcing the company's dedication to being available through the customer's channel of choice.

In January, AAI reached its goal of achieving 25% car insurance market share – protecting almost 550,000 Kiwi vehicles, and by June had almost 35% of AA Members insure with AAI. At this time, nearly 800 staff were dedicated to looking after over 440,000 customers with more than 880,000 policies.

Finally, AA Insurance continued to receive external recognition for its outstanding customer service. The company maintained its position for the sixth consecutive year in the Colmar Brunton Corporate Reputation Index, again ranking fifth among New Zealand's 50 most successful companies. Kantar NZ research ranked it eighth equal from among 100 of New Zealand's strongest brands for living up to its brand promise. In 2020 it was voted the Reader's Digest Most Trusted General Insurance Brand by New Zealanders for the 10th consecutive year.

The company was also a top performer in Consumer NZ's annual insurance provider customer satisfaction survey and was named its 2019 People's Choice award winner for car, home and contents. AAI's outstanding employer reputation was reinforced with two wins at the 2019 ANZIIF industry awards; Direct General Insurance Company of the Year and Innovation of the Year – the latter with its first time entry for AA Home Response, a joint service with NZAA launched to meet customer needs for tradespeople.

"A company is as good as its people, and integrity has its own financial rewards," says Chris Curtin, Chief Executive AA Insurance. "So, if we do the right thing - be fair to our customers and our staff, treat them as people and not just ways to generate profit - then strong business performance will be an outcome."

AA HOME

Home help in a locked down world

AA Home Response had its busiest year on record, and AA Home Commercial Manager Bek Wall believes that's partly due to the new appreciation Kiwis had for making sure their homes were running smoothly during the Covid-19 lockdown.

"We certainly experienced a surge in calls for help with 412 emergency callouts during Level 4 and Level 3 of the first lockdown. As our Call Centre teams moved to get their home set-ups sorted, we all pitched in to work shifts monitoring our job queues. Even after lockdown we were inundated with fresh queries as people wanted to get their homes sorted ASAP," Bek said.

The number of AA Home Response and AA Home Response Plus subscriptions soared to 121,888, with the service available in 37 locations nationwide (wherever there is an AA Centre).

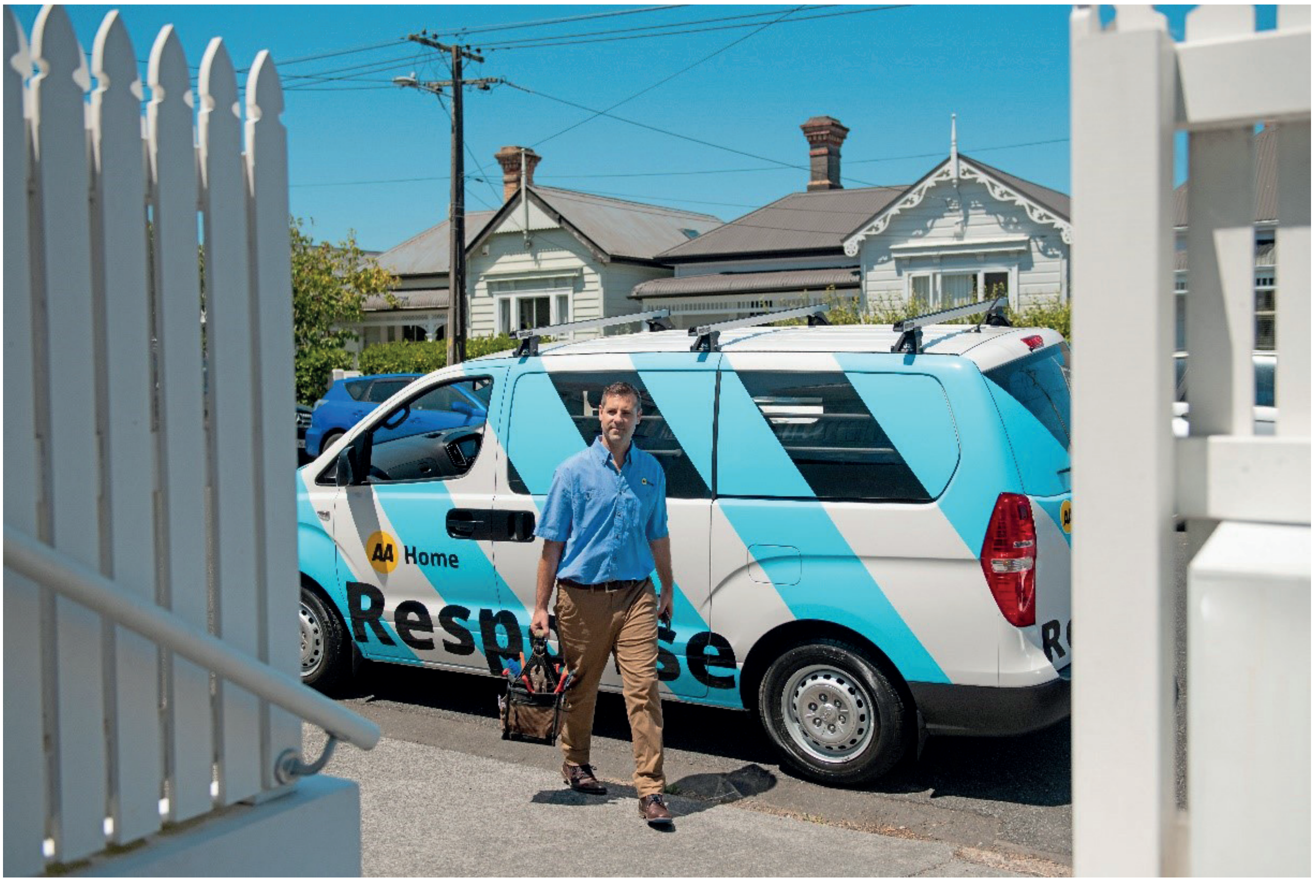
"With regional pricing I think subscribers really appreciate the way our callout fee includes absolutely everything. Normally tradespeople charge a callout fee, mileage and a number of other components, whereas our charge is set. Our callouts even include an hour of their time when they get there if needed," Bek added.

A major focus for the year was ensuring procedures and protocols were constantly updated as part of AA Home Response's status as an essential service during the pandemic response.

"We spent a lot of time constantly refining our operations and really stepping up in terms of our responsibility for both customers and our tradespeople from a Health and Safety viewpoint. The silver lining was that because we dedicated a lot of effort into timely and informative communication to customers, there's been a growing awareness of all the ways we can help them," Bek said.

The AA Home Response team grew to six employees over the course of the year, with three joining over the Covid lockdown period.

“Because we already work across three locations we are used to working remotely, and our new team members came on board seamlessly. By being able to pick up what was needed and keep going through such an uncertain period, AA Home Response ended up ahead of both milestones and financial goals. We are looking forward to continuing to grow our services next year,” Bek added.



AA MONEY

Affordable finance focus of new joint venture

It has always been the AA’s aspiration to look at how we might offer a broader range of financial services beyond car loans to Kiwis, and now a new joint venture with Suncorp New Zealand provides the opportunity to do just that.

During the financial year, the former AA Finance wound down its operations and AA Money, the trading name for the new joint venture, launched.

“Our mantra is to provide affordable finance for all Kiwis, with AA Members as the primary beneficiaries,” AA Money General Manager Ana-Marie Lockyer says.

“In February 2020 we launched with our first product: vehicle loans covering cars, motorbikes, caravans, boats and jet skis.”

AA Money manages the entire journey for customers, from application to loan funding, to customer care and servicing of the loan on an ongoing basis.

“We aim to be fair, simple and transparent in all our fees and interactions, and strive to provide our customers with exceptional service that is worthy of the trust New Zealanders have in the AA,” Ana says.

"This includes discussing our customers' needs and financial situations clearly with them, and ensuring we provide a loan tailored to their unique money needs."

The emergence of Covid-19 in New Zealand a month after launch required AA Money to reset its initial projections and prepare to diversify sooner than originally planned.

"While we had a steady start to business in February, we were then met with a drop in credit demand applications across the country. A small percentage of our customers also sought hardship relief during lockdown. We were able to help those customers who all returned to normal payment cycles soon after."

After lockdown, AA Money gained momentum again, growing its core customer base for vehicle loans while also developing a new product – secured personal loans – which launched later in 2020.

> **"In February 2020 we launched with our first product: vehicle loans covering cars, motorbikes, caravans, boats and jet skis."**

WELLBEING PROTECTION

A year of change and channel collaboration

In a year where keeping separated was considered the norm, our Partner Insurances team worked towards the opposite, integrating various channels under one structure.

Our Partner Insurance portfolio consists of AA Life (with Asteron Life), AA Health (a joint venture with nib), AA Travel Insurance and AA Pet Insurance (both joint ventures with Allianz Partners).

A large focus of this year was laying the groundwork for major regulatory changes that will come into effect in 2021 surrounding compliance requirements for selling insurance and financial products. This represented an opportunity to integrate the various delivery channels.

A major step in this process was a change to the way AA Life works with Asteron Life. After more than a decade in partnership, the AA is now working directly with Asteron life to bring AA Life Insurance to the market. For the team tasked with protecting our more than 1.7 million Members, it means a much closer working relationship.

General Manager Channel Strategy and Delivery Mark Savage says, “It will really help with aligning all the Partner Insurances by placing us in the heart of the AA. We’ll be able to work together on making sure that we complete all the work necessary for the upcoming changes in the regulatory regime including bringing together our digital, phone and Centre Network channels. We believe it will also prepare the AA to become a bigger player in insurance and financial services in the future.

“We are now taking a broader, more holistic approach rather than just channel by channel and enhancing our existing processes. Not only will it bring efficiency, but greater consistency for working with Members and customers across all channels.”

During the year, our 37 AA Centres across New Zealand were forced to close their doors for a period due to lockdown restrictions. Mark says despite the Covid disruptions and reduced face-to-face sale numbers, the Partner Insurance portfolio has remained on track, selling over 40,000 policies.

This included AA Pet Insurance's first full year in business. Adding a total of 2793 new policy holders and 1332 claims during the year, the product continues to be a successful addition to the Insurance portfolio, the most expensive claim being $7907 paid out for a dog's hind limb ataxia.

As expected with heavy border restrictions and grounded planes, Covid had the largest impact on Travel Insurance. Despite the hard financial hit, the product proved its value with 2640 claims paid out.

Meanwhile AA Life added 5861 new policies and had 1589 claims, and AA Health, 3107 new policies and 8755 claims.

53% of all policies were purchased online, including 73% of our Pet Insurance policies, indicating a strong capability and popularity of the digital experience while customers also had the reassurance that our Centres were available for any complex questions.

In the year ahead, the team will continue to work towards a strong and collaborative approach between our Partner Insurance phone and digital delivery channels and our Centre Network with the intent to make all products easier to access for Members and customers.

MEMBER BENEFITS

AA Smartfuel's dual focus

There's no denying that navigating the impact of Covid-19 was a major focus for AA Smartfuel, but the team was also determined to power on with exciting new developments.

AA Smartfuel ensured the network of over 1,200 participating retailers in the AA Smartfuel village was fully supported during lockdown, which Managing Director Scott Fitchett said dramatically altered spending habits.

"We informed our cardholders which of our retail partners were 'essential service providers' and therefore still open for business; and we helped with communications, advertising and running promotions to get customers back into partners, once doors were re-opened. We also kept our customers' hard-earned discounts safe alongside bp, Gas and our other key partners, by ensuring that no discounts expired during times when Kiwis weren't able to drive.

"Despite all the upheaval over the year we issued $52 million in fuel discounts to AA Members, with the total value of fuel discounts earned by all cardholders sitting at $97 million," Scott said.

AA Smartfuel also managed to grow the range of retailers available to cardholders.

"We are really proud of the fact that not only did all our existing partners weather the storm and remain on the programme, we also brought on board the ever popular Briscoes and Rebel Sports brands, who will be issuing AA Smartfuel discounts periodically, providing even more ways for Kiwis to save big on fuel.

"We've also been hard at work developing technology that will allow Kiwis to turn their AA Smartfuel discounts into other rewards. We want to offer relevant benefits that reflect the changing world we live in, and we expect to make ground-breaking announcements in this area in the coming year," Scott added.

AA TOURISM BENEFITS

Celebrating domestic travel more than ever before

When domestic trips suddenly became the only travel possible for the foreseeable future, AA Traveller was already in a strong position to provide Kiwis fantastic AA Member tourism benefits, and a plethora of information and resources to plan their holidays.

“We’ve played an active role in domestic tourism for more than 90 years, so we were in a very strong position to help Kiwis explore their backyard when border closures came into play,” AA Travel and Tourism General Manager Greig Leighton says.

“As well as encouraging Members to take advantage of all the tourism benefits we offer, including some exciting new ones, we had a strong focus on giving operators we partner with as much support as possible to help them remain sustainable.”

This included promotion on digital channels, as well as the publication of more than 2 million maps and guides, which continue to be popular with Members.

In October 2019, AA Traveller launched a partnership with Hertz New Zealand, giving AA Members 15% off the best rate of the day on vehicle rentals domestically, and 10% off the best rates of the day globally. AA Members and AA Smartfuel cardholders also receive a 5c per litre AA Smartfuel discount on up to 50 litres of fuel with every New Zealand rental booking.

Then in November 2019, AA Traveller launched a partnership with Expedia Partner Solutions (EPS), a B2B brand of Expedia Group, giving AA Members the ability to take advantage of Member-only discounts (on average an extra 10%) on select Expedia Group properties.

“Both of these new partnerships add significant value to our AA Tourism benefits offering by providing Members excellent ranges of travel options. They’ve unsurprisingly proved popular with Members,” Greig says.

During the financial year, AA Traveller was in close contact with Tourism New Zealand, with a three-year partnership to support domestic tourism and local operators launched in July, and a new AA Traveller campaign encouraging Kiwis to show their love for New Zealand launched later in 2020.

FINANCIAL RESULTS

In spite of the unprecedented challenges that the world, and in turn New Zealand, faced with the advent of the Covid-19 pandemic, the Association recorded a net surplus of $39.2M for the year.

Part of that strong result was due to a one-off extraordinary receipt of $13M for the termination of a brand licence agreement, but AA General Manager of Finance John Ramaekers said the AA was well placed heading into the year's market disruption due to its strong cash reserves and diversity of income streams.

"The Automobile Association's Club activities recorded a small loss of $1.5M, and that is because of the effect of Covid in the last quarter of our financial year," John said.

"However our Membership levels held up well, and a number of our activities bounced back post lockdown, including servicing the pent-up demand for everyday needs such as driver licensing and Warrant of Fitness work.

"There is no doubt however that we were heavily impacted in areas such as AA Traveller, Business Vehicle Solutions (in particular breakdown cover for rental cars and motorhomes), and travel insurance as the borders closed."

The performance of the commercial joint ventures and investment funds was on par with the previous year's pre-Covid returns, while the Association doubled its level of support to SADD, the Students Against Dangerous Driving Charitable Trust, with a grant of $400,000.

"We can be proud of the fact that over the years we were able to save money for a rainy day. The fact that we had the financial reserves and the income streams that we did enabled us to pay all our staff in full over lockdown, including those who weren't able to work from home. We know that we, like many Kiwi organisations, are likely to continue to be impacted over the next couple of financial years, but the diversity of our revenue streams remains key during these uncertain times," John added.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONTENTS
FOR THE YEAR ENDED 30 JUNE 2020

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2020

BOARD MEMBERS		Appointed	Resigned
G T Stocker	President	28/03/2009	
M R Winger	Vice President	25/06/1993	
A G McKillop		25/03/2017	
B H Flintoff		27/03/2010	
L J Tait		18/04/2002	
M K Corse-Scott		19/03/2020	
R L Carter		19/03/2020	
S J Grant		22/03/2014	
R K Bull		29/03/2008	19/03/2020
W S Masters		19/03/2011	19/03/2020

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 Limited

BANKERS
ANZ

SOLICITORS
Holmden Horrocks

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
BOARD MEMBERS' STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

Disclosure to the National Council and Members

The Board Members have pleasure in presenting the Annual Report for the year ended 30 June 2020.

The Board Members have approved the financial statements of The New Zealand Automobile Association Incorporated for the year ended 30 June 2020.

For and on behalf of the Board.

G T Stocker, President	M R Winger, Board Member
18 September 2020	*18 September 2020*
Date	Date

Approved for distribution by the National Council on 18 September 2020.

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Revenue	1	137,437	137,168
Share of profit or loss in joint ventures	20	23,992	27,467
Other gains / (losses)	2	21,408	5,456
Total revenue		182,837	170,091
Employee entitlements		75,891	72,099
Delivery and distribution		35,149	33,453
Plant, office and property overheads		7,591	8,024
Advertising and promotion		3,686	3,945
IT and telecommunications		9,139	8,729
Motor vehicle expenses		2,848	2,893
Driver education programs		2,926	3,400
Other expenses		6,298	6,501
Total expenses	3	143,528	139,044
Operating surplus before tax and grants		39,309	31,047
Grant to NZAA Research Foundation		188	200
Grant to SADD Aotearoa - Students Against Dangerous Driving Charitable Trust		400	200
Taxation benefit/(expense)	4	-	-
Net surplus for the year attributable to the association acting in the interests of members		38,721	30,647
Other comprehensive revenue and expense net of tax			
Gain/(loss) on revaluation of properties	17	500	793
Share of other comprehensive revenue and expense of joint ventures	20	5	43
Other comprehensive revenue and expense for the year net of tax		505	836
Total comprehensive revenue and expense for the year attributable to the association acting in the interests of members, net of tax		39,226	31,483

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 2020

	Note	Asset revaluation reserve $'000	Accumulated comprehensive revenue and expense $'000	Total $'000
Balance at 30 June 2018		11,741	213,352	225,093
Net surplus for the year attributable to the association acting in the interests of members		-	30,647	30,647
Other comprehensive revenue and expense				
Gain/(loss) on revaluation of properties	17	793	-	793
Share of other comprehensive revenue and expense of joint ventures	20	-	43	43
Total other comprehensive revenue and expense		793	43	836
Total comprehensive revenue and expense, net of tax		793	30,690	31,483
Balance at 30 June 2019	17 & 18	12,534	244,042	256,576
Net surplus for the year attributable to the association acting in the interests of members		-	38,721	38,721
Other comprehensive revenue and expense				
Gain/(loss) on revaluation of properties	17	500	-	500
Transfer to retained earnings	17 & 18	775	(775)	-
Share of other comprehensive revenue and expense of joint ventures	20	-	5	5
Total other comprehensive revenue and expense		1,275	(770)	505
Total comprehensive revenue and expense, net of tax		1,275	37,951	39,226
Balance at 30 June 2020	17 & 18	13,809	281,993	295,802

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

Deloitte.
for Identification

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	23	65,396	37,714
Other financial assets	5	169,967	162,334
Taxation receivable		12	9
Sundry receivables & prepaid expenses	6	6,948	9,294
Dividend receivable	20	-	165
Inventories	7	1,342	1,092
Total current assets		243,665	210,608
Non-current assets			
Property, plant and equipment	8	39,955	35,215
Investment properties	11	230	220
Investments accounted for using the equity method	20	61,531	56,076
Capitalised lease		-	11
Goodwill	9	3,118	3,118
Other intangible assets	10	2,874	2,995
Total non-current assets		107,708	97,635
Total assets		351,373	308,243
Current liabilities			
Payables	12	15,933	12,629
Employee entitlements		6,705	5,252
Clawback provision	13	145	-
Unearned revenue	16	519	695
Deferred income	15	3,837	4,162
Total current liabilities		27,139	22,738
Non-current liabilities			
Make good provision	14	169	155
Deferred income	15	2,562	2,802
Total non-current liabilities		2,731	2,957
Total liabilities before subscriptions in advance		29,870	25,695
		321,503	282,548
Association funds			
Accumulated comprehensive revenue and expense	18	281,993	244,042
Asset revaluation reserve	17	13,809	12,534
Total association funds		295,802	256,576
Subscriptions in advance		25,701	25,972
Total association funds and subscriptions in advance		321,503	282,548

For and on behalf of the Board:

G T Stocker, President

18 September 2020

Date

M R Winger, Board Member

18 September 2020

Date

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

Deloitte.
for
Identification

THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from members and customers		137,783	135,996
Interest received		864	891
Dividends received		5	5
Payments to suppliers and employees		(134,013)	(133,893)
Interest paid		-	-
Proceeds from termination of brand licence agreement		13,000	-
Grant to the NZAA Research Foundation		(188)	(200)
Grant to Students Against Dangerous Driving Trust		(400)	(200)
Net cash flows from/(used in) operating activities	24	17,051	2,599
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		495	528
Dividends received from joint ventures		21,705	15,059
Other taxes received		-	-
Payments for property, plant and equipment		(7,298)	(3,388)
Payment for intangible assets		(1,287)	(1,437)
Payments for purchase of equity accounted investments		(3,000)	(254)
(Increase)/decrease in other financial assets		16	(10,000)
Net cash flows (used in)/from investing activities		10,631	508
Cash flows from financing activities			
Net cash flows from/(used in) financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		27,682	3,107
Cash and cash equivalents at the beginning of year		37,714	34,607
Cash and cash equivalents at the end of year	23	65,396	37,714

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

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 2020. The financial statements were issued by the Board, and approved for distribution by the National Council, on the 18 of September 2020.

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.

The financial statements have been prepared on a going concern basis. Whilst the impact of COVID-19 has continued to impact the Group negatively the directors have determined that it will not have a significant impact on the entity or its ability to continue operating as a going concern.

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 2020 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 19 for a full listing of subsidiaries at balance date.

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

b) Investments in associates

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

The group has no investment in associates.

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

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

The results and assets and liabilities of joint ventures are incorporated in the Group financial 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 earned is recognised within the group and it is not eliminated on consolidation. Also, where the Group charges its jointly controlled entities for service fees, for example brand fees, the service fee revenue is recognised within the group and it is not eliminated on consolidation. There were no loans outstanding to joint ventures at the end of the financial year.

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

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

d) Goodwill

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

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

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

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

Statement of accounting policies (continued)

e) Revenue from exchange transactions

Rendering of services

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

Subscription income

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

Unearned income

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

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

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

Deferred income

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

Rental income

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

Dividend and interest revenue

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

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

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and call and term deposits < 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 are amortised on a straight line basis over their estimated useful life of 3 or 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

l) Leased assets

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

Statement of accounting policies (continued)

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.

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.

Statement of accounting policies (continued)

n) Taxation (continued)

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.

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.

Statement of accounting policies (continued)

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 currency transactions

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

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

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.

Statement of accounting policies (continued)

Critical accounting judgments and key sources of estimation uncertainty

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

Critical judgments in applying accounting policies

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

Key sources of estimation uncertainty

COVID-19 impact on the use of estimates and assumptions

On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic. COVID-19 is an infectious disease that can cause respiratory illness. While COVID-19 is a health crisis, it has caused socioeconomic disruption on a global scale. The Group has considered the impact of COVID-19 when preparing the financial statements and related note disclosures. While the effects of COVID-19 do not change the significant estimates, judgments and assumptions in the preparation of the financial statements, it has resulted in estimation uncertainty and the additional application of further judgement within those identified areas.

COVID-19 financial reporting considerations in the preparation of the financial statements

Given the increased economic uncertainties from COVID-19, the Group has heightened its financial reporting procedures and governance practices surrounding the preparation of the financial statements. In addition to standard financial year end reporting practices, the Group has:

- critically assessed estimates, judgements and assumptions used in the preparation of the financial statements including updating the Groups' outlook on economic conditions from COVID-19;
- determined the impact of COVID-19 has had on the financial statements and updated these disclosures accordingly;
- increased scrutiny and review from management; and
- assessed the carrying value of the Group's asset and liabilities at reporting date.

Financial risk management

The Group was well placed heading into the market disruption following COVID-19 pandemic due to its strong cash reserves and diversity of income streams. The Group has adopted prudent practices to manage liquidity risk and to ensure an adequate level of liquidity is maintained to meet obligations as they fall due across a wide range of operating circumstances.

Statement of accounting policies (continued)

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

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 5.96% to 11.35% (2019: 5.75% to 9.25%)) 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 6.20 % to 6.51% as at 30 June 2020 (2019: 6.49% to 6.77%). 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. COVID-19 has created material valuation uncertainty in the property market at reporting date. Refer to note 8 and 11 for valuations and for further information on how COVID has impacted valuations.

Joint Ventures

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

Impairment of Goodwill

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

Accounting Standards and interpretations issued but not yet effective

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

Major new standard, interpretation or amendment	Effective date (period beginning on or after)
PBE IFRS 9 Financial Instruments	1 January 2021
PBE FRS 48 Service Performance Reporting	1 January 2021

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THE NEW ZEALAND AUTOMOBILE ASSOCIATION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. Revenue

	2020 $'000	2019 $'000
Revenue from exchange transactions:		
Membership fees and subscriptions	60,316	59,013
Sale of goods	6,570	6,348
Rendering of services to members and public	69,721	70,907
Dividends	5	5
Interest revenue (loans and receivables)	825	895
	137,437	137,168

2. Other gains / (losses)

	2020 $'000	2019 $'000
Revaluation of investment properties	10	20
Change in fair value of financial assets classified as fair value through surplus or deficit	8,029	5,974
Impairment reversal/(losses) on revalued land and buildings	369	(538)
Termination of brand licence agreement	13,000	-
	21,408	5,456

3. Expenses

	2020 $'000	2019 $'000
Net surplus for the year has been arrived at after charging/(crediting):		
(a) ***General expenses***		
Depreciation of property, plant and equipment (note 8)	3,209	3,099
Amortisation - Software (note 10)	1,408	1,459
Operating lease expense	3,518	3,313
Raw materials and consumables used	3,870	3,731
(Gain)/loss on disposal of property, plant and equipment	(275)	(306)
(Gain)/loss on disposal of intangible assets	-	266
Legal expenses	224	192
(b) ***Personnel expenses***		
Employee benefits expense	68,946	65,374
Defined contribution plans	3,447	3,334

Deloitte.
for
Identification

4. Taxation

4a. Income tax expense

	2020 $'000	2019 $'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:

	2020	2019
Operating surplus/(loss) from continuing activities before tax and grants	39,309	31,047
Less grants to NZAA Research Foundation	(188)	(200)
Less grant to Students Against Dangerous Driving Trust	(400)	(200)
	38,721	30,647
Income tax using company tax rate 28%	10,842	8,581
Effect of exempt (surplus)/deficit	(8,252)	(9,093)
Effect of permanent differences	4,419	7,220
Effect of temporary differences	360	114
Effect of prior period adjustments	(1,404)	(1,493)
Effect of unused tax losses not recognised as deferred tax assets	641	239
Effect of imputation credits recognised	(6,606)	(5,568)
	-	-

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-19 $'000	Charge to profit or loss $'000	Charge to equity $'000	30-Jun-20 $'000
Gross deferred tax liabilities				
Property, plant and equipment	(2,736)	294	-	(2,442)
Investment Property	(60)	(4)	-	(64)
Tax liabilities	(2,796)	290	-	(2,506)
Set off of tax losses	2,796	(290)	-	2,506
Net tax liabilities	-	-	-	-
Gross deferred tax assets				
Employee provisions	819	285	-	1,104
Doubtful debts provision	18	45	-	63
Inventory provisions	1	-	-	1
Other	127	21	-	148
Brought forward tax losses recognised	1,831	(641)	-	1,190
Tax assets	2,796	(290)	-	2,506
Set off of tax losses	(2,796)	290	-	(2,506)
Net tax assets	-	-	-	-

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

	1-Jul-18 $'000	Charge to profit or loss $'000	Charge to equity $'000	30-Jun-19 $'000
Gross deferred tax liabilities				
Property, plant and equipment	(2,988)	252	-	(2,736)
Investment Property	(54)	(6)	-	(60)
Tax liabilities	(3,042)	246	-	(2,796)
Set off of tax losses	3,042	(246)	-	2,796
Net tax liabilities	-	-	-	-
Gross deferred tax assets				
Employee provisions	868	(49)	-	819
Doubtful debts provision	16	2	-	18
Inventory provisions	1	-	-	1
Other	87	40	-	127
Brought forward tax losses recognised	2,070	(239)	-	1,831
Tax assets	3,042	(246)	-	2,796
Set off of tax losses	(3,042)	246	-	(2,796)
Net tax assets	-	-	-	-

The Association has unrecognised New Zealand tax losses of approximately $22.95 million (2019: $16.95 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

	2020 $'000	2019 $'000
Investment managed funds	169,967	162,334
	169,967	162,334

Investment managed fund represents the Group's investment in three diversified portfolios managed by Milford Asset Management, 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

	2020 $'000	2019 $'000
Sundry receivables - from exchange transactions	4,247	5,860
Allowance for doubtful debts	(224)	(65)
Prepayments	1,502	1,996
Other	1,423	1,503
	6,948	9,294

The average credit period on sales of goods and service is 60 days (2019: 60 days). Interest is charged only when the customers go 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% (2019: 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 $1,031,149 (2019: $1,519,252) 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	2020 $'000	2019 $'000
30-60 days	485	983
60-90 days	192	306
90+ days	354	230
	1,031	1,519

Movement in the allowance for doubtful debts	2020 $'000	2019 $'000
Balance at beginning of the period	65	56
Impairment losses recognised on receivables	168	25
Amounts written off as uncollectable	(1)	(4)
Amounts recovered during the year	-	-
Impairment losses reversed	(8)	(12)
Balance at end of period	224	65

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 $223,716 (2019: $65,299) is applicable to invoices aged 30+ days (2019: 30+ days).

7. Inventory

	2020 $'000	2019 $'000
Retail stock	911	699
Consumables	431	393
	1,342	1,092

The cost of inventories recognised as an expense during the period was $3,870,126 (2019: $3,731,925). The cost of inventories recognised as an expense includes $3,580 (2019: $3,255) in respect of write-downs of inventory to net realisable value, and has increased by $325 (2019: $1,010) in respect of the Increase of such write-downs.

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-18	12,266	13,404	6,583	2,961	9,780	9,230	3,248	208	57,680
Net additions / (transfers)	-	231	82	150	432	1,360	650	483	3,388
Disposals	-	-	(19)	(36)	(9)	(1,574)	(542)	-	(2,180)
Revaluation increase / (decrease)	856	(917)	-	-	-	-	-	-	(61)
Balance at 30-June-19	13,122	12,718	6,646	3,075	10,203	9,016	3,356	691	58,827
Net additions / (transfers)	1,507	986	64	338	349	1,891	722	1,441	7,298
Disposals	-	-	-	(168)	-	(1,443)	(531)	-	(2,142)
Revaluation increase / (decrease)	490	75	-	-	-	-	-	-	565
Balance at 30-June-20	15,119	13,779	6,710	3,245	10,552	9,464	3,547	2,132	64,548
Accumulated depreciation									
Balance at 1-July-18	-	-	5,537	2,173	8,452	4,030	2,596	-	22,788
Depreciation expense	-	317	184	134	566	1,498	400	-	3,099
Eliminated on disposals	-	-	(8)	(36)	(9)	(1,366)	(539)	-	(1,958)
Eliminated on revaluation	-	(317)	-	-	-	-	-	-	(317)
Balance at 30-June-19	-	-	5,713	2,271	9,009	4,162	2,457	-	23,612
Depreciation expense	-	305	169	120	521	1,515	579	-	3,209
Eliminated on disposals	-	-	-	(168)	-	(1,224)	(531)	-	(1,923)
Eliminated on revaluation	-	(305)	-	-	-	-	-	-	(305)
Balance at 30-June-20	-	-	5,882	2,223	9,530	4,453	2,505	-	24,593
Carrying amount									
As at 30-June-19	13,122	12,718	933	804	1,194	4,854	899	691	35,215
As at 30-June-20	15,119	13,779	828	1,022	1,022	5,011	1,042	2,132	39,955

8. Property, plant and equipment (continued)

Valuation of land & buildings

Land & buildings were last revalued by independent registered valuers at 30 June 2020. The total value as per valuer was as follows:

	Date of Inspection	30 June 2020 $'000	30 June 2019 $'000
Colliers International	25/06/2020	16,728	14,000
Morgan Property Advisors	3/07/2020	340	340
Telfer Young	7/07/2020	3,300	3,250
Chadderton & Associates Ltd	6/07/2020	840	840
SW Binnie	16/07/2020	810	795
Telfer Young	30/06/2020	335	345
Duke & Cooke	30/06/2020	1,760	1,725
Alexander Hayward Limited	22/06/2020	2,250	2,200
Telfer Young	17/07/2020	485	470
Telfer Young	17/07/2020	2,050	1,875
		28,898	25,840

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

	2020 $'000	2019 $'000
Freehold land	2,948	1,464
Buildings	6,987	7,206
	9,935	8,670

The impacts of COVID-19 have resulted in reduced liquidity in the property market at reporting date. This is largely due to practical difficulties in advancing settlements due to recent government restrictions placed on the business community during the financial year. Certain valuers have applied assumptions regarding the reasonable possible impacts of COVID-19 based on information available as at the date of valuation and given the circumstances, have prepared the valuations on the basis of "material valuation uncertainty" meaning that the valuers have advised that less certainty should be attached to the property values than would normally be the case. The caveat from our valuer reviewing the most significant portion of our portfolio is included below:

"The outbreak of the Coronavirus (COVID-19) was declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020. Since that time there has been increased adverse impact on global financial markets. There have been travel restrictions implemented by most countries and economic stimulus packages announced by most governments. Market activity is being impacted in almost every sector and there is a major reduction in liquidity across all investment markets. In terms of the property markets it is difficult at the current time to determine if this is a short term liquidity issue or a longer term concern. The illiquidity in property markets means there will be a time delay in establishing transactional evidence to demonstrate actual pricing and what the pre-pandemic values is with certainty.

As at the valuation date, we consider it appropriate to attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation(s) is / are therefore reported on the basis of "material valuation uncertainty". Consequently, less certainty

8. Property, plant and equipment (continued)

(and a higher degree of caution) should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of all property under frequent review as valuation advice will be outdated significantly quicker than is normally the case."

All valuations have been reviewed by the New Zealand Automobile Association's management who, notwithstanding the uncertainty due to COVID-19, have determined the valuation to be appropriate as at 30 June 2020.

9. Goodwill

	2020 $'000	2019 $'000
Cost		
Balance at 1 July	10,911	10,911
Balance at 30 June	10,911	10,911
Accumulated impairment losses		
Balance at 1 July	(7,793)	(7,793)
Impairment losses charged to surplus or deficit	-	-
Balance at 30 June	(7,793)	(7,793)
Carrying amount		
As at 1 July	3,118	3,118
As at 30 June	3,118	3,118

Allocation of goodwill to cash-generating units ("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:

	2020 $'000	2019 $'000
New Zealand Automobile Association Inc	3,118	3,118
	3,118	3,118

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

For 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% (2019: 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.

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10. Other intangible assets

	Computer Software $'000
Gross carrying amount	
Balance at 30-June-18	16,111
Additions	1,437
Disposals	(639)
Balance at 30-June-19	16,909
Additions	1,287
Disposals	(8)
Balance at 30-June-20	18,188
Accumulated amortisation and impairment	
Balance at 30-June-18	12,828
Amortisation expense	1,459
Eliminated on disposals	(373)
Balance at 30-June-19	13,914
Amortisation expense	1,408
Eliminated on disposals	(8)
Balance at 30-June-20	15,314
Carrying amount	
As at 30-June-19	2,995
As at 30-June-20	2,874

11. Investment properties

At fair value	2020 $'000	2019 $'000
Balance at start of period	220	200
Change in fair value	10	20
Balance at the end of the period	230	220

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 2020. The total value per valuer was as follows:

	Date of Valuation	2020 $'000	2019 $'000
Telfer Young	30/06/2020	230	200
		230	200

12. Accounts payable

	2020 $'000	2019 $'000
Trade payables - from exchange transactions	6,893	5,642
Accrued expenses	4,952	4,378
Goods and services tax (GST) payable	2,697	575
Other	1,391	2,034
	15,933	12,629

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. Clawback provision

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

	2020 $'000	2019 $'000
Balance at beginning of period	-	-
Movement for period	145	-
Balance at end of period	145	-

14. Make good provision

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

	2020 $'000	2019 $'000
Balance at beginning of period	155	120
Movement for period	14	35
Balance at end of period	169	155

15. 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:	2020 $'000	2019 $'000
Current portion	3,837	4,162
Non-current portion	2,562	2,802
	6,399	6,964

16. 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.

	2020 $'000	2019 $'000
This is disclosed as:		
Current portion	519	695
Non-current portion	-	-
Total unearned revenue	519	695

17. Asset revaluation reserve

	2020 $'000	2019 $'000
Balance at beginning of period	12,534	11,741
Increase on revaluation of properties	505	891
Decrease on revaluation of properties	(5)	(98)
Transfer to accumulated comprehensive revenue and expenses	775	-
Balance at end of period	13,809	12,534

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. The transfer to accumulated comprehensive revenue and expense has arisen due to the reintroduction of depreciation on buildings.

18. Accumulated comprehensive revenue and expense

	2020 $'000	2019 $'000
Balance at beginning of period	244,042	213,352
Transfer from asset revaluation reserve	(775)	-
Net surplus for the year ended attributable to the Association acting in the interest of members	38,721	30,647
Share of other comprehensive revenue and expense of joint ventures	5	43
Balance at end of period	281,993	244,042

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

19. Subsidiaries

Details of the Group's significant subsidiaries at 30 June 2020 are as follows:

Name of Subsidiary	Place of Incorporation	Principle activity	Ownership interest and voting rights (%) 2020	2019
The New Zealand Automobile Association Limited	New Zealand	Brand Licensing	100	100
AA Tourism Publishing Limited	New Zealand	Publishing Guides and Maps	100	100
AA Auto Service Limited	New Zealand	Vehicle Servicing Franchise	100	100
AA Driver Training Limited	New Zealand	Driver Training Franchise	100	100
NZAA Assets Limited	New Zealand	Service Provider	100	100
AA2002 Limited (formerly AA Finance Limited)	New Zealand	Non Trading	100	100
AA Rewards Operations Limited	New Zealand	Non Trading	100	100
AA Tourism Limited	New Zealand	Non Trading	100	100
AA Vehicle Testing Limited	New Zealand	Non Trading	100	100

20. 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 (%) 2020	2019	Ownership interest (%) 2020	2019
AA Insurance Limited	30 June	New Zealand	Insurance Provider	50	50	32	32
AA Battery Services Limited	30 June	New Zealand	Service Provider	50	50	60	60
AA 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*
AA Home Limited	30 June	New Zealand	Membership Program	50	50	66	66
AA Finance Limited	30 June	New Zealand	Finance Provider	50**	50**	50**	50**

Although the Group holds less or more than 50% ownership interest in two 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. The Group has no rights to the assets and no obligation to the liabilities of these joint ventures.

* On the 20 December 2018 the Association gave notice under clause 10.2 of the AA Finance Marketing Partnership agreement which requires termination of the Partnership with effect from 31 December 2019.

** AA Finance Limited was registered on 21 January 2019.

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20. Investments accounted for using the equity method

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

	2020 $'000	2019 $'000
Current assets	575,412	504,295
Long term assets	90,000	55,904
Total assets	665,412	560,199
Current liabilities	206,871	152,805
Long term liabilities	303,546	264,403
Total liabilities	510,417	417,208
Net assets	154,995	142,991
Group's share of net assets of joint ventures	61,531	56,076
Total revenue	527,164	497,726
Total expenses	(457,565)	(418,973)
Total profit	69,599	78,753
Group's share of profits of joint ventures	23,992	27,467

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

Carrying value of joint ventures	2020 $'000	2019 $'000
Carrying value at beginning of period	56,076	43,370
Increase in shares	3,000	254
Share of net surplus/(losses)	23,992	27,467
Share of other comprehensive revenue and expense of joint ventures	5	43
Dividends received	(21,540)	(14,889)
Dividends owing	-	(165)
Distribution of tax credit	(2)	(4)
Carrying value at end of period	61,531	56,076

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

	2020	2019
The carrying value is comprised of:	$'000	$'000
Cost	24,565	21,565
Share of joint venture post-acquisition reserves	30,225	27,770
Goodwill	6,741	6,741
	61,531	56,076
Joint venture share of net surplus		
Share of surplus before taxation	32,788	37,529
Share of taxation expense	(8,796)	(10,062)
Share of total recognised revenues and expenses	23,992	27,467

21. Related parties

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

Equity interest in related parties

Details of interests in subsidiaries and joint ventures are disclosed in notes 19 and 20 respectively.

Related party transactions and outstanding balances

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

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

2020

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
AA Insurance Limited			
	Amount Owed to NZAA		56
	Amount Owed to AA Insurance Limited		-
	Service Commission and Operational Funding	9,959	
AA Life Services Ltd			
	Amount Owed to NZAA		120
	Service Commission and Operational Funding	1,778	
AA Battery Services Ltd			
	Amount Owed to NZAA		125
	Amount Owed to AA Battery Services		205
	Purchase of Battery Stock	2,161	
	Service Commission and Operational Funding	(1,653)	
AA Smartfuel Limited			
	Amount Owed to NZAA		46
	Amount Owed to AA Smartfuel Limited		18
	Service Provider and Operational Funding	838	
	Brand Licensing and Program Fees	(284)	
AA Finance Limited			
	Amount Owed to NZAA		125
	Amount Owed to AA Finance Limited		-
	Administrative Services and Operational Activities	724	

21. Related parties (continued)

Joint Ventures (Continued)

2020

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
AA Finance Marketing Partnership			
	Amount Owed to NZAA		11
	Service Provider and Operational Funding	522	
	Brand Licensing and Program Fees	226	
AA Home Limited			
	Amount Owed to NZAA		39
	Amount Owed to AA Home Limited		42
	Administrative Services and Operational Activities	143	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	3,447	
	Expenses	768	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		8
	Service Provider and Operational Funding	89	
	Grant paid to NZAA Research Foundation	188	
SADD Aotearoa - Students Against Dangerous Driving Charitable Trust			
	Amount Owed to NZAA		2
	Service Provider and Operational Funding	37	
	Grant paid to Students Against Dangerous Driving Aotearoa	472	

21. Related parties (continued)

Joint Ventures (Continued)

2019

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
Joint Ventures:			
AA Insurance Limited			
	Amount Owed to NZAA		288
	Amount Owed to AA Insurance Limited		-
	Service Commission and Operational Funding	6,331	
AA Life Services Ltd			
	Amount Owed to NZAA		247
	Service Commission and Operational Funding	1,609	
AA Battery Services Ltd			
	Amount Owed to NZAA		298
	Amount Owed to AA Battery Services		151
	Purchase of Battery Stock	1,764	
	Service Commission and Operational Funding	(1,244)	
AA Smartfuel Limited			
	Amount Owed to NZAA		111
	Amount Owed to AA Smartfuel Limited		17
	Service Provider and Operational Funding	677	
	Brand Licensing and Program Fees	(340)	
AA Finance Limited			
	Amount Owed to NZAA		-
	Amount Owed to AA Finance Limited		-
	Administrative Services and Operational Activities	-	

21. Related parties (continued)

Joint Ventures (Continued)

2019

Related Party	Type of Transaction	Amount during the year ($'000)	Balance at 30 June ($'000)
AA Finance Marketing Partnership			
	Amount Owed to NZAA		208
	Service Provider and Operational Funding	688	
	Brand Licensing and Program Fees	536	
AA Home Limited			
	Amount Owed to NZAA		77
	Amount Owed to AA Home Limited		34
	Service Commission and Operational Funding	340	
Other related parties:			
Staff Superannuation Schemes			
	Employer Contribution	3,334	
	Expenses	801	
New Zealand Automobile Association Research Foundation			
	Amount Owed to NZAA		8
	Service Provider and Operational Funding	90	
	Grant paid to NZAA Research Foundation	200	
SADD Aotearoa - Students Against Dangerous Driving Charitable Trust			
	Amount Owed to NZAA		2
	Service Provider and Operational Funding	87	
	Grant paid to Students Against Dangerous Driving Aotearoa	272	

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

21. Related parties (continued)

Key management personnel remuneration

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

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

	2020		2019	
	Remuneration $'000	**Number of Individuals**	**Remuneration $'000**	**Number of Individuals**
Members of the governing body	384	8 people	384	8 people
CEO and senior executive officers	8,219	15.03 FTE's	7,878	15.41 FTE's
	8,603		8,262	

Legal and other consulting fees totalling $214,124 (2019: $220,504) 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 (2019: $Nil).

22. Remuneration of auditors

	2020 $'000	2019 $'000
Audit of the financial statements	264	251
Taxation compliance services	31	38
Taxation advisory services	62	111
Non assurance related services	31	0
	388	400

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.

23. Cash and cash equivalents

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

	2020 $'000	2019 $'000
Cash on hand	44	44
Cash in banks	944	2,369
Fixed term deposits ≤ 3 months	37,670	26,703
Call deposits	26,738	8,598
Total cash and cash equivalents per statement of cash flows	65,396	37,714

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

	2020 $'000	2019 $'000
Net surplus for the year attributable to the association acting in the interest of members	38,721	30,647
Adjustments for non-cash items:		
Depreciation expense (note 8)	3,209	3,099
Amortisation expense (note 10)	1,408	1,459
Impairment of goodwill recognised in surplus or deficit	-	-
Capitalised lease	11	20
Share of equity accounted joint venture (surplus)/deficit (note 20)	(23,992)	(27,467)
Loss/(gain) on managed funds (note 2)	(8,029)	(5,974)
Loss/(gain) of disposal of property, plant and equipment	(275)	(306)
Loss/(gain) of disposal of intangible assets	-	266
Loss/(gain) on revaluation of freehold land and buildings (note 2)	(369)	538
Loss/(gain) on revaluation of investment property (note 2)	(10)	(20)
Adjustments for movements in:		
Sundry receivables and prepayments	2,346	(283)
Inventories	(250)	167
Accounts payable	3,681	326
Employee entitlements	1,453	65
Clawback provision	145	-
Make good provision	14	35
Unearned & deferred income	(741)	(612)
Subscriptions in advance	(271)	639
Net Operating cash inflow / (outflow)	17,051	2,599

25. Amount, timing and uncertainty of cash flows

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

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

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

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

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

26. Operating lease and capital commitments

The group as lessee:

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

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

	2020 $'000	2019 $'000
Within one year	3,433	3,518
Between one and five years	4,881	4,624
After five years	14	118
	8,328	8,260

Capital commitments

At balance date the Group had no capital commitments (2019: $Nil).

27. Contingent assets

At balance date the Group had no contingent assets (2019: $Nil).

28. Contingent liabilities

	2020 $'000	2019 $'000
Contingent liabilities are categorised as follows:		
Motorway emergency telephone service indemnity bond	8	8
Auckland International Airport performance bond	8	0

29. Subsequent events

On the 1 July 2020 the AA Life Services Limited joint venture agreement was terminated and the company will be wound up over a transitional period of up to twelve months. There were no other material events post 30 June 2020 which would require adjustment to the amounts reflected in the 30 June 2020 financial statements or disclosures thereto.

30. Financial instruments

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

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

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

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

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

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

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

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

The Group does not hold collateral over these accounts receivable.

30. Financial instruments (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, 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 2020	**Carrying amounts $'000**	**Contractual cash flows $'000**	**On demand $'000**	**1 to 12 months $'000**	**1 to 5 years $'000**
Liabilities					
Accounts payable	13,236	13,236	13,236	-	-
Total financial liabilities	13,236	13,236	13,236	-	-

As at 30 June 2019	**Carrying amounts $'000**	**Contractual cash flows $'000**	**On demand $'000**	**1 to 12 months $'000**	**1 to 5 years $'000**
Liabilities					
Accounts payable	12,053	12,053	12,053	-	-
Total financial liabilities	12,053	12,053	12,053	-	-

30. Financial instruments (continued)

Categories of financial assets and financial liabilities

As at 30 June 2020	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	65,396	-	-	65,396
Other financial assets	-	169,967	-	169,967
Sundry receivables & other assets	5,446	-	-	5,446
Total financial assets	70,842	169,967	-	240,809
Liabilities				
Accounts payable	-	-	(15,933)	(15,933)
Total financial liabilities	-	-	(15,933)	(15,933)

As at 30 June 2019	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	37,714	-	-	37,714
Other financial assets	-	162,334	-	162,334
Sundry receivables & other assets	7,463	-	-	7,463
Total financial assets	45,177	162,334	-	207,511
Liabilities				
Accounts payable	-	-	(12,629)	(12,629)
Total financial liabilities	-	-	(12,629)	(12,629)

Market risks

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

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

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

30. Financial instruments (continued)

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

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

Equity price sensitivity analysis

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

Financial Assets

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

	Balance	Income impact of 1% fall in interest rate - 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 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Cash and cash equivalents	65,396	654	(654)	-	-
Other financial assets	169,967	-	-	8,498	(8,498)
Total financial assets	235,363	654	(654)	8,498	(8,498)
Total	235,363	654	(654)	8,498	(8,498)

	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 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Cash and cash equivalents	37,714	377	(377)	-	-
Other financial assets	162,334	156	(156)	7,339	(7,339)
Total financial assets	200,048	533	(533)	7,339	(7,339)
Total	200,048	533	(533)	7,339	(7,339)

30. Financial instruments (continued)

Fair Values

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

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

Fair value measurements recognised in the statement of financial position

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

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

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

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

As at 30 June 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	-	169,967	-	169,967
Total financial assets	-	169,967	-	169,967

As at 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Other financial assets	26,901	135,433	-	162,334
Total financial assets	26,901	135,433	-	162,334

Reconciliation of Level 3 fair value measurements of financial assets	2020 $'000	2019 $'000
Balance at beginning of period	-	-
Purchases	-	-
Sales	-	-
Gains/(losses) recognised in surplus or deficit (note 2)	-	-
Balance at end of period	-	-

Commodity and other market risk

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

Deloitte.

Independent Auditor's Report

To the Members of the New Zealand Automobile Association

Opinion

We have audited the financial statements of the New Zealand Automobile Association (the 'entity') and its subsidiaries ('the group'), which comprise the consolidated statement of financial position as at 30 June 2020, 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 2020, 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 Company 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 risk advisory, 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 entityand its subdiaries on normal terms within the ordinary course of trading activities of the business of the entity and its subsidiaries. The firm has no other relationship with, or interest in, the entity or any of its subsidiaries.

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
18 September 2020

This audit report relates to the consolidated financial statements of New Zealand Automobile Asscoiation (the 'entity') and its subsidiaries (the 'group')for the year ended 30 June 2020 included on the entity's website. The Governing body is/are responsible for the maintenance and integrity of the entity's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the consolidated financial 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 18 September 2020 to confirm the information included in the audited consolidated financial statements presented on this website.

Above: AA Member Debbie Haretuku and AA Roadservice Contractor Firooz Bhikoo of Tyrepower Otahuhu.

Stuck in a storm with a flat tyre is hard enough, let alone when you're driving your grandchild around Auckland. When AA Member Debbie Haretuku found herself in this dire situation, she immediately called the AA.

While our AA Contractors and Service Officers are the most visible sign of help, there's also a whole team behind the scenes who carefully triage each call for help they receive.

In this instance, the team at the Contact Centre swung into action; also pictured on the front page, Georgia Wharton-Benedict (Former Dispatch Service Coordinator, now Contractor Accounts Administrator), Rhys Deam (Service Response Centre Team Manager) and Rita Gathercole who is representing the team of AA Customer Service Representatives.

For any motorist stranded with children or vulnerable in other ways there's always extra urgency in getting help on the road, and the team quickly realised AA Roadservice Contractor Firooz Bhikoo from Tyrepower Otahuhu was the best source of assistance.

Despite heavy traffic, Firooz reached Debbie within 30 minutes, and got her back on the road, and like many AA Members she was moved to reach out to let us know just how much that meant.

"Upon his arrival, he was friendly, well-resourced. I immediately felt confident he could do the job, which he did with ease and in a timely manner."

Debbie's a true convert to the AA, encouraging her children to join as well, and enjoyed meeting all the people who made sure she got home safely that day.

We're honest | **We're friendly** | **We're experts** | **We solve it** | **We're a team**

Looking after Kiwis since

1903

55% female, **45%** male mix

We employ more than **850** people, who stay on average **8** years, **31** employees have celebrated more than 30 years at the AA.

We have:

37	AA Centres
38	AA Auto Centres
33	AA Driver and Vehicle Licensing Agents
4	Mobile Agents who visit 20 locations
4	AA Vehicle Testing Stations
6	Vehicle Inspection Centres
5	Mobile Inspection services
14	AA Compliance Centres
150	AA Approved Repairers
2	AA Contact Centres