

# Performance Compared to the Statement of Intent – Period 1 July 2011 to 30 June 2012

## Glossary

Auckland Council	(AC)
Auckland Transport	(AT)
Local Government Auckland Council Act	(LGACA)
Statement of Intent	(SOI)

## Background

The LGACA requires the Board to hold two public meetings each year. The first is to be held prior to 30 June to consider AC's comments on the Draft Statement of Intent, the second must be:

*“...held after 1 July each year for the purpose of considering the organisation's performance under its statement of intent in the previous financial year.” (S96(2)(b))*

Attached are reports covering the organisations performance against the service performance standards contained in the SOI, and a Financial Report including notes and accounting policies. This information will be included in the Annual Report once it has been audited and adopted.

The Chief Executive and Chief Financial Officer will make a presentation to the Board prior to allowing members of the public attending the meeting to address the Board in relation to the performance under the SOI.

## Recommendations

It is recommended that the Board:

- i). Receive the report

## Service Performance

The SOI contains 33 service performance measures. Of the 33 measures, 29 were fully achieved. One measure fell short of the target by 1% and one fell short of target by 2%. The other two not achieved related to travel times on an important freight route: Neilson Street.

Highlights in terms of performance are the increase in public transport patronage which rose 8.1% in total. The increase varied across modes of Bus (7.0% increase), Rail (10.5% increase), and Ferry (15.0% increase).

The measures not achieved are:

- *Percentage of public transport passengers satisfied with their public transport service, where the target was 87% and actual was 85%. This is regarded as being substantially achieved and within the limits of measuring accuracy.*
- *Percentage of residents satisfied with the quality of footpaths in their local area, where the target was 75% and actual performance was 74%. This is regarded as being substantially achieved.*

- *Travel times (in minutes) along strategically important freight routes during the inter-peak (9am – 4pm).* Both the travel time measures not achieved relate to Neilson Street which is to be upgraded in the next year.
  - From SH 20 to SH 1 via Nielson Street where the target is 16 minutes and actual was 18 minutes
  - From SH 1 to SH 20 via Nielson Street where the target is 13 minutes and the actual achieved was 14 minutes

## Financial Results

The financial result is reported against the agreed budget with AC.

The reported result for the year shows total comprehensive income of \$65m. Other comprehensive income includes: a revaluation gain on property, plant and equipment of \$194m, a reduction in deferred tax liability related to the revaluation of \$3m, and a \$19.5m unrealised loss on the valuation of hedged foreign exchange contracts.

The operational result is a deficit before tax of \$110m against a budgeted deficit of \$17m, a variance of \$93m. However, a number of non-cash and abnormal items have impacted the operating result. These items are detailed below:

- A \$34m unrealised loss on the interest rate swap hedges valuation related to the electric trains project. This non-cash accounting adjustment is required under New Zealand International Financial Reporting Standards (NZ IFRS).
- A \$55m reduction in income for capital projects. This is mainly due to \$80m reduced NZTA revenue for capital projects, partially off-set by \$24m of income for vested assets. The reduction reflected a more realistic programme of work and the constrained funding available. AT and NZTA entered into a Financial Assistance Variance agreement to reflect a reduction in subsidy of \$50m, to be made up in the subsequent two years. It was also agreed, that in return for this accommodation by AT, NZTA would approve projects for subsidy over a three year period, with the NZTA share begin paid in 2014 and 2015 financial years, on all approved expenditure for those projects.
- A \$46m grant from AC for the electric trains' project, \$42m of which has been used to fund KiwiRail procurement costs included in expenditure on activities
- An \$8m non-cash loss on disposal of property, plant and equipment

After adjusting for these non-cash and abnormal items, AT has operated within its agreed funding envelope, including meeting an \$11m efficiency target from AC. The organisation has managed the cash flows for operational activities effectively.

Capital spend was higher than contained within the budget by \$45m. However, this included \$95m for the electric trains and depot project. These costs were approved subsequent to the budget and have been funded by loans from the Crown, via AC.

The Balance Sheet reflects a very strong fixed assets position. The working capital position is reasonable and reflects inter-entity balances between AC and AT to fund the capital work programme. Debt (with the exception of the electric trains and depot project) does not sit on AT's statements. Any debt funding for Transport activities (excluding the electric trains and depot project) is borrowed by AC and the funding for capital work is provided to AT as equity funding. AT has debt of \$113m at 30 June that is specific to the electric trains and depot project. These borrowings are paid from the Crown, via AC, to AT. AC provides security for AT's borrowings.

## Attachments

**Attachment 1** – Statement of Service Performance

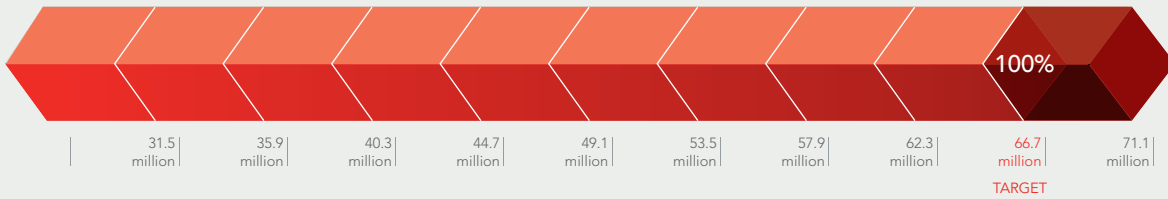
**Attachment 2** – Draft Unaudited Financial Statements and Accounting Policies

<b>WRITTEN and RECOMMENDED by</b>	Dave Foster <b>Chief Financial Officer</b>	
<b>APPROVED FOR SUBMISSION by</b>	David Warburton <b>Chief Executive</b>	

**PRIORITY  
FOCUS  
ONE**

**PERFORMANCE MEASURES  
MAINTAIN AND MAKE BEST  
USE OF THE EXISTING NETWORKS**

**01 TOTAL PUBLIC TRANSPORT PATRONAGE –  
ANNUAL BOARDINGS FOR BUS, RAIL AND FERRY**



**71.1m**  
**PASSENGERS**

**+ TARGET EXCEEDED**

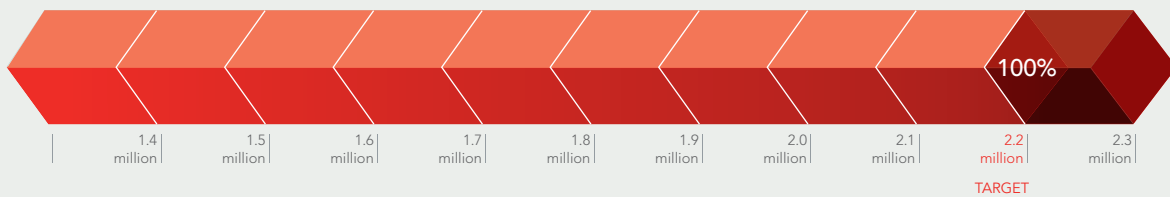
**2012 Target:** 66,725,000 passengers  
**2012 Actual:** 71,087,755 passengers  
**2011 Actual:** 65,763,655 passengers

Total Auckland public transport patronage was 71,087,755 passengers for the 12 months to 30 June 2012, an increase of 5,324,100 or +8.1% compared to the 12 months to 30 June 2011. This is the first time Auckland’s public transport patronage has exceeded 70 million passengers since the 1950s.

Patronage per mode: Bus – 54,736,260 passengers (77.0%); Rail – 10,904,160 passengers (15.3%); Ferry – 5,447,335 passengers (7.7%).

Note: The 2011 actual result is for the full year to 30 June 2011 and therefore includes four months previously reported in ARTA.

**02 RAPID TRANSIT BUSWAY ANNUAL BOARDINGS**



**2.3m**  
**PASSENGERS**

**+ TARGET EXCEEDED**

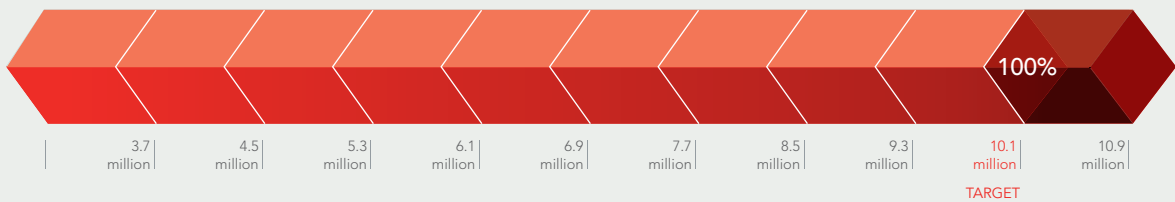
**2012 Target:** 2,160,000 passengers  
**2012 Actual:** 2,279,860 passengers  
**2011 Actual:** 2,056,890 passengers

Northern Express patronage totalled 2,279,860 passengers for the 12 months to 30 June 2012, an increase of 222,970 or +10.8% compared to the 12 months to 30 June 2011. The Northern Busway, along with the rail network, forms the Rapid Transit Network (RTN). The Northern Busway is New Zealand’s first purpose-built road dedicated to buses.

Note: The 2011 actual result is for the full year to 30 June 2011 and therefore includes four months previously reported in ARTA.

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### 03 RAPID TRANSIT RAIL ANNUAL BOARDINGS



# 10.9m

## PASSENGERS

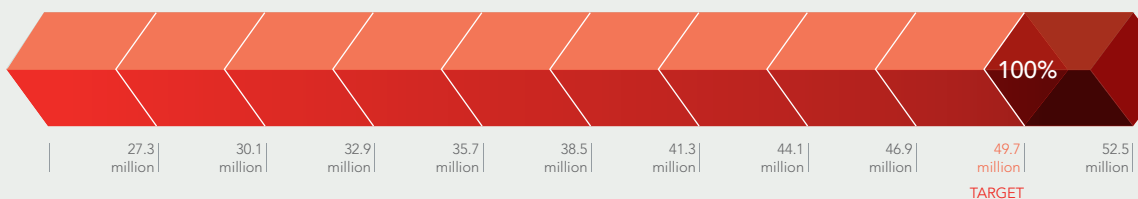
Rapid transit rail annual boardings totalled 10,904,160 passengers for the 12 months to 30 June 2012, an increase of 1,039,556 or +10.5% compared to the 12 months to 30 June 2011. Western Line rail patronage totalled 4,092,234 passengers, an increase of 578,743 or +16.5%. Southern and Eastern line rail patronage totalled 6,811,926 an increase of 460,791 or +7.3%.

**+** TARGET EXCEEDED

Note: The 2011 actual result is for the full year to 30 June 2011 and therefore includes four months previously reported in ARTA.

**2012 Target:** 10,090,000 passengers  
**2012 Actual:** 10,904,160 passengers  
**2011 Actual:** 9,864,604 passengers

### 04 QUALITY TRANSIT AND LOCAL CONNECTOR BUSES ANNUAL BOARDINGS – INCLUDING CONTRACTED SCHOOL BUSES



# 52.5m

## PASSENGERS

Bus services other than the Northern Express form the majority of services on the Quality Transit Network and Local Connector Network, including dedicated school bus services. Patronage totalled 52,456,400 passengers for the 12 months to 30 June 2012, an increase of 3,349,956 or +6.8%. Bus patronage (excluding Northern Express) by sector: North Sector – 10,666,558 passengers, an increase of 309,637 or +3.0%; West Sector – 4,951,054 passengers, an increase of 93,995 or +1.9%; South Sector – 10,719,191 passengers, an increase of 347,086 or +3.3%; Isthmus Sector – 26,119,597 passengers, an increase of 2,599,238 or +11.1%.

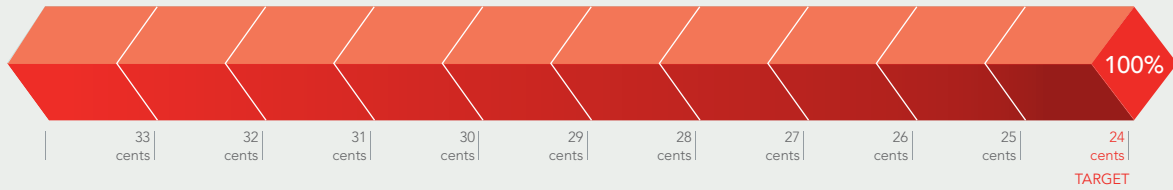
**+** TARGET EXCEEDED

Note: The 2011 actual result is for the full year to 30 June 2011 and therefore include four months previously reported in ARTA.

**2012 Target:** 49,700,000 passengers  
**2012 Actual:** 52,456,400 passengers  
**2011 Actual:** 49,106,444 passengers

**PRIORITY FOCUS ONE**

**05 PUBLIC TRANSPORT SUBSIDY PER PASSENGER KILOMETRE**



**24 CENTS**

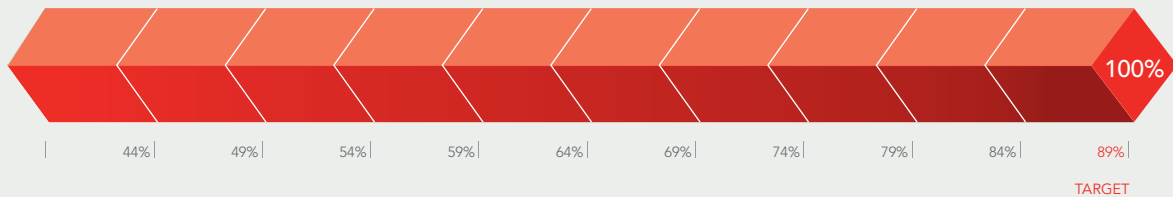
Public transport subsidy per passenger kilometre as at 30 June 2012, was 24 cents (CPI adjusted) which is in line with the target. Public transport subsidy (CPI adjusted) per passenger for the 12 months ended 30 June 2012 was \$2.35 (Bus – \$1.75, Rail – \$5.98 and Ferry – \$1.07).

**+ TARGET MET**

Note: The 2011 actual result is for the full year to 30 June 2011 and therefore includes four months previously reported in ARTA.

2012 Target: 24 cents  
 2012 Actual: 24 cents  
 2011 Actual: 23 cents

**06 PERCENTAGE OF PUBLIC TRANSPORT PASSENGERS WITH ACCESS TO REAL TIME SERVICE INFORMATION**



**89 PER CENT**

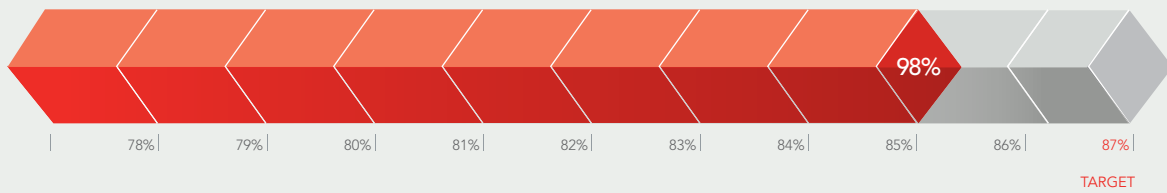
Real time service information has been extended to rail services both at the stations (excluding Mt Albert Station) and on the MAXX website this year.

**+ TARGET MET**

Note: The 2011 actual result represents access to real time service information via [www.maxx.co.nz](http://www.maxx.co.nz) for bus passengers

2012 Target: 89%  
 2012 Actual: 89%  
 2011 Actual: 73%

**07 PERCENTAGE OF PUBLIC TRANSPORT PASSENGERS SATISFIED WITH THEIR PUBLIC TRANSPORT SERVICE**



**85 PER CENT**

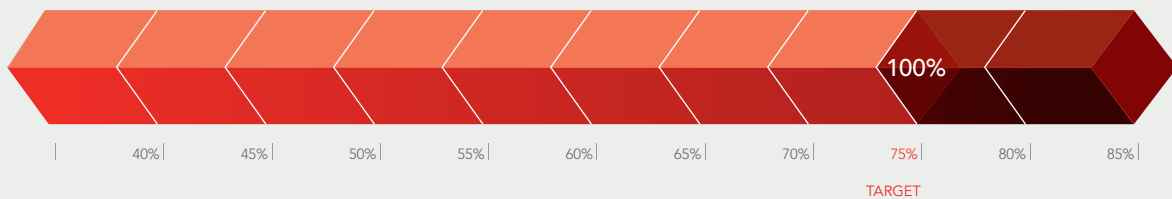
**- TARGET NOT MET**

2012 Target: 87%  
 2012 Actual: 85%  
 2011 Actual: 86%

An external party conducted an on-board survey with public transport passengers, using a self completion methodology. The overall public transport experience was rated positively (good/very good/excellent) by 85% of respondents. Overall satisfaction (good/very good/excellent) by transport mode: Ferry – 92%, Bus – 82%, Train – 82%.

Various public transport projects (e.g. real-time public information system, integrated fares and ticketing, electric trains, more bus and transit lanes) are continuing to progress well. These projects will help improve customer satisfaction with public transport services.

**08 PERCENTAGE OF RESIDENTS SATISFIED WITH THE QUALITY OF ROADS IN THE AUCKLAND REGION**



**85 PER CENT**

**+ TARGET EXCEEDED**

2012 Target: 75%  
 2012 Actual: 85%  
 2011 Actual: 79%

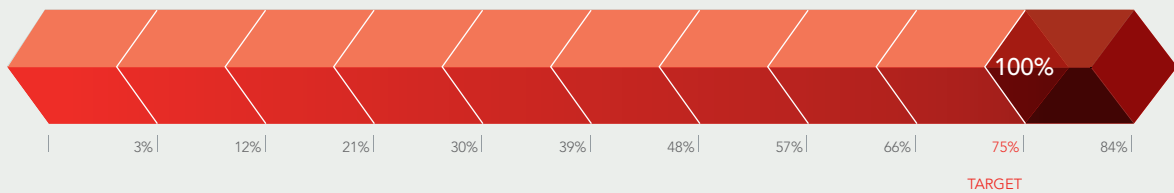
Auckland Council conducted an annual survey on resident and ratepayer satisfaction with a range of its services and facilities, which includes services and facilities provided by Auckland Transport.

2012 actual customer satisfaction survey result includes very satisfied (11%), satisfied (39%) and neutral (35%). The target of 75% includes extremely satisfied, very satisfied or satisfied.

Note: 2011 actual customer satisfaction survey: includes very satisfied (7%), satisfied (36%) and neutral (36%).

**PRIORITY FOCUS ONE**

**09 PERCENTAGE OF RESIDENTS SATISFIED WITH THE SURFACE FOR ALL SEALED ROADS IN THE AUCKLAND REGION (EXCLUDING MOTORWAYS)**



**84 PER CENT**

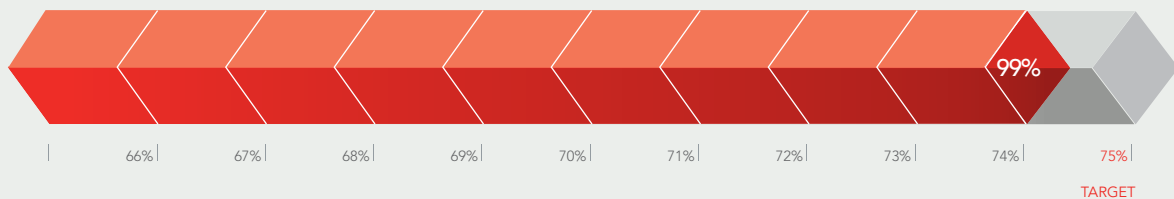
2012 actual customer satisfaction survey includes very satisfied (11%), satisfied (35%), and neutral (38%). The target of 75% includes extremely satisfied, very satisfied or satisfied.

Note: 2011 actual customer satisfaction survey includes very satisfied (8%), satisfied (37%) and neutral (35%).

**+ TARGET EXCEEDED**

2012 Target: 75%  
2012 Actual: 84%  
2011 Actual: 80%

**10 PERCENTAGE OF RESIDENTS SATISFIED WITH THE QUALITY OF FOOTPATHS IN THEIR LOCAL AREA**



**74 PER CENT**

2012 actual customer satisfaction survey includes very satisfied (13%), satisfied (33%) and neutral (28%). The target of 75% includes extremely satisfied, very satisfied or satisfied. Auckland Transport will continue to improve the condition of existing footpaths within the funding available. Priority will be given to footpaths in very poor condition.

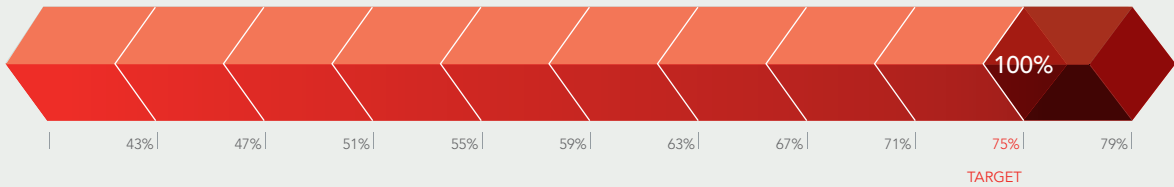
Note: 2011 actual customer satisfaction survey includes very satisfied (11%), satisfied (34%) and neutral (31%).

**- TARGET NOT MET**

2012 Target: 75%  
2012 Actual: 74%  
2011 Actual: 76%



**11 PERCENTAGE OF RESIDENTS SATISFIED WITH THE QUALITY OF FOOTPATHS IN THE AUCKLAND REGION**



**79 PER CENT**

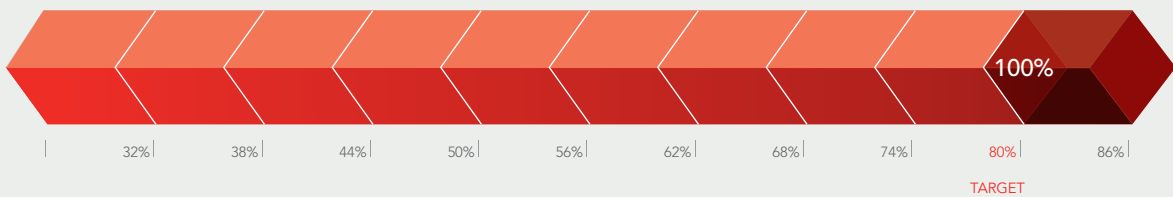
2012 actual customer satisfaction survey includes very satisfied (7%), satisfied (36%), and neutral (36%). The target of 75% includes extremely satisfied, very satisfied or satisfied.

Note: 2011 actual customer satisfaction survey includes very satisfied (7%), satisfied (33%) and neutral (36%).

**+ TARGET EXCEEDED**

2012 Target: 75%  
 2012 Actual: 79%  
 2011 Actual: 76%

**12 PERCENTAGE OF TELEPHONE CALLS TO MAXX CALL CENTRE ANSWERED WITHIN 20 SECONDS**



**86 PER CENT**

MAXX call centre has received 580,046 calls in the 12 months ended 30 June 2012 and is meeting the performance standard of 86% of calls answered within 20 seconds. Average call wait time was 11 seconds. Rugby World Cup 2011 (RWC 2011) was a significant highlight of the year and a resource intensive project. MAXX received its biggest call volumes of the year during this period, with 64,579 calls in September 2011 and 56,562 calls in October 2011.

Apart from the calls received from the MAXX call centre, Auckland Transport received calls from the HOP line (34,511 calls in the twelve months ended 30 June 2012). Auckland Council also take calls on behalf of Auckland Transport via the Auckland Transport number (355-3553).

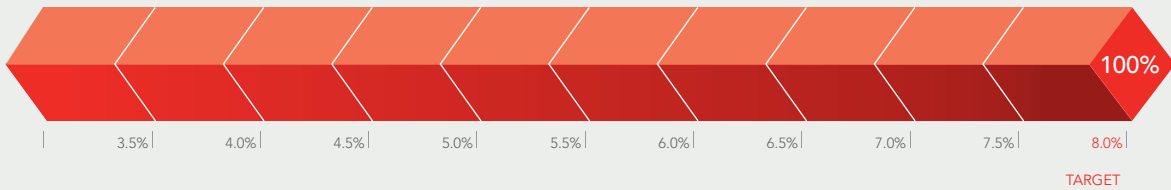
Note: The 2011 actual results is for eight months. Average wait time was 16 seconds.

**+ TARGET EXCEEDED**

2012 Target: 80% or better  
 2012 Actual: 86%  
 2011 Actual: 79%

**PRIORITY FOCUS ONE**

**13 PROPORTION OF ARTERIAL ROAD NETWORK FOR WHICH REAL TIME TRAVEL OR CONGESTION INFORMATION AVAILABLE**



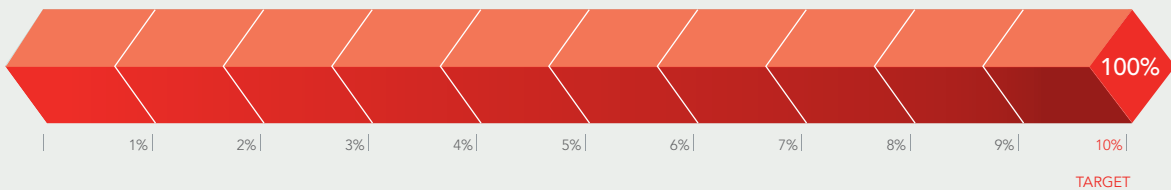
**8 PER CENT**

**+ TARGET MET**

2012 Target: 8%  
 2012 Actual: 8%  
 2011 Actual: New measure

A project was initiated to enable a better understanding of road network performance and expected travel times at different times of the day. Data is gathered in real time and used to predict travel times for the route. This information is then made available to the public. The city centre to airport route now has six electronic variable message signs that can display projected journey times. Preliminary results indicate that travel times have significantly improved along this route and are being maintained at an average of 40 minutes per trip during peak times. Congestion information is available on the NZTA website. This project is one of the first to apply the One System approach where the journey includes both arterials routes and segments of the motorway.

**14 PROPORTION OF ARTERIAL ROAD NETWORK WITH SIGNAL OPTIMISATION IN PLACE**



**10 PER CENT**

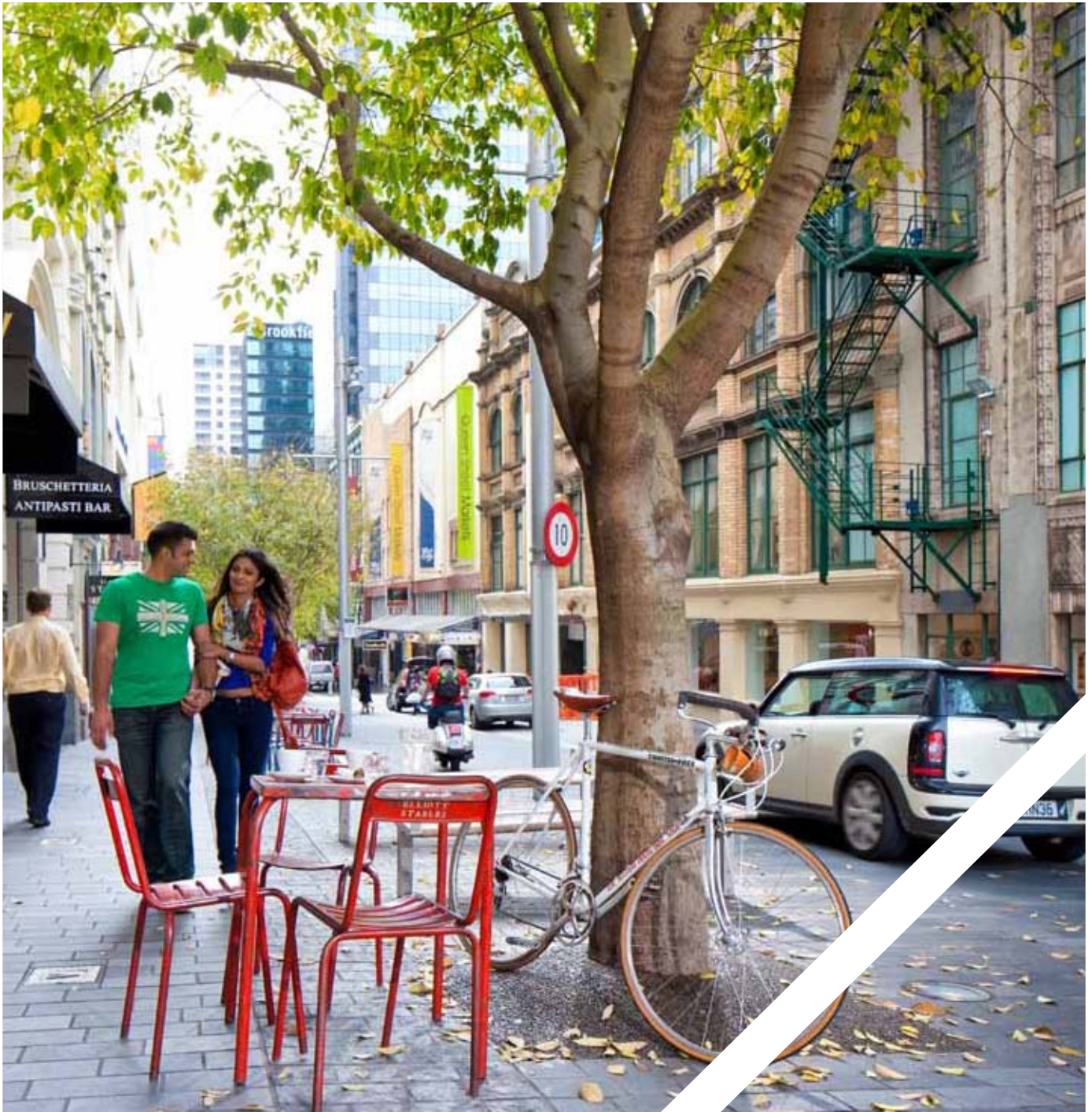
**+ TARGET MET**

2012 Target: 10%  
 2012 Actual: 10%  
 2011 Actual: New measure

A route optimisation programme was initiated which identified a number of major arterial routes where traffic signal coordination and other traffic management initiatives can achieve improvements in travel time reliability, safety and reductions in emissions. For the year ended 30 June 2012, route optimisation on 16 segments of arterials routes were implemented. The Dominion Road, Symonds Street and Saint Lukes routes have been completed and other routes in various stages of completion are Greenlane, Great South Road, Broadway and Khyber Pass.

OVERALL PERCENTAGE SCORE:  
PRIORITY FOCUS ONE:  
MAINTAIN AND MAKE BEST USE  
OF THE EXISTING NETWORKS

# 99.8%

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Auckland Transport maintains **6,900km** of footpaths.

Pedestrian activity on city centre streets has increased by between 50 and 140 per cent since the new shared spaces were introduced in the city centre.

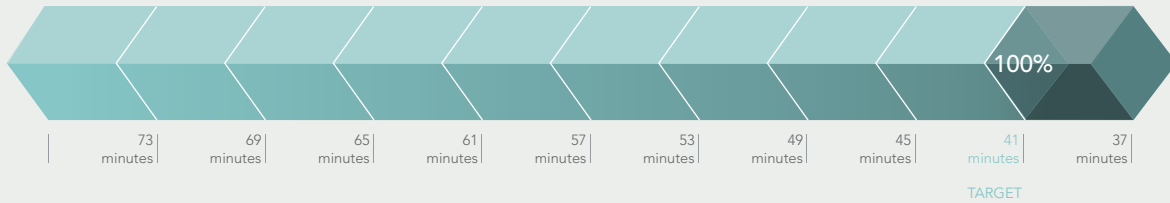
PRIORITY FOCUS TWO

PERFORMANCE MEASURES  
INVEST IN NEW INFRASTRUCTURE

# 01 Travel times (minutes) along strategically important arterial routes during morning peak hour

The 2012 actual travel times were measured in November 2011. These represent the average travel time of 85% of trips along the strategically important arterial routes during the morning peak hour. A number of factors can affect the travel time such as roadworks or major developments disrupting traffic flow. The 2012 target travel times were based on the travel times measured in November 2010.

## 1A. AIRPORT TO CITY CENTRE VIA MANUKAU ROAD

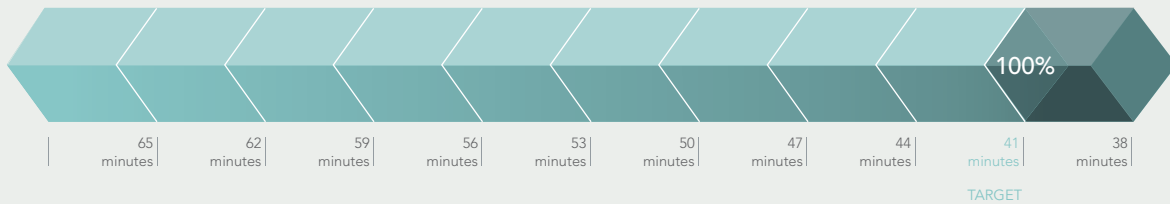


**37** MINUTES

**+** TARGET EXCEEDED

2012 Target: 41 minutes  
2012 Actual: 37 minutes  
2011 Actual: 41 minutes

## 1B. CITY CENTRE TO AIRPORT VIA MANUKAU ROAD



**38** MINUTES

**+** TARGET EXCEEDED

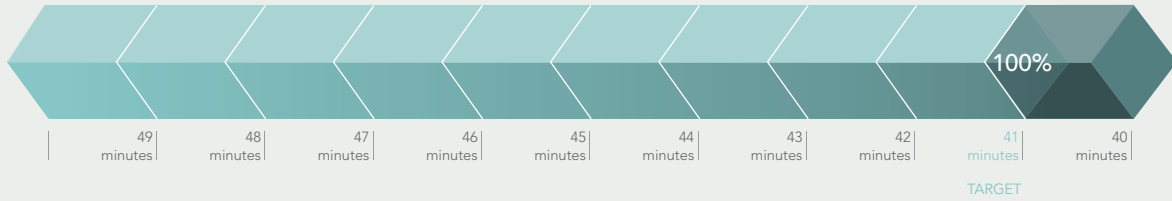
2012 Target: 41 minutes  
2012 Actual: 38 minutes  
2011 Actual: 41 minutes

SECTION 01

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**1C. ST LUKES TO ST JOHNS VIA ST LUKES ROAD/GREENLANE/REMUERA ROAD**

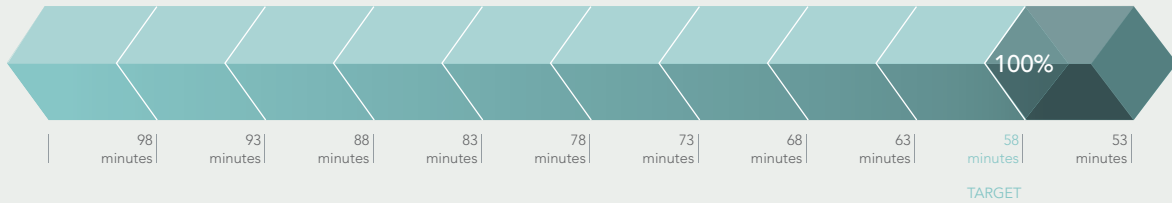


**40** MINUTES

**+ TARGET EXCEEDED**

2012 Target: 41 minutes  
 2012 Actual: 40 minutes  
 2011 Actual: 41 minutes

**1D. ST JOHNS TO ST LUKES VIA REMUERA ROAD/GREENLANE/ST LUKES ROAD**

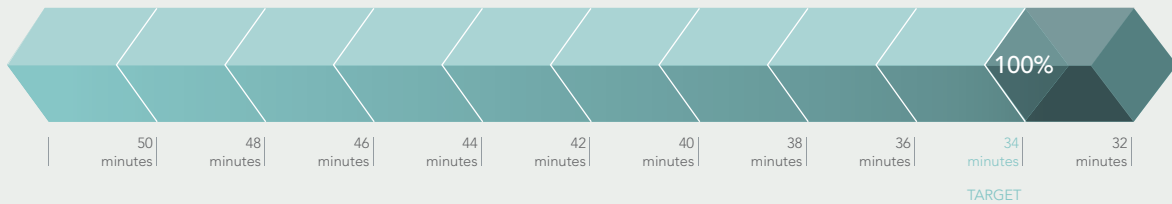


**53** MINUTES

**+ TARGET EXCEEDED**

2012 Target: 58 minutes  
 2012 Actual: 53 minutes  
 2011 Actual: 58 minutes

**1E. ALBANY TO BIRKENHEAD VIA GLENFIELD ROAD**



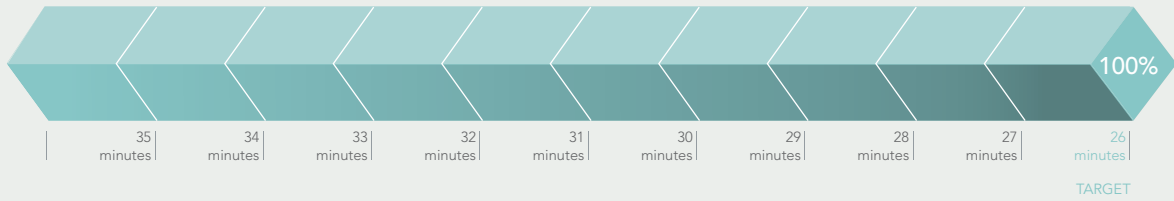
**32** MINUTES

**+ TARGET EXCEEDED**

2012 Target: 34 minutes  
 2012 Actual: 32 minutes  
 2011 Actual: 34 minutes

PRIORITY FOCUS TWO

1F. BIRKENHEAD TO ALBANY VIA GLENFIELD ROAD

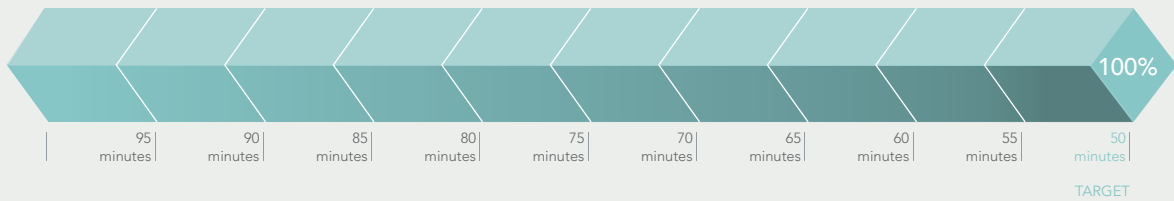


26 MINUTES

+ TARGET MET

2012 Target: 26 minutes  
 2012 Actual: 26 minutes  
 2011 Actual: 26 minutes

1G. HENDERSON TO CITY CENTRE VIA GREAT NORTH ROAD

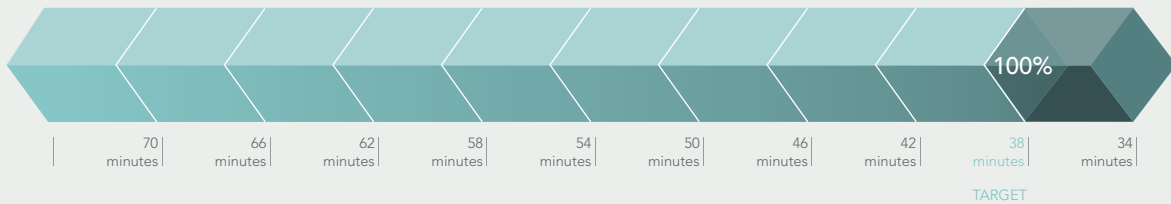


50 MINUTES

+ TARGET MET

2012 Target: 50 minutes  
 2012 Actual: 50 minutes  
 2011 Actual: 50 minutes

1H. CITY CENTRE TO HENDERSON VIA GREAT NORTH ROAD



34 MINUTES

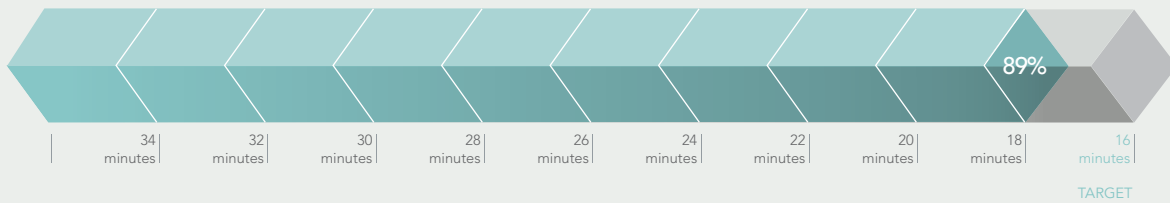
+ TARGET EXCEEDED

2012 Target: 38 minutes  
 2012 Actual: 34 minutes  
 2011 Actual: 38 minutes

## 02 Travel times (minutes) along strategically important freight routes during the inter-peak period (9am-4pm)

The 2012 actual travel times were measured in November 2011. These represent the average travel time of 85% of trips along strategically important freight routes during the inter-peak period (9am-4pm). A number of factors can affect the travel time such as roadworks or major developments disrupting traffic flow. The 2012 target travel times were based on the travel times measured in November 2010.

### 2A. FROM SH20 TO SH1 VIA NIELSON STREET



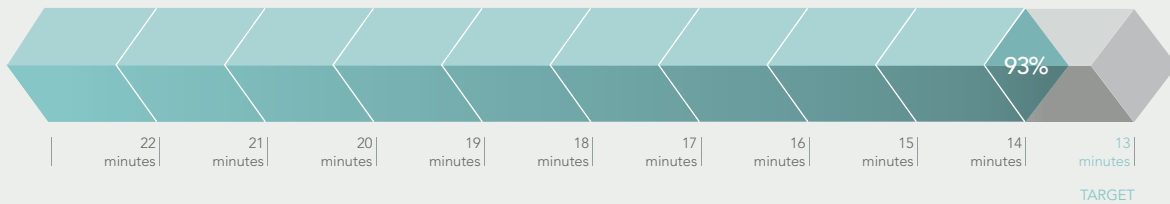
**18** MINUTES

TARGET NOT MET

2012 Target: 16 minutes  
 2012 Actual: 18 minutes  
 2011 Actual: 16 minutes

Note: Actuals slightly behind target due to extensive roadworks around Onehunga Mall / Gloucester Park area.

### 2B. FROM SH1 TO SH20 VIA NIELSON STREET



**14** MINUTES

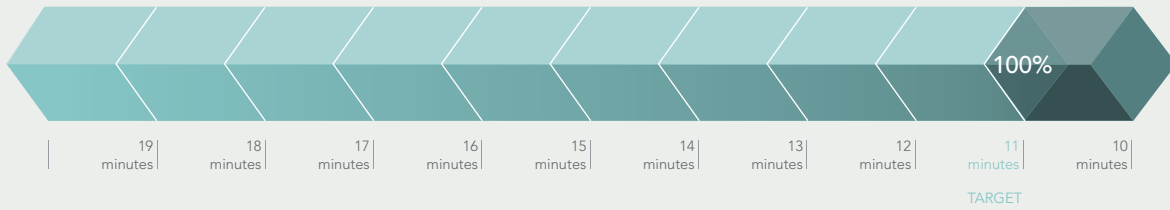
TARGET NOT MET

2012 Target: 13 minutes  
 2012 Actual: 14 minutes  
 2011 Actual: 13 minutes

Note: Actuals slightly behind target due to extensive roadworks around Onehunga Mall / Gloucester Park area.

PRIORITY FOCUS TWO

2C. FROM SYLVIA PARK TO EAST TAMAKI VIA SOUTH-EASTERN ARTERIAL

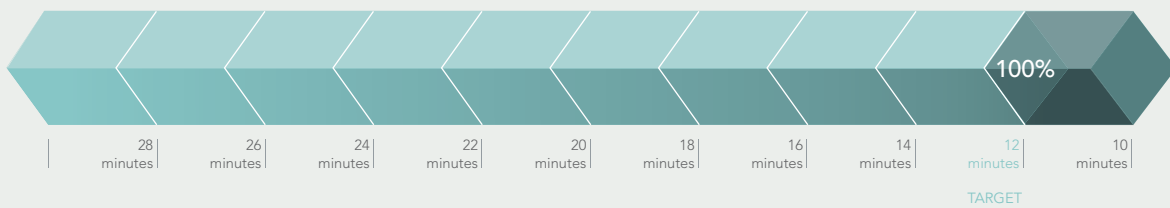


10 MINUTES

+ TARGET EXCEEDED

2012 Target: 11 minutes  
 2012 Actual: 10 minutes  
 2011 Actual: 11 minutes

2D. FROM EAST TAMAKI TO SYLVIA PARK VIA SOUTH-EASTERN ARTERIAL

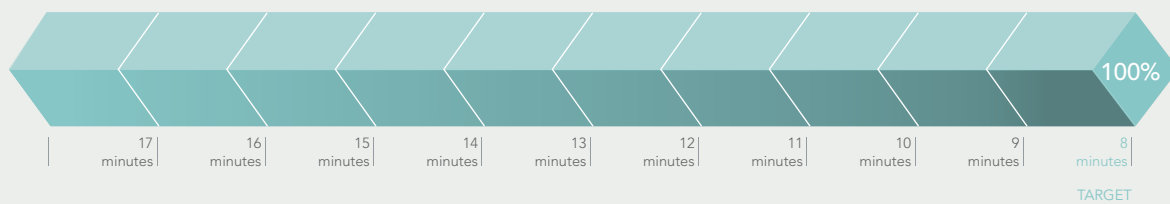


10 MINUTES

+ TARGET EXCEEDED

2012 Target: 12 minutes  
 2012 Actual: 10 minutes  
 2011 Actual: 12 minutes

2E. FROM SH1 TO SH18 VIA WAIRAU ROAD



8 MINUTES

+ TARGET MET

2012 Target: 8 minutes  
 2012 Actual: 8 minutes  
 2011 Actual: 8 minutes



OVERALL PERCENTAGE SCORE:  
PRIORITY FOCUS TWO:  
INVEST IN NEW  
INFRASTRUCTURE

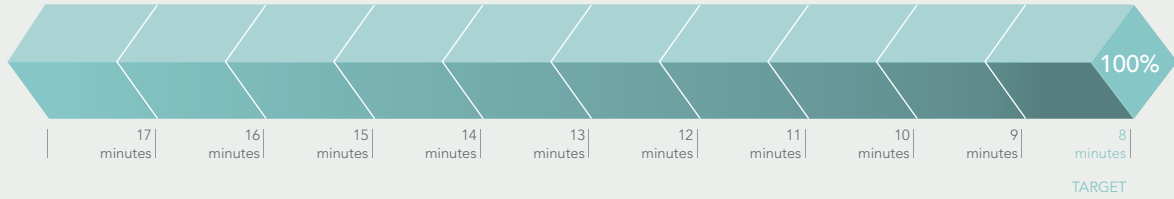
98.9%

SECTION 01

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2F. FROM SH18 TO SH1 VIA WAIRAU ROAD

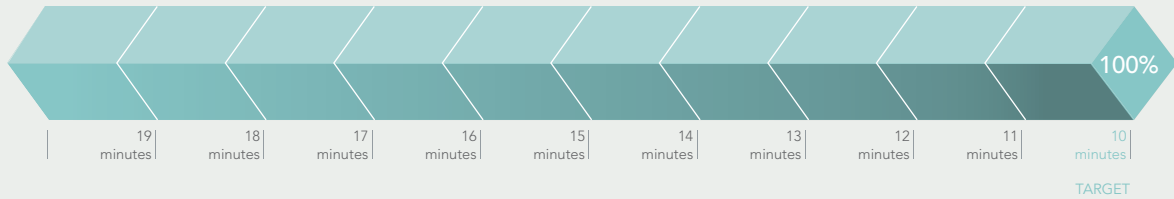


8 MINUTES

+ TARGET MET

2012 Target: 8 minutes  
2012 Actual: 8 minutes  
2011 Actual: 8 minutes

2G. FROM EAST TAMAKI TO SH1 HIGHBROOK INTERCHANGE VIA HARRIS ROAD

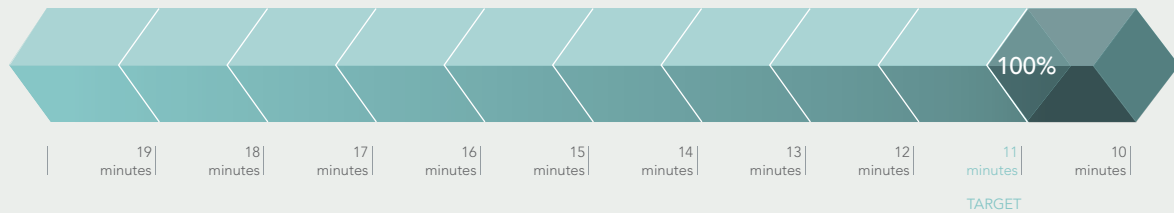


10 MINUTES

+ TARGET MET

2012 Target: 10 minutes  
2012 Actual: 10 minutes  
2011 Actual: 10 minutes

2H. FROM SH1 HIGHBROOK INTERCHANGE TO EAST TAMAKI VIA HARRIS ROAD



10 MINUTES

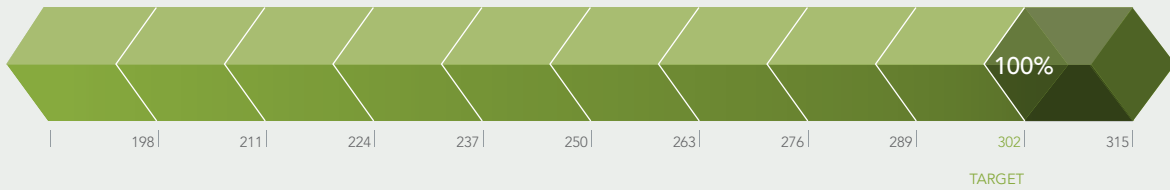
+ TARGET EXCEEDED

2012 Target: 11 minutes  
2012 Actual: 10 minutes  
2011 Actual: 11 minutes

PRIORITY FOCUS THREE

PERFORMANCE MEASURES  
MANAGE THE DEMAND FOR TRAVEL

1. INCREASE NUMBER OF TRAVEL PLANS



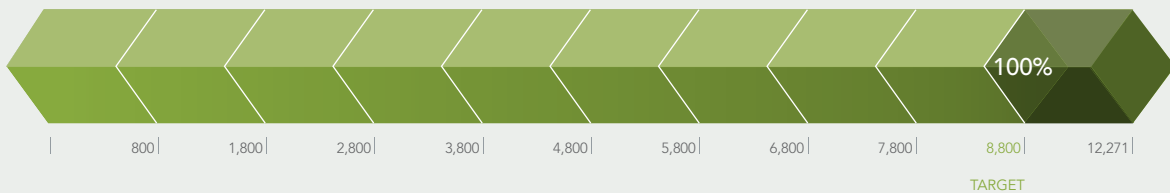
**315**  
TRAVEL PLANS

**+** TARGET EXCEEDED

2012 Target: 302 travel plans  
2012 Actual: 315 travel plans  
2011 Actual: New measure

A travel plan is a targeted set of actions to reduce car travel, especially single occupancy cars and encourage use of public transport, walking, cycling and car pooling. Auckland Transport delivers TravelWise – an internationally recognised programme supporting schools with travel plans and safe travel to school – and the commute programme, which partners tertiary institutions and businesses to develop travel plans. 315 travel plans were active by the end of June 2012: 64 in start-up phase and 251 being implemented.

2. MORNING PEAK (7-9AM) CAR TRIPS AVOIDED THROUGH TRAVEL PLANNING INITIATIVES



**12,271**  
CAR TRIPS AVOIDED

**+** TARGET EXCEEDED

2012 Target: 8,800  
2012 Actual: 12,271  
2011 Actual: 8,417

12,271 car trips were avoided through travel planning initiatives during the morning peak (7-9am). Over 330,000 students and employees are participating in the travel plan programme. People are switching to a wide range of travel modes, particularly the active modes of walking, cycling and public transport.

OVERALL PERCENTAGE SCORE  
 PRIORITY FOCUS THREE:  
 MANAGE THE DEMAND  
 FOR TRAVEL

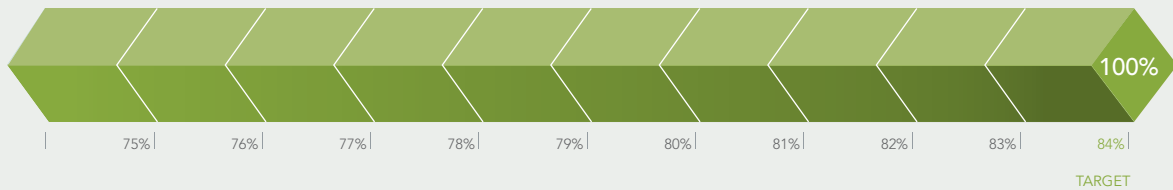
100%

SECTION 01

SECTION 02

SECTION 03

3. PERCENTAGE OF DRIVERS COMPLYING WITH PARKING RESTRICTIONS



84 PER CENT

Results from surveys of on-street parking in August 2011, November 2011, February 2012 and May 2012 indicated a relatively high level of driver compliance with parking restrictions. The survey showed an average compliance level of 84%.

**+** TARGET MET

Note: The 2011 actual results is the average of February 2011 and May 2011 compliance surveys of four centres.

2012 Target: Maintain 2011 compliance level  
 2012 Actual: 84%  
 2011 Actual: 84%



Eddie Kim from Bigfoot Adventures, a contractor to Auckland Transport, offers cycle safety advice at the official opening of Te Ara Tahuna, the Orewa Estuary Cycleway and Walkway, December 2011.

## Statement of Comprehensive Income

### FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Actual 12 months to 30 Jun 2012 \$000	Budget 12 months to 30 Jun 2012 \$000	Actual 8 months to 30 Jun 2011 \$000
<b>INCOME</b>				
Funding from Auckland Council	2	323,215	277,215	150,792
Operational funding from NZ Transport Agency		190,723	206,057	113,957
Capital funding from NZ Transport Agency		71,666	151,185	84,429
Finance income	3	168	–	173
Other income	4	169,424	141,186	127,658
<b>Total income</b>		<b>755,196</b>	<b>775,643</b>	<b>477,009</b>
<b>EXPENDITURE</b>				
Personnel costs	5	70,178	68,745	44,317
Depreciation and amortisation expense	13, 14	226,798	222,962	144,300
Finance costs	3	37,636	–	–
Other expenses	6	522,408	501,072	328,900
Other losses/(gains)	7	8,602	–	(571)
<b>Total expenditure</b>		<b>865,622</b>	<b>792,779</b>	<b>516,946</b>
<b>Deficit before tax</b>		<b>(110,426)</b>	<b>(17,136)</b>	<b>(39,937)</b>
Income tax	8	(922)	–	474
<b>Total deficit after tax</b>		<b>(111,348)</b>	<b>(17,136)</b>	<b>(39,463)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Revaluation gain on property, plant and equipment	19	193,395	–	953,893
Deferred tax on revaluation	8	2,677	–	(3,260)
Cash flow hedges	19	(19,454)	–	–
<b>Other comprehensive income for the period</b>		<b>176,618</b>	<b>–</b>	<b>950,633</b>
<b>Total comprehensive income for the period</b>		<b>65,270</b>	<b>(17,136)</b>	<b>911,170</b>

The accompanying notes form part of these financial statements.

# Statement of Financial Position

AS AT 30 JUNE 2012

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	Notes	Actual 30 Jun 2012 \$000	Budget 30 Jun 2012 \$000	Actual 30 Jun 2011 \$000
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	9	2,840	5,000	2,251
Debtors and other receivables	10	186,428	169,046	214,071
Inventories	11	5,160	6,000	5,826
Other assets	12	1,174	12,000	11,680
Asset held for sale to Auckland Council		–	1,629	1,629
<b>Total current assets</b>		<b>195,602</b>	<b>193,675</b>	<b>235,457</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	13	13,569,719	13,248,225	12,923,619
Intangible assets	14	30,841	25,344	26,712
Debtors and other receivables	10	57,874	–	–
<b>Total non-current assets</b>		<b>13,658,434</b>	<b>13,273,569</b>	<b>12,950,331</b>
<b>Total assets</b>		<b>13,854,036</b>	<b>13,467,244</b>	<b>13,185,788</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Creditors and other payables	15	176,933	141,079	182,479
Employee entitlements	16	7,831	8,000	6,692
Derivative financial instruments	17	3,800	–	2,561
Borrowings	18	448	–	–
<b>Total current liabilities</b>		<b>189,012</b>	<b>149,079</b>	<b>191,732</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax	8	11,020	12,775	12,775
Employee entitlements	16	900	2,000	958
Derivative financial instruments	17	50,663	–	171
Borrowings	18	112,121	–	–
<b>Total non-current liabilities</b>		<b>174,704</b>	<b>14,775</b>	<b>13,904</b>
<b>Total liabilities</b>		<b>363,716</b>	<b>163,854</b>	<b>205,636</b>
<b>Net assets</b>		<b>13,490,320</b>	<b>13,303,390</b>	<b>12,980,152</b>
<b>EQUITY</b>				
Contributed capital		12,513,880	12,409,356	12,068,982
Retained (deficit)/surplus		(150,811)	(56,599)	(39,463)
Other reserves		1,127,251	950,633	950,633
<b>Total equity</b>	19	<b>13,490,320</b>	<b>13,303,390</b>	<b>12,980,152</b>

The accompanying notes form part of these financial statements.

Mark Ford, Chairman  
September 2012

Paul Lockey, Director  
September 2012

## Statement of Changes in Equity

### FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 12 months to 30 Jun 2012 \$000	Budget 12 months to 30 Jun 2012 \$000	Actual 8 months to 30 Jun 2011 \$000
<b>Equity at start of period</b>		<b>12,980,152</b>	<b>13,026,078</b>	<b>–</b>
Capital contribution from ARTA on 1 November		–	–	365,294
Capital contribution from ARTNL and group on 1 November		–	–	7,219
Capital contribution from disestablished councils on 1 November		–	–	11,501,092
<b>Total capital contribution on 1 November 2011</b>		<b>–</b>	<b>–</b>	<b>11,873,605</b>
Deficit for the period		(111,348)	(17,136)	(39,463)
Gain on property, plant and equipment revaluation		193,395	–	953,893
Deferred tax on revaluation		2,677	–	(3,260)
Cash flow hedges		(19,454)	–	–
<b>Total comprehensive income</b>		<b>65,270</b>	<b>(17,136)</b>	<b>911,170</b>
Capital contribution from Auckland Council during the period		444,898	294,448	195,377
<b>Balance at end of the period</b>	19	<b>13,490,320</b>	<b>13,303,390</b>	<b>12,980,152</b>

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

## FOR THE YEAR ENDED 30 JUNE 2012

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	Notes	Actual 12 months to 30 Jun 2012 \$000	Budget 12 months to 30 Jun 2012 \$000	Actual 8 months to 30 Jun 2011 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash provided from:</b>				
Income from activities		139,732	141,186	98,795
Operating funding from Auckland Council		222,574	222,574	140,498
Operational funding from NZ Transport Agency		172,981	206,057	89,783
Capital funding from Auckland Council		54,641	54,641	10,294
Capital funding from NZ Transport Agency		73,404	151,185	89,927
Interest received		168	–	173
Goods and services tax		13,074	–	–
<b>Total cash provided</b>		<b>676,574</b>	<b>775,643</b>	<b>429,470</b>
<b>Cash applied to:</b>				
Payments to suppliers and employees		607,980	569,817	219,276
Interest paid		2,494	–	–
Goods and services tax		–	–	12,912
<b>Total cash applied</b>		<b>610,474</b>	<b>569,817</b>	<b>232,188</b>
<b>Net cash from operating activities</b>	20	<b>66,100</b>	<b>205,826</b>	<b>197,282</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash provided from:</b>				
Sale of property, plant and equipment		10,831	–	–
<b>Cash applied to:</b>				
Purchase of property, plant and equipment		542,010	546,200	279,595
<b>Net cash applied to investing activities</b>		<b>(531,179)</b>	<b>(546,200)</b>	<b>(279,595)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Cash provided from:</b>				
Capital contribution from Auckland Council		353,099	340,374	77,908
Loan from Auckland Council		112,773	–	–
<b>Total cash provided</b>		<b>465,872</b>	<b>340,374</b>	<b>77,908</b>
<b>Cash applied to:</b>				
Repayment of loan from Auckland Council		204	–	–
<b>Total cash applied</b>		<b>204</b>	<b>–</b>	<b>77,908</b>
<b>Net cash from financing activities</b>		<b>465,668</b>	<b>340,374</b>	<b>77,908</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>589</b>	<b>–</b>	<b>(4,405)</b>
Opening cash and cash equivalents		2,251	2,251	6,656
<b>Closing cash and cash equivalents</b>	9	<b>2,840</b>	<b>2,251</b>	<b>2,251</b>

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

The accompanying notes form part of these financial statements.

## Summary of Capital Expenditure

### FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 12 months to 30 Jun 2012 \$000	Budget 12 months to 30 Jun 2012 \$000	Actual 8 months to 30 Jun 2011 \$000
<b>NEW CAPITAL EXPENDITURE</b>				
Roads		185,450	252,865	111,974
Public Transport <sup>1</sup>		66,693	75,879	38,603
Parking		17,624	16,745	3,818
Electric Trains		94,649	–	–
Other		10,265	756	16,738
<b>Total new capital expenditure</b>		<b>374,681</b>	<b>346,245</b>	<b>171,133</b>
<b>RENEWAL CAPITAL EXPENDITURE</b>				
Roads		188,450	185,117	127,305
Public Transport		4,312	14,145	1,031
Parking		216	176	–
Other		–	517	542
<b>Total renewal capital expenditure</b>		<b>192,978</b>	<b>199,955</b>	<b>128,878</b>
<b>VESTED ASSETS</b>				
Roads		24,037	–	37,600
<b>Total vested assets</b>		<b>24,037</b>	<b>–</b>	<b>37,600</b>
<b>Total capital expenditure</b>		<b>591,696</b>	<b>546,200</b>	<b>337,611</b>
<b>FUNDING</b>				
NZ Transport Agency subsidies – new <sup>1</sup>		65,700	103,677	55,791
NZ Transport Agency subsidies – renewal		10,238	47,508	36,743
Capital funding from Auckland Council	2	54,641	54,641	10,294
Other capital grants		555	–	1,806
Loan funding from Auckland Council		94,649	–	–
Investment by Auckland Council		331,131	340,374	195,377
Sale of assets		10,745	–	–
Vested assets		24,037	–	37,600
<b>Total funding</b>		<b>591,696</b>	<b>546,200</b>	<b>337,611</b>

<sup>1</sup> Includes \$4.3m (2011: \$8.1m) for the central system of the AIFS projects, refer note 12.

The accompanying notes form part of these financial statements.



# Notes to the Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2012

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### 1 STATEMENT OF ACCOUNTING POLICIES

#### REPORTING ENTITY

Auckland Transport is a Council Controlled Organisation of the Auckland Council ('the Council') and is domiciled in New Zealand.

Auckland Transport is a public-benefit entity as defined under New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS'). Auckland Transport's primary objective is to provide services and facilities for the community as a social benefit rather than to make a financial return.

The financial statements are for the year ended 30 June 2012 and were authorised for issue by the Board of Auckland Transport on 20 August 2012. Neither Auckland Council nor Auckland Transport Board have the power to amend the financial statements once adopted.

#### SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

##### (A) BASIS OF PREPARATION

###### Statement of compliance

The financial statements of Auckland Transport have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice ('NZ GAAP').

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

###### Measurement base

The financial statements are prepared based on historical cost modified by the revaluation of the following:

- Financial assets and liabilities at fair value
- Derivative financial instruments at fair value
- Certain classes of property, plant and equipment at methods appropriate to the class of asset.

The methods used to measure fair value are discussed in the specific accounting policies.

###### Functional and presentation currency

The financial statements are presented in New Zealand dollars (\$), which is Auckland Transport's functional currency.

###### Budget figures

The budget figures are those included in the Auckland Council Annual Plan 2011/2012, adopted by Council on 28 June 2011.

###### Costs allocation

Cost of service for each activity was allocated as follows:

- Direct costs are charged directly to activities. Indirect costs are charged to activities using appropriate cost drivers such as actual usage, staff numbers and floor area
- Direct costs are those costs directly attributable to an activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific activity.

###### Changes in accounting policies

There have been no changes in accounting policies during the financial year.

###### Comparative information

Auckland Transport came into existence on 1 November 2010, accordingly comparative information is provided for the eight month period from 1 November 2010 to 30 June 2011. Some balances have been reclassified to achieve consistency in disclosures with the current period.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

## 1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

### Changes to financial reporting standards

The External Reporting Board has introduced a revised Accounting Standards Framework. The revised framework intends to introduce Public Benefit Accounting Standards ('PAS') comprising International Public Sector Accounting Standards ('IPSAS'), modified as appropriate for New Zealand circumstances. This means that financial reporting requirements for public benefit entities are frozen in the short-term and that all new NZ IFRS with a mandatory effective date for annual reporting commencing on or after 1 January 2012 are not applicable to public benefit entities. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Amendment to NZ IAS 12 Income Tax – Deferred tax: Recovery of underlying assets. This amendment is not relevant to Auckland Transport as it does not own any investment properties.

### (B) FOREIGN CURRENCY TRANSLATION

Auckland Transport translates its foreign currency transactions into New Zealand dollars using the exchange rates at the dates of the transactions. It records foreign exchange gains and losses from the settlement of transactions, and from translation at year-end exchange rates, in the surplus or deficit.

### (C) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

#### (i) Operational assets

These include land, buildings, wharf buildings, rolling stock, locomotive improvements, wharves, furniture and fittings, computer hardware, motor vehicles, plant and equipment, bus stations and shelters and train stations.

#### (ii) Infrastructure assets

These include the land-infrastructure and roading infrastructures.

#### Land (operational)

Land (operational) includes land held for roading purposes, land under off-street car parks and land under wharves.

#### Building

Building includes buildings held for roading purposes, car park buildings, wharf buildings and other operational buildings.

#### Rolling stock

Rolling stock includes carriages and locomotives.

#### Land infrastructure

Land infrastructure includes restricted land, land under roads and access to/from rail station.

#### Roading infrastructure

Roading infrastructure includes roading assets (e.g. footpath, streetlights, traffic control, pavements, etc.).

#### Plant and equipment

Plant and equipment includes parking equipment (e.g. barrier arms, handheld parking infringement machines, etc.) and public transport equipment (e.g. public transport information, signal pre-emption, CCTV camera, etc.).

#### Initial recognition

##### Property, plant and equipment at the time of transition

Property, plant and equipment transferred at the time of transition are initially shown at their previous carrying values (net book value) in the financial statements of the predecessor councils, ARTA and ARTNL.

##### Property, plant and equipment acquired after transition

Property, plant and equipment acquired after transition are initially shown at cost or at fair value in the case where an asset is acquired at no cost, or for a nominal cost. Cost includes any costs that are directly attributable to the acquisition of the items.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

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## 1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

### Subsequent costs

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, when it is likely future economic benefits associated with the item will flow to Auckland Transport, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to surplus or deficit in the financial period they relate to.

### Valuation of assets

Auckland Transport accounts for revaluations on a class of assets basis.

Any accumulated depreciation at the date of revaluation is transferred to the gross carrying amount of the asset, and the asset cost is restated to the revalued amount.

Increases in asset carrying amounts due to revaluation increase revaluation reserves in equity. Decreases in asset carrying amounts decrease revaluation reserves in equity only to the extent that the class of assets has sufficient revaluation reserves to absorb the reduction. All other decreases are charged to surplus or deficit.

If a revaluation increase reverses a decrease previously recognised in the surplus or deficit, the increase is recognised first in the surplus or deficit to reverse previous decreases. Any residual increase is applied to revaluation reserves in equity.

### Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Auckland Transport and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

### Disposals

Gains and losses on the sale or disposal of assets are determined by comparing the proceeds of sale with the asset's carrying amount. Gains and losses are included in the surplus or deficit. When a revalued asset is sold or disposed of, any amount in the revaluation reserves in equity relating to that asset is transferred to general equity.

### Depreciation

Land (operational) and land-infrastructure are not depreciated. Assets are depreciated on a straight-line basis. Depreciation writes off the cost of the assets to residual value over their useful lives.

Class of asset depreciated	Estimated useful life (years)
<b>Operational assets</b>	
• Buildings	10-100
• Wharf buildings	7-100
• Rolling stock	2-9
• Locomotive improvements	2-9
• Wharves	50-100
• Furniture and fittings	5-15
• Computer hardware	3-8
• Plant and equipment	10-25
• Bus stations and shelters	10-99
• Train stations	5-99
• Motor vehicles	5
<b>Infrastructure assets</b>	
• Public transport	10-80
• Roothing	10-120
• Car parking	10-50






Auckland Transport reviews and, if necessary, adjusts the assets' residual values and useful lives at each year-end.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

## 1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

### Capital works in progress

Capital works in progress are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

### (D) INTANGIBLE ASSETS

Intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. Intangible assets acquired at no cost are initially recognised at fair value, where that is reliably measurable.

Subsequent to initial recognition, intangible assets with finite useful lives are recorded at cost, less any amortisation and impairment losses, and are reviewed annually for impairment losses. Assets with indefinite useful lives are not amortised but are tested, at least annually, for impairment, and are carried at cost, less accumulated impairment losses.

Realised gains and losses arising from the disposal of intangible assets are recognised in the surplus or deficit in the period in which the disposal occurs.

Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the surplus or deficit.

### Operating leases – land

The operating leases on land are long term land leases on which stations have been built. They are recognised in the accounts at fair value and amortised over the life of the underlying asset.

### Computer software

Computer software licences are capitalised based on the costs incurred to acquire and bring to use the software. These costs are amortised using the straight-line method over their estimated useful lives (three to eight years).

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Costs directly associated with the development of identifiable and unique software products controlled by Auckland Transport, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets (e.g. software development employee costs). Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives (not exceeding eight years). Staff training costs are recognised as an expense when incurred.

### (E) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised if the estimated recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset, where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows, and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential. The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the debit balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit. For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the surplus or deficit.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

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## 1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

### (F) FINANCIAL ASSETS

Auckland Transport classifies its financial assets in the following categories:

- Financial assets at fair value through surplus or deficit
- Available-for-sale financial assets
- Loans and receivables
- Held-to-maturity investments.

The classification depends on the reason behind acquiring the investment. Auckland Transport decides how to classify its investments when they are acquired.

Purchases and sales of investments are recorded on the value date at fair value plus transaction costs, unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit. Financial assets are no longer recognised when the right to receive cash flows from the financial assets has expired or has been transferred.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Auckland Transport establishes fair value through valuation techniques.

At each year-end, Auckland Transport assesses whether there is evidence that a financial asset or group of financial assets is impaired. Any impairment loss is recognised in the surplus or deficit.

#### Financial assets at fair value through surplus or deficit

This category has two subcategories: financial assets held for trading and those designated at fair value through surplus or deficit on initial recognition. A financial asset is classified in this category if acquired principally to sell in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. They are classified as current assets if they are held for trading and expected to be realised within 12 months of the period end date.

After initial recognition financial assets at fair value through surplus or deficit continue to be measured at fair value. Realised and unrealised gains and losses arising from the changes in the fair value of the financial assets at fair value through surplus or deficit category are included in the surplus or deficit in the period in which they arise.

#### Available-for-sale financial assets

Financial assets at fair value through other comprehensive income are non-derivative financial assets designated in this category or not classified in the other categories. After initial recognition, they are measured at fair value. They are included in non-current assets, unless Auckland Transport intends to dispose of the asset within 12 months of year-end. Auckland Transport does not have any financial assets under this category.

After initial recognition they are measured at fair value, with gains and losses recognised directly in other comprehensive income except for impairment losses, which are recognised in the surplus or deficit.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted in an active market. They arise when Auckland Transport provides money, goods or services directly to a debtor with no intention of selling the receivable asset.

After initial recognition, they are measured at amortised cost using the effective interest method less impairment. Gains and losses are recognised in the surplus or deficit. Loans and receivables are included in current assets, except for those with maturities greater than 12 months after the year-end date, which are classified as non-current assets.

#### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments, and fixed maturities that Auckland Transport management has the intention and ability to hold to maturity.

After initial recognition, they are measured at amortised cost using the effective interest method less impairment.

Auckland Transport does not currently have any financial assets under this category.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

## 1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

### (G) DERIVATIVE FINANCIAL INSTRUMENTS

Auckland Transport uses derivative financial instruments to hedge exposure to foreign exchange. In accordance with its treasury policy, Auckland Transport does not hold or issue derivative financial instruments for trading purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the year-end date. The quoted market price used for financial assets held by Auckland Transport is the current bid price. The quoted market price for financial liabilities is the current ask price.

The fair values of forward foreign exchange contracts are determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The resulting gain or loss is recognised immediately in the surplus or deficit within 'other gains(losses)' unless the derivative instrument has been designated as a hedging instrument and qualifies for hedge accounting, in which case, the method of recognising the resulting gain or loss is discussed below.

#### Derivatives that qualify for hedge accounting

When a derivative is designated as a hedging instrument, Auckland Transport documents a hedge relationship as either a cash flow hedge (hedge of a forecast transaction) or a fair value hedge (hedge of the fair value of a recognised asset or liability). Also documented are the nature of the risk being hedged, its risk-management objective, strategy for hedge transactions, identification of the hedging instrument and hedged item, and how the hedging instrument's effectiveness is to be assessed.

#### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recorded in the surplus or deficit.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets accounting criteria, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity transfers to surplus or deficit.

#### Fair value hedge

Auckland Transport only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of the interest rate swaps that hedge fixed-rate borrowings is recognised in the surplus or deficit within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the surplus or deficit within 'other gains/ (losses)'. Changes in the fair value of the hedged fixed-rate borrowings attributable to interest rate risk are recognised in the surplus or deficit within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is recorded in the surplus or deficit.

### (H) INVENTORIES

Inventories such as spare parts, stores and finished goods are stated at lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion (if applicable) and the estimated costs necessary to make the sale.

Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

The amount of any write-down in the value of inventories is recognised in the surplus or deficit.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

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## 1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

### (I) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost less any provision for impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Auckland Transport reviews the collection of trade receivables on an on-going basis and writes off debts known to be uncollectable. A provision is made for doubtful receivables when there is objective evidence that Auckland Transport will not be able to collect all amounts due according to the original terms of the receivables. The amount provided is the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. This amount provided is recorded in the surplus or deficit.

The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the surplus or deficit. When a receivable is uncollectable, it is written off against the provision account.

### (J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions. They also include other short-term, highly liquid investments (with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value) and bank overdrafts.

### (K) EQUITY

Equity is the shareholder's interest in the organisation and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into contributed equity from shareholder, accumulated funds, and reserves.

### (L) BORROWINGS

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and amortised cost is recognised in the surplus or deficit over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Auckland Transport has an unconditional right to defer settlement of the liability for at least 12 months after the year-end date.

### (M) BORROWING COSTS

Auckland Transport has elected to defer the adoption of NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities.

Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

### (N) CURRENT AND DEFERRED INCOME TAX

The income tax expense is the tax payable on the current period's taxable income, based on the New Zealand tax rate, and adjusted for changes in deferred tax assets and liabilities, and adjustments to income tax payable in respect of prior years.

Deferred tax assets and liabilities account for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled. This is based on those tax rates set by the government. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

An exception is made for certain temporary differences from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they came from a transaction, other than a business combination, that at the time of the transaction did not affect accounting profit or taxable profit and loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent it is likely that future taxable amounts will be available for Auckland Transport.

Current and deferred tax balances attributable to amounts recognised directly in equity, such as asset revaluations, are also recognised directly in equity.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

## 1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

### (O) PROVISIONS

Provisions are recognised when:

- Auckland Transport has a present legal or constructive obligation due to past events
- It is more likely than not that an outflow of resources will be required to settle the obligation
- The amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

#### Organisational

An organisational provision is recognised where there is a legal or constructive obligation to meet redundancy expenses. The amount recorded in the financial statements is the estimated cost of this expense.

#### Contractual

A contractual provision is recognised when legal claims have been issued against Auckland Transport for past transactions and it is probable that Auckland Transport will be liable for these claims. The amount recorded in the financial statements is the estimated cost of these claims.

### (P) CREDITORS AND OTHER PAYABLES

These amounts represent unpaid liabilities for goods and services provided to Auckland Transport before the end of the financial year. The amounts are unsecured and usually paid within 30 days of recognition. Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

### (Q) GOODS AND SERVICES TAX (GST)

Items in the financial statements are exclusive of GST, with the exception of receivables and payables. The net amount of GST receivable from, or payable to the Inland Revenue Department is included as part of receivables or payables in the statement of financial position. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

### (R) EMPLOYEE BENEFIT LIABILITIES

#### Short-term employee benefit liabilities

These include wages and salaries, annual leave and sick leave. These liabilities are expected to be settled within 12 months of the reporting date. They include employees' services up to the year-end date and are measured at the amounts Auckland Transport expects to pay when the liabilities are settled. A liability is recognised for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation. Auckland Transport recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that Auckland Transport anticipates it will be used by staff to cover those future absences.

#### Long-term employee entitlements

Entitlements that are payable beyond 12 months such as long-service leave have been actuarially measured as the present value of expected future payments for services provided by employees up to the year-end date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

### (S) REVENUE

Auckland Transport measures revenue at the fair value of the amounts received or receivable, net of discounts, duties and taxes paid.



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

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## 1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

### Auckland Transport receives revenue from the following main sources:

#### Auckland Council grants

Auckland Transport is funded by its parent the Auckland Council in order to deliver the agreed annual operational and capital programmes. This funding is recognised when the expenditure is incurred i.e. on an accrual basis.

#### New Zealand Transport Agency (NZTA) grants

Auckland Transport receives government grants from NZTA, which funds operational and capital expenditure. Grants distribution from NZTA are recognised as income when the expenditure they cover is incurred i.e. on an accrual basis.

#### Traffic and parking infringement income

Income and receivables are recognised when an infringement notice is issued based on the estimated recoverable amount. Infringement amounts not recovered after 60 days are lodged with the courts for collection. Subsequent collections from the courts which differ to estimated recoverable amounts are recognised in income as received. The estimated amount expected to be received is reviewed at least annually.

#### Fare revenue

Auckland Transport receives fare box revenue from certain bus and ferry and all rail services. This revenue is recognised when the ticket is purchased.

#### Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income. Assets vested to Auckland Transport are recognised when control over the asset is obtained.

Vested assets arise when property developers undertake development which requires them to build roads and footpaths. When the development is complete those assets vest in the network provider. As Auckland Transport controls roads and footpaths and accounts for the asset value the income from vesting comes to Auckland Transport.

### Auckland Transport accounts for revenue for the following activities:

- Licenses and permits revenue – on application
- Rental revenue – for the period it relates to
- Interest income – on a time proportion basis using the effective interest method
- Other grants and subsidies – when received
- Contra transactions – are measured at the fair value of the asset received or the fair value of the goods given up.

### (T) GRANT EXPENDITURE

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Auckland Transport has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Auckland Transport's decision.

### (U) LEASES

#### Operating leases

With operating leases, the lessor retains the risks and benefits of ownership. Lease payments are recognised as an expense in the surplus or deficit on a straight-line basis over the period of the lease.

#### Finance leases

Finance leases effectively transfer to the lessee the risks and benefits incidental to ownership. These are capitalised at the lesser of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding liabilities are recognised in the statement of financial position. Interest on finance leases is charged to surplus or deficit over the lease period.

Leased assets are depreciated over the period Auckland Transport is expected to benefit from their use.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

## 1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

### Use of estimates and judgements

The preparation of financial statements requires Auckland Transport's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Property, plant and equipment (note 13)
- Contingent liabilities (note 22).

### Auckland Council-owned property, plant and equipment

Property, plant and equipment in the legal name of Auckland Council that Auckland Transport has control over are recognised as an asset in the statement of financial position. Auckland Transport considers it has assumed all the normal risks and rewards of ownership of this property, plant and equipment despite legal ownership not being transferred, and accordingly it would be misleading to exclude this property, plant and equipment from the financial statements.

### Traffic and parking infringement income

Infringement notices receivable not recovered after 60 days are lodged with the courts for collection. An analysis of historic record of collection percentages for infringements lodged with the courts have indicated that approximately 50 per cent of all infringements lodged with the courts are recovered within the first twelve months of lodgement. For the year ended 30 June 2012, an estimated 50 per cent (2011: estimated at 25 per cent) of traffic and parking infringements issued during the period and outstanding at court are recognised as income and receivable.

### Discount Rates

A discount rate of 6 per cent has been applied to estimate the present value of future cash flows, with the exception of long term employee benefit calculations which are discounted using risk free rates published by the New Zealand Treasury. This rate is based on the forecast average cost of funds in Auckland Council's Long Term Plan. Where necessary the discount rate is adjusted for a risk premium specific to the asset or liability.

	Actual 12 months to 30 Jun 2012	Actual 8 months to 30 Jun 2011
	\$000	\$000

## 2 FUNDING FROM AUCKLAND COUNCIL

Operational funding from Auckland Council	222,574	140,498
Capital funding from Auckland Council	54,641	10,294
Grant from Auckland Council for Electric Trains project	46,000	–
	<b>323,215</b>	<b>150,792</b>

Auckland Transport receives funding from Auckland Council in order to deliver the agreed annual operational and capital programmes within Auckland Council's Annual Plan.

## 3 FINANCE INCOME AND FINANCE COSTS

### Finance income

Interest income	168	173
	<b>168</b>	<b>173</b>

### Finance costs

Interest expense	2,829	–
Realised interest rate swaps – not hedge accounted	773	–
Unrealised interest rate swaps – not hedge accounted	34,034	–
	<b>37,636</b>	<b>–</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

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	Actual 12 months to 30 Jun 2012 \$000	Actual 8 months to 30 Jun 2011 \$000
<b>4 OTHER INCOME</b>		
Parking and enforcement	74,546	40,948
Public transport income	46,249	28,826
Other operating grants and subsidies	9,498	8,209
Other capital grants	555	1,806
Vested asset income	24,037	37,600
Other income	14,539	10,269
	<b>169,424</b>	<b>127,658</b>

Parking and enforcement income for the eight months ended 30 June 2011 was reduced by \$1.1m, due to infringements receivable brought forward from terminating councils being reduced to align with Auckland Transport's Accounting Policy for Infringements income recognition.

## 5 PERSONNEL COSTS

Salaries and wages	82,514	47,195
Less capitalised salaries and wages	(14,482)	(5,206)
Defined contribution plan employer contributions	1,065	549
Increase in employee benefit liabilities	1,081	1,779
<b>Total personnel costs</b>	<b>70,178</b>	<b>44,317</b>

Employer contributions to defined contribution plans include contributions to Kiwisaver and Super Trust of New Zealand Fund.

## 6 OTHER EXPENSES

Fees to principal auditor:		
Audit fees for financial statement audit	523	570
Fees for other services	21	–
Minimum lease payments under operating leases	1,129	133
Impairment of receivables	792	95
Directors' fees	394	246
Revaluation decrement	3,446	42,780
Public transport operations	279,696	153,429
Road network	145,576	86,206
Electric Trains procurement costs	41,948	–
Other operating expenses	48,883	45,441
<b>Total other expenses</b>	<b>522,408</b>	<b>328,900</b>

Fees paid to the principal auditor for other services were for the review of the draft Asset Management Plan.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

Actual  
12 months to  
30 Jun 2012  
\$000

Actual  
8 months to  
30 Jun 2011  
\$000

## 7 OTHER LOSSES/(GAINS)

Foreign exchange losses/(gains)	688	(1,255)
Loss on disposal of property, plant and equipment	7,914	684
Total losses/(gains)	8,602	(571)

## 8 INCOME TAX

### Components of income tax expense

Current tax	–	–
Deferred tax	922	(474)
Income tax expense	922	(474)

### Relationship between tax income expense and accounting profit

(Deficit)/surplus before tax	(110,426)	(39,937)
Tax at 28 per cent (2011: 30 per cent)	(30,919)	(11,981)
<i>Plus/(less) tax effects of:</i>		
Non-taxable income	–	–
Non-deductible expenditure	30,919	11,981
Tax losses not recognised	–	–
Group loss offset	493	–
Deferred tax adjustment	429	(474)
Income tax	922	(474)

Property, plant and equipment	Other provisions	Tax losses	Total
\$000	\$000	\$000	\$000

### Deferred tax liability

Balance at 1 July 2011	(13,264)	25	464	(12,775)
Charged to profit and loss	(433)	(25)	(464)	(922)
Charged to other comprehensive income	2,677	–	–	2,677
Balance at 30 June 2012	(11,020)	–	–	(11,020)
Balance at 1 November 2010	(10,318)	–	329	(9,989)
Charged to profit and loss	314	25	135	474
Charged to other comprehensive income	(3,260)	–	–	(3,260)
Balance at 30 June 2011	(13,264)	25	464	(12,775)

Auckland Transport derived tax losses of \$1,762,426 during the year ended 30 June 2012 which have not been recognised as deferred tax assets (2011: nil). These losses will be used to offset the tax liability of other members of the Auckland Council group.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

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	Actual 30 Jun 2012 \$000	Actual 30 Jun 2011 \$000
<b>9 CASH AND CASH EQUIVALENTS</b>		
Cash at bank	2,676	2,122
Till floats	164	129
<b>Total cash and cash equivalents</b>	<b>2,840</b>	<b>2,251</b>

The carrying value of cash and cash equivalents approximates their fair value.

The weighted average effective interest rate for cash and cash equivalents is 2.5% (2011 – 2.5%).

## 10 DEBTORS AND OTHER RECEIVABLES

<b>Current portion</b>		
Trade debtors	2,848	4,635
Infringements receivable	15,005	8,779
Amounts due from related parties – capital contribution from Auckland Council	93,999	117,469
Amounts due from related parties – other	27,267	32,060
Accrued income	44,569	34,617
Goods and services tax	3,532	16,606
	<b>187,220</b>	<b>214,166</b>
Less provision for impairment of receivables	(792)	(95)
	<b>186,428</b>	<b>214,071</b>
<b>Non-current portion</b>		
Accrued income	11,874	–
Amounts due from related parties – other	46,000	–
	<b>57,874</b>	<b>–</b>
<b>Total debtors and receivables</b>	<b>244,302</b>	<b>214,071</b>

The carrying value of debtors and other receivables approximates their fair value.

There is no concentration of credit risk with respect to receivables as there are a large number of customers.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

	Gross \$000	Impaired \$000	Net \$000
<b>10 DEBTORS AND OTHER RECEIVABLES (CONTINUED)</b>			
The ageing profile of receivables at 30 June is detailed below:			
<b>2012</b>			
Not past due	231,069	–	231,069
Past due 1 – 30 days	2,522	–	2,522
Past due 31 – 60 days	910	–	910
Past due 61 – 90 days	194	–	194
Past due > 90 days	10,399	(792)	9,607
	<b>245,094</b>	<b>(792)</b>	<b>244,302</b>

<b>2011</b>			
Not past due	202,735	–	202,735
Past due 1 – 30 days	7,021	–	7,021
Past due 31 – 60 days	948	–	948
Past due 61 – 90 days	210	(4)	206
Past due > 90 days	3,252	(91)	3,161
	<b>214,166</b>	<b>(95)</b>	<b>214,071</b>

All receivables greater than 30 days in age are considered to be past due.

The provision for impairment of receivables has been calculated on an individual basis. The provision is based on a review of significant debtor balances. Receivables are assessed as impaired due to significant financial difficulties being experienced by the debtor, and Auckland Transport management concluding that it is remote that the overdue amounts will be recovered.

	Actual \$000	Actual \$000
<b>Movements in the provision for impairment of receivables are as follows:</b>		
Opening balance	95	31
Additional provisions made	792	95
Provisions reversed	(95)	(27)
Receivables written-off	–	(4)
<b>Closing balance</b>	<b>792</b>	<b>95</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

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	Actual 30 Jun 2012 \$000	Actual 30 Jun 2011 \$000
<b>11 INVENTORIES</b>		
Spare parts for rolling stock	5,160	5,820
Other inventories at cost	–	6
<b>Total inventories</b>	<b>5,160</b>	<b>5,826</b>

Spare parts for rolling stock are held and managed by KiwiRail on Auckland Transport's behalf.

The carrying amount of spare parts for rolling stock is measured at the lower of cost and net realisable value.

No inventories are pledged as security for liabilities.

There have been no write downs of inventory to net realisable value. There have been no reversals of write downs.

## 12 OTHER ASSETS

Prepayments	1,174	11,680
NZTA assets held in trust	17,418	13,146
NZTA assets held in trust transfer	(17,418)	(13,146)
<b>Total other assets</b>	<b>1,174</b>	<b>11,680</b>

### Asset held in trust for NZ Transport Agency

Auckland Transport and NZ Transport Agency have a Memorandum of Understanding (MOU) covering the Auckland Integrated Fares System (AIFS). The central system of the AIFS project, which Auckland Transport is developing and NZ Transport Agency is funding 100 per cent, will pass to NZ Transport Agency as part of their national framework for automated fare collection.

The MOU states that Auckland Transport will hold the asset in trust for NZ Transport Agency until such time as the project is completed. Expenditure and funding across the twelve months ended 30 June 2012 was \$4.3m (2011: eight months to 30 June 2011 was \$8.1m).

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

2012	Cost/ revaluation 1 July 2011 \$000	Accumulated depreciation and impairment charges 1 July 2011 \$000	Carrying amount 1 July 2011 \$000
<b>13 PROPERTY, PLANT AND EQUIPMENT</b>			
<b>Operational assets</b>			
<i>Cost or valuation</i>			
Land	395,341	–	395,341
Land – finance lease	12,531	–	12,531
Buildings	181,976	(5,207)	176,769
Rolling stock	108,461	–	108,461
Locomotive improvements	10,646	(794)	9,852
Motor vehicles	1,722	(556)	1,166
Computer hardware	80	(27)	53
Furniture and fittings	283	(81)	202
Plant and equipment	18,581	(1,865)	16,716
Wharves	42,954	–	42,954
Bus stations and shelters	30,363	–	30,363
Train stations	197,806	(3,466)	194,340
	<b>1,000,744</b>	<b>(11,996)</b>	<b>988,748</b>
<b>Infrastructural assets</b>			
<i>Cost or valuation</i>			
Land	5,208,666	–	5,208,666
Roading	6,351,829	–	6,351,829
Street gardens	13,256	(295)	12,961
	<b>11,573,751</b>	<b>(295)</b>	<b>11,573,456</b>
Works under construction	361,415	–	361,415
<b>Total property, plant and equipment</b>	<b>12,935,910</b>	<b>(12,291)</b>	<b>12,923,619</b>



# Notes to the Financial Statements

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Current year additions \$000	Current year disposals \$000	Current year transfers on asset completion \$000	Current year impairment charges \$000	Current year depreciation \$000	Revaluation surplus/(loss) \$000	Cost/revaluation 30 Jun 2012 \$000	Accumulated depreciation and impairment charges 30 Jun 2012 \$000	Carrying amount 30 Jun 2012 \$000
83,182	(6,254)	2,741	–	–	(1,340)	473,670	–	473,670
–	–	–	–	–	684	13,215	–	13,215
13,305	(7,520)	11,699	–	(8,147)	44,494	230,699	(99)	230,600
–	–	160	–	(21,265)	–	108,621	(21,265)	87,356
–	–	–	–	(1,191)	–	10,646	(1,985)	8,661
–	–	–	–	(567)	–	1,722	(1,123)	599
–	–	2,145	–	(347)	–	2,225	(374)	1,851
–	–	17	–	(121)	–	300	(202)	98
–	–	507	–	(2,600)	–	19,088	(4,465)	14,623
830	–	1,433	–	(1,636)	(14,498)	29,083	–	29,083
–	–	913	–	(830)	–	31,276	(830)	30,446
–	–	34,727	–	(5,276)	160,609	384,400	–	384,400
<b>97,317</b>	<b>(13,774)</b>	<b>54,342</b>	<b>–</b>	<b>(41,980)</b>	<b>189,949</b>	<b>1,304,945</b>	<b>(30,343)</b>	<b>1,274,602</b>
8,947	(4,095)	52,182	–	–	–	5,265,700	–	5,265,700
35,278	–	313,154	–	(182,257)	–	6,700,261	(182,257)	6,518,004
19	–	–	–	(442)	–	13,275	(737)	12,538
<b>44,244</b>	<b>(4,095)</b>	<b>365,336</b>	<b>–</b>	<b>(182,699)</b>	<b>–</b>	<b>11,979,236</b>	<b>(182,994)</b>	<b>11,796,242</b>
557,138	–	(419,678)	–	–	–	498,875	–	498,875
<b>698,699</b>	<b>(17,869)</b>	<b>–</b>	<b>–</b>	<b>(224,679)</b>	<b>189,949</b>	<b>13,783,056</b>	<b>(213,337)</b>	<b>13,569,719</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

2011	Cost/ revaluation 1 Nov 2010 \$000	Accumulated depreciation and impairment charges 1 Nov 2010 \$000	Carrying amount 1 Nov 2010 \$000
<b>13 PROPERTY, PLANT AND EQUIPMENT</b>			
<b>Operational assets</b>			
<i>Cost or valuation</i>			
Land	393,719	–	393,719
Land – finance lease	12,531	–	12,531
Buildings	133,535	–	133,535
Rolling stock	153,207	–	153,207
Locomotive improvements	10,646	–	10,646
Motor vehicles	1,722	–	1,722
Computer hardware	80	–	80
Furniture and fittings	283	–	283
Plant and equipment	18,168	–	18,168
Wharves	29,614	–	29,614
Bus stations and shelters	24,911	–	24,911
Train stations	197,806	–	197,806
	<b>976,222</b>	<b>–</b>	<b>976,222</b>
<b>Infrastructural assets</b>			
<i>Cost or valuation</i>			
Land	5,173,856	–	5,173,856
Roading	5,344,508	–	5,344,508
Street gardens	13,256	–	13,256
	<b>10,531,620</b>	<b>–</b>	<b>10,531,620</b>
Works under construction	325,094	–	325,094
<b>Total property, plant and equipment</b>	<b>11,832,936</b>	<b>–</b>	<b>11,832,936</b>

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Current year additions \$000	Current year disposals \$000	Current year transfers on asset completion \$000	Current year impairment charges \$000	Current year depreciation \$000	Revaluation surplus/(loss) \$000	Cost/revaluation 30 Jun 2011 \$000	Accumulated depreciation and impairment charges 30 Jun 2011 \$000	Carrying amount 30 Jun 2011 \$000
–	–	1,622	–	–	–	395,341	–	395,341
–	–	–	–	–	–	12,531	–	12,531
–	–	48,441	–	(5,207)	–	181,976	(5,207)	176,769
–	–	11,783	–	(13,749)	(42,780)	108,461	–	108,461
–	–	–	–	(794)	–	10,646	(794)	9,852
–	–	–	–	(556)	–	1,722	(556)	1,166
–	–	–	–	(27)	–	80	(27)	53
–	–	–	–	(81)	–	283	(81)	202
–	–	413	–	(1,865)	–	18,581	(1,865)	16,716
–	–	924	–	(559)	12,975	42,954	–	42,954
–	–	1,327	–	(452)	4,577	30,363	–	30,363
–	–	–	–	(3,466)	–	197,806	(3,466)	194,340
–	–	<b>64,510</b>	–	<b>(26,756)</b>	<b>(25,228)</b>	<b>1,000,744</b>	<b>(11,996)</b>	<b>988,748</b>
31,785	–	3,025	–	–	–	5,208,666	–	5,208,666
5,815	–	181,501	–	(116,336)	936,341	6,351,829	–	6,351,829
–	–	–	–	(295)	–	13,256	(295)	12,961
<b>37,600</b>	–	<b>184,526</b>	–	<b>(116,631)</b>	<b>936,341</b>	<b>11,573,751</b>	<b>(295)</b>	<b>11,573,456</b>
286,041	(684)	(249,036)	–	–	–	361,415	–	361,415
<b>323,641</b>	<b>(684)</b>	–	–	<b>(143,387)</b>	<b>911,113</b>	<b>12,935,910</b>	<b>(12,291)</b>	<b>12,923,619</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Property, plant and equipment (Auckland Council-owned)

The following property, plant, and equipment are legally owned by Auckland Council but managed and controlled by Auckland Transport.

1. Parking – includes buildings, at grade (land) and park-and-rides.
2. Roads – includes land under roads, land intended for roads (land acquired prior to 1 Nov 2010), shaping, formation, foundation, surface, kerbing and channelling, drainage under roads, footpaths, lighting, signage, bridges, crossings, islands, minor structures (including railings and retaining walls), traffic facilities, traffic signals and shoulders. Partial land acquired for roads after 1 Nov 2010.

The above Auckland Council-owned property, plant, and equipment are included as part of Auckland Transport's property, plant, and equipment. Although legal title has not been transferred, Auckland Transport has assumed all the normal risk and rewards of ownership.

### Restrictions on Auckland Council-owned property, plant and equipment

#### Disposal

Under the Local Government (Auckland Council) Act 2009 Paragraph 48 Section 2, Auckland Transport must inform Auckland Council, in writing, of its decision to dispose of land not required for a road under Section 345 of the Local Government Act 1974, and the council must dispose of the land in accordance with the requirements of the Local Government Act 1974.

#### Acquisition

Under the Local Government (Auckland Council) Act 2009 Paragraph 48 Section 4, Auckland Transport must inform Auckland Council, in writing, of its decision to apply for compulsory acquisition of any land, or the deemed agreement, as the case may be, and any land taken or acquired as a result will be legally vested in Auckland Council but will be recognised in Auckland Transport's financial statements.

### Revaluation

Asset class	Date of revaluation	Valuation amount \$000	Basis of revaluation	Valuer Company	Valuer name
Operational land and building	30 June 2012	650,604	Fair value with the approaches being Market, Income and Cost	Bayleys Valuations Limited Darroch Limited Beca Carter Hollings & Ferner Limited TelferYoung (Auckland) Limited Opus International Consultants Limited	John Darroch Kerry Stewart Nigel Hoskin Lewis Esplin Priyani De Silva-Currie
Train stations	30 June 2012	384,400	Depreciated replacement cost	Opus International Consultants Limited	Priyani De Silva-Currie
Wharf structures	30 June 2012	29,083	Depreciated replacement cost	Opus International Consultants Limited	Priyani De Silva-Currie
Roads, parking (excluding land and buildings) and wharves structures	30 June 2011	6,351,828	Depreciated replacement cost	ANA Group Limited	Amar Singh
Bus stations and shelters	30 June 2011	24,911	Depreciated replacement cost	ANA Group Limited	Amar Singh
Rolling stock carriages	30 June 2011	108,461	Depreciated replacement cost	Halcrow Pacific Pty (Australia)	Aaron Smith

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## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Valuation significant assumptions and estimates

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Market evidence is available and used for the non-specialised land and buildings, which include commercial and general purpose buildings for which there is a secondary market.

Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The depreciated replacement cost is used to revalue specialised buildings (designed for a specific limited purpose), roading and public transport assets used in the delivery of Auckland Transport's services. Depreciated replacement cost for these types of assets is based on the 'incremental optimised replacement cost'. Optimised replacement cost is the minimum cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits, adjusting for any overdesign, overcapacity and redundant components. Incremental optimisation means that optimisation is limited to the extent that optimisation can occur in the normal course of business using commercially available technology.

The depreciated replacement cost valuation reflected above is calculated based on the following estimates and assumptions:

- Railway station assets with unlimited engineering lives have been adjusted to have a typical useful life of 60 years or less reflecting the rate of change and obsolescence in the environment for each elemental value
- Wharves assets typical useful life has been estimated at 100 years or less at an elemental level, reflecting the marine environment, rate of change and obsolescence, loadings, and the predominance of concrete and steel structural elements
- Estimating the unit rate for construction of roading assets: The most current contracted unit rates (including rates agreed by legacy councils) for road construction have been used. Where there is no current contracted unit rate information available, the most recent rates are used indexed for the impact of inflation
- Assumptions on the remaining useful life over which the asset will be depreciated: These assumptions are based on the age, condition information held on these assets and the asset's future service potential. For roading assets these assumptions can be affected by local conditions such as ground type, weather patterns and road usage
- Rolling stock replacement values are based on price quotations of modern equivalent assets with allowance for age, asset deterioration, configuration and gauge
- Assumptions on rail rolling stock useful lives have been based on an expected vehicle replacement programme. The programme defines the expected economic and/or physical lives of the different vehicle types in future years that align with the receipt and commissioning of an anticipated fleet of Electric Trains entering service and in meeting the expected operational demand of the Auckland rail lines. Demand has been modelled based on the patronage numbers observed over an extended period adjusted for assumptions on variables such as population growth and fuel prices. A new fleet of 57 three-car Electric Trains is expected to start being fully operational in Auckland between 2014-2016
- If useful lives do not reflect the actual consumption of the benefits of the assets, then Auckland Transport could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk, asset useful lives have been determined with reference to the external industry guidance and have been adjusted for local conditions based on past experience. Asset inspection, deterioration, and condition modelling are also carried out regularly as part of asset management activities, which provides further assurance over useful life estimates.

All other asset classes are measured at depreciated historical cost, as a surrogate for fair value.

### Additional disclosures

The revaluation increase of \$161m for rail stations includes an increase of \$154m for Britomart Station.

Auckland Transport and NZ Transport Agency have signed a Memorandum of Understanding in June 2012 for the transfer of sections of State Highways from NZ Transport Agency to Auckland Council as local roads under Auckland Transport control and management with value estimated at between \$500m and \$550m. As this transaction did not occur during this reporting period it has been included in note 29 Events subsequent to balance date.

Asset classes have been expanded to provide more detail, prior year comparatives have been restated accordingly.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

2012	Cost 1 Jul 2011 \$000	Accumulated amortisation and impairment charges 1 Jul 2011 \$000	Carrying amount 1 Jul 2011 \$000
<b>14 INTANGIBLE ASSETS</b>			
Software	2,228	(686)	1,542
Operating lease	21,420	(227)	21,193
	<b>23,648</b>	<b>(913)</b>	<b>22,735</b>
Works under construction	3,977	–	3,977
<b>Total intangible assets</b>	<b>27,625</b>	<b>(913)</b>	<b>26,712</b>

There are no restrictions over the title of Auckland Transport's intangible assets; nor are any intangible assets pledged as security for liabilities.

The operating lease is for the land at each of the railway station sites along the Auckland passenger rail network utilised by Auckland Transport. The operating lease value is being amortised over the remaining portion of the 63 year life of the underlying lease. The lease is valued at deemed cost.

2011	Cost 1 Nov 2010 \$000	Accumulated amortisation and impairment charges 1 Nov 2010 \$000	Carrying amount 1 Nov 2010 \$000
<b>14 INTANGIBLE ASSETS</b>			
Software	2,228	–	2,228
Operating lease	21,420	–	21,420
	<b>23,648</b>	<b>–</b>	<b>23,648</b>
Works under construction	1,673	–	1,673
<b>Total intangible assets</b>	<b>25,321</b>	<b>–</b>	<b>25,321</b>

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Current year additions \$000	Current year disposals \$000	Current year transfers on asset completion \$000	Current year impairment charges \$000	Current year amortisation \$000	Cost 30 Jun 2012 \$000	Accumulated amortisation and impairment charges 30 Jun 2012 \$000	Carrying amount 30 Jun 2012 \$000
–	–	6,742	–	(1,779)	8,970	(2,465)	6,505
–	–	–	–	(340)	21,420	(567)	20,853
–	–	6,742	–	(2,119)	30,390	(3,032)	27,358
6,249	–	(6,742)	–	–	3,483	–	3,483
6,249	–	–	–	(2,119)	33,873	(3,032)	30,841

Current year additions \$000	Current year disposals \$000	Current year transfers on asset completion \$000	Current year impairment charges \$000	Current year amortisation \$000	Cost 30 Jun 2011 \$000	Accumulated amortisation and impairment charges 30 Jun 2011 \$000	Carrying amount 30 Jun 2011 \$000
–	–	–	–	(686)	2,228	(686)	1,542
–	–	–	–	(227)	21,420	(227)	21,193
–	–	–	–	(913)	23,648	(913)	22,735
2,304	–	–	–	–	3,977	–	3,977
2,304	–	–	–	(913)	27,625	(913)	26,712

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

Actual  
30 Jun 2012  
\$000

Actual  
30 Jun 2011  
\$000

## 15 CREDITORS AND OTHER PAYABLES

Creditors	48,605	114,415
Accrued expenses	112,445	41,946
Amounts due to related parties	14,836	25,681
Income in advance	1,047	437
	<b>176,933</b>	<b>182,479</b>

Creditors and other payables are non-interest bearing and are normally settled on 20-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

## 16 EMPLOYEE ENTITLEMENTS

### Current portion

Accrued salaries and wages	1,555	1,032
Annual leave	5,937	5,273
Sick leave	266	266
Long service leave	73	121
Total current portion	<b>7,831</b>	<b>6,692</b>

### Non-current portion

Retirement gratuities	383	410
Long service leave	517	548
Total non-current portion	<b>900</b>	<b>958</b>
Total employee entitlements	<b>8,731</b>	<b>7,650</b>

## 17 DERIVATIVE FINANCIAL INSTRUMENTS

### Current liability portion

Forward foreign exchange contracts – not hedge accounted	975	2,561
Forward foreign exchange contracts – hedge accounted	2,825	–
Total current derivative financial instruments	<b>3,800</b>	<b>2,561</b>

### Non-current liability portion

Forward foreign exchange contracts – not hedge accounted	–	171
Forward foreign exchange contracts – hedge accounted	16,629	–
Interest rate swaps – not hedge accounted	34,034	–
Total non-current derivative financial instruments	<b>50,663</b>	<b>171</b>



# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

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Actual	Actual
30 Jun 2012	30 Jun 2011
\$000	\$000

## 17 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### Forward foreign exchange contracts

The fair values of forward foreign exchange contracts have been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from forward foreign exchange contract prices.

#### *Forward foreign exchange contracts – not hedged accounted*

The notional principal amount of outstanding forward foreign exchange contracts that were not hedge accounted was NZD \$3.4m (June 2011: NZD \$14.1m). The foreign currency principal amount was EUR 1.5m (June 2011: USD 2.3m and EUR 4.8m). The loss on their revaluation of \$1.0m (2011: \$1.3m gain) has been recorded in the net surplus/(deficit).

#### *Forward foreign exchange contracts – hedge accounted*

The notional principal amount of outstanding forward foreign exchange contract cash flow hedges was NZD \$379.6m. The foreign currency principal amount was USD 270.9m. These cash flow hedges have been accounted for as effective and the loss of \$19.5m on their revaluation has been transferred to the cash flow hedge reserve within equity.

### Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

The notional principal amount of the outstanding interest rate swap contracts was \$465m. At 30 June 2012 the fixed interest rates of cash flow hedge interest rate swaps varied from 4.8% to 5.4%. The loss on their revaluation of \$34m has been recorded in the net surplus/(deficit).

Gains and losses on interest rate swap contracts, recognised in the hedging reserve in equity as at 30 June 2012 (note 19), will be released to the surplus or deficit when the gain or loss is realised.

The interest rate swaps have been arranged with various banks through Auckland Council.

## 18 BORROWINGS

Current loans from Auckland Council	448	–
Non-current loans from Auckland Council	112,121	–
	<b>112,569</b>	<b>–</b>
Weighted average cost of funds on total borrowings	4.99%	–

Auckland Transport manages its borrowings in accordance with its Treasury Policy. There was no significant changes to the Treasury Policy during the year. Auckland Transport was fully compliant with its Treasury Policy at year end.

Auckland Council provides security for Auckland Transport's borrowings. These borrowings fund the electric train project.

Auckland Transport's debt of \$112.6m is issued at fixed rates of interest ranging from 4.20% to 5.78%.

The fair value of these loans is \$130.9m. The fair value is based on cash flows discounted using a rate based on the borrowing rates ranging from 4.20% to 5.78%. The carrying amounts of borrowings repayable within one year approximate their fair value, as the impact of discounting is not significant.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

	Actual 30 Jun 2012 \$000	Actual 30 Jun 2011 \$000
<b>19 EQUITY</b>		
<b>Contributed capital</b>		
Opening balance	12,068,982	–
Capital contribution from ARTA on 1 November	–	365,294
Capital contribution from ARTNL and group on 1 November	–	7,219
Capital contribution from disestablished councils on 1 November	–	11,501,092
Contributed capital on 1 November	<b>12,068,982</b>	<b>11,873,605</b>
Contributed capital from Auckland Council during the period	444,898	195,377
Closing balance	<b>12,513,880</b>	<b>12,068,982</b>
<b>Retained (loss)/surplus</b>		
Opening balance	(39,463)	–
Deficit for the period	(111,348)	(39,463)
Closing balance	<b>(150,811)</b>	<b>(39,463)</b>
<b>Asset revaluation reserve</b>		
Opening balance	950,633	–
Valuation gains taken to equity	193,395	953,893
Deferred tax on revaluation	2,677	(3,260)
Closing balance	<b>1,146,705</b>	<b>950,633</b>
Property revaluation reserves for each asset class consist of:		
<i>Operational assets</i>		
Land – finance lease	684	–
Buildings	44,494	–
Wharves	–	9,715
Bus stations and shelters	4,577	4,577
Train stations	160,609	–
<i>Infrastructural assets</i>		
Roading	936,341	936,341
Closing balance	<b>1,146,705</b>	<b>950,633</b>
<b>Cash flow hedge reserve</b>		
Fair value losses during the period	(19,454)	–
Closing balance	<b>(19,454)</b>	–
Total other reserves	<b>1,127,251</b>	<b>950,633</b>
<b>Total equity</b>	<b>13,490,320</b>	<b>12,980,152</b>

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	Actual 30 Jun 2012 \$000	Actual 30 Jun 2011 \$000
<b>20 RECONCILIATION OF NET (DEFICIT)/SURPLUS AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
Deficit after tax	(111,348)	(39,463)
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation expense	226,798	144,300
Vested assets	(24,037)	(37,600)
Loss on disposal of property, plant and equipment	7,914	684
Revaluation decrement	3,446	42,780
Foreign exchange gains	(1,757)	(1,255)
Loss on interest rate swaps	34,034	–
Income tax	922	(474)
Grant from Auckland Council for Electric Trains project	(46,000)	–
Non-current accrued income	(11,874)	–
<b>Add/(less) movements in balance sheet items:</b>		
Debtors and other receivables	4,173	(25,653)
Inventories	666	91
Creditors and other payables	(28,424)	112,264
Employee benefits payable	1,081	1,779
Other assets	10,506	(171)
<b>Net cash from operating activities</b>	<b>66,100</b>	<b>197,282</b>

## 21 CAPITAL COMMITMENTS AND OPERATING LEASES

### Capital commitments

Property, plant and equipment	574,953	367,218
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Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

There are no capital commitments for intangibles.

### Non-lease operating commitments

Not later than one year	52,562	147,823
Later than one year and not later than five years	1,998	1,082
<b>Total non-lease operating commitments</b>	<b>54,560</b>	<b>148,905</b>

### Operating leases as lessee

Auckland Transport leases computer equipment in the normal course of its business. These leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable leases are as follows:

Not later than one year	1,490	277
Later than one year and not later than five years	3,927	420
Later than five years	333	–
<b>Total non-cancellable operating leases</b>	<b>5,750</b>	<b>697</b>

Leases can be renewed at Auckland Transport's option, with rents set by reference to current market rates for items of equivalent age and condition. There is no option to purchase the assets at the end of the lease term.

There are no restrictions placed on Auckland Transport by any of the leasing arrangements.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

## 22 CONTINGENCIES

### Contingent liabilities

#### Litigation

Auckland Transport has received a claim in relation to the Northern Busway and the associated changes to the roading network.

Auckland Transport is working to resolve this claim with its solicitors. Part of this claim has been settled, no further liability has been recognised in relation to this claim as any further amount is uncertain.

There are no other material contingent liabilities.

### Contingent assets

There are no contingent assets as at 30 June 2012.

Actual 12 months to 30 Jun 2012	Actual 8 months to 30 Jun 2011
\$000	\$000

## 23 RELATED PARTY TRANSACTIONS

Auckland Transport is a council-controlled organisation of Auckland Council. Auckland Transport receives a significant amount of funding from Auckland Council to deliver its objectives as specified in Auckland Council's Long-term Plan.

The following transactions were carried out with related parties during the year:

### Auckland Council

Purchase of good and services from Auckland Council	24,398	29,088
Sale of goods and services to Auckland Council	5,930	7,850
Grants received from Auckland Council	323,215	150,792
Accounts payable to Auckland Council	12,503	23,430
Accounts receivable from Auckland Council	167,189	149,017
Capital contribution from Auckland Council	444,898	195,377
Asset held for sale to Auckland Council	–	1,629
Loans payable to Auckland Council	112,569	–
Electric trains procurement costs	41,948	–
Interest expense to Auckland Council	2,829	–
Interest payable to Auckland Council	1,107	–
Realised loss on interest rate swaps	773	–
Unrealised loss on revaluation of interest rate swaps	34,034	–
Realised loss on foreign exchange contracts – operating expenditure	2,446	–
Realised loss on foreign exchange contracts – capital expenditure	524	–
Unrealised gain/(loss) on revaluation of foreign exchange contracts	1,757	(1,256)
Interest rate swap liabilities	34,034	–
Foreign exchange hedge liabilities – hedge accounted	19,454	–
Foreign exchange hedge liabilities – not hedge accounted	975	2,732
Cash flow hedge reserve	(19,454)	–

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	Actual 12 months to 30 Jun 2012	Actual 8 months to 30 Jun 2011
	\$000	\$000

## 23 RELATED PARTY TRANSACTIONS (CONTINUED)

### Watercare Services Limited

Purchase of goods and services from Watercare Services Limited	415	188
Sale of goods and services to Watercare Services Limited	165	117
Accounts payable to Watercare Services Limited	19	29
Accounts receivable from Watercare Services Limited	50	72

### Auckland Tourism, Events and Economic Development Limited

Purchase of goods and services from Auckland Tourism, Events and Economic Development Limited	–	171
Sale of goods and services to Auckland Tourism, Events and Economic Development Limited	273	390
Accounts payable to Auckland Tourism, Events and Economic Development Limited	–	174
Accounts receivable from Auckland Tourism, Events and Economic Development Limited	–	434

### Auckland Council Property Limited

Purchase of goods and services from Auckland Council Property Limited	1,101	–
Accounts payable to Auckland Council Property Limited	463	–

### Auckland Waterfront Development Agency Limited

Purchase of goods and services from Auckland Waterfront Development Agency Limited	505	3,031
Sale of goods and services to Auckland Waterfront Development Agency Limited	482	5
Accounts payable to Auckland Waterfront Development Agency Limited	467	1,951
Accounts receivable from Auckland Waterfront Development Agency Limited	27	6

### Manukau Beautification Charitable Trust

Purchase of goods and services from Manukau Beautification Charitable Trust	344	208
Accounts payable to Manukau Beautification Charitable Trust	30	97

### Regional Facilities Auckland Limited

Purchase of goods and services from Regional Facilities Auckland Limited	258	–
Accounts payable to Regional Facilities Auckland Limited	247	–

### Key management personnel

Key management personnel include all Board members, the Chief Executive and other senior management personnel.

During the year key management personnel, as part of a normal customer relationship, were involved in minor transactions with Auckland Transport (such as parking or public transport).

During the year Auckland Transport received funding from the NZ Transport Agency (NZTA), of which Auckland Transport Board member Geoff Dangerfield is Chief Executive. The funding from NZTA occurred as a result of normal NZTA funding arrangements for approved activities. The value of NZTA funding received by Auckland Transport for the twelve months to 30 June 2012 totalled \$262m (2011 – eight months to 30 June 2011 totalled \$198m). There was a balance of \$54m outstanding receivables at year-end (2011 – \$34m). Note 12 discloses an asset held in trust for NZTA.

Directors have interests in related parties of Auckland Transport, as disclosed in the Directors' profiles within the governance section of this annual report. Any transactions with these related parties have been supplied or received in the normal course of business and on normal commercial terms.

Auckland Transport does not provide any post-employment benefits to key management personnel.

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

	Actual 12 months to 30 Jun 2012	Actual 8 months to 30 Jun 2011
	\$	\$

## 23 RELATED PARTY TRANSACTIONS (CONTINUED)

### Key management personnel compensation

Salaries and other short-term employee benefits	2,540,577	1,210,532
Post-employee benefits	–	–
Other long-term benefits	–	–
Termination benefits	–	–
<b>Total key management personnel compensation</b>	<b>2,540,577</b>	<b>1,210,532</b>

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

## 24 BOARD MEMBER REMUNERATION

The total value of remuneration paid or payable to each Board member during the period was:

Mark Ford (Chair)	–	17,500
Philippa Dunphy (Deputy Chair)	66,625	44,417
Geoff Dangerfield	–	–
Christine Fletcher	52,500	35,000
Michael Lee	52,500	35,000
Paul Lockey	60,375	35,000
Dr Ian Parton	57,094	13,125
Rabin Rabindran	52,500	35,000
Mike Williams	52,500	30,625
<b>Total Board member remuneration</b>	<b>394,094</b>	<b>245,667</b>

Mark Ford is entitled to \$105,000 per annum in Director fees however he has chosen not to accept any payment as Chair of the Board of Auckland Transport since January 2011.

Dr Ian Parton did not accept director fees while he was also employed by Watercare.

Geoff Dangerfield is an NZTA appointee on the Board of Auckland Transport. Under the terms of establishment legislation he does not receive any remuneration.

Paul Lockey and Ian Parton received additional remuneration, in line with Auckland Council policy, for their roles as Chairs of Board sub-committees.

There have been no payments made to committee members appointed by the Board who are not Board members during the financial year.

Auckland Transport has provided a deed of indemnity to directors for certain activities undertaken in the performance of Auckland Transport's functions.

Auckland Transport has effected Directors' and Officers' Liability and Professional Indemnity insurance cover during the financial year in respect of the liability of costs of Board members and employees.

No Board members received compensation or other benefits in relation to cessation.

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## 25 EMPLOYEE REMUNERATION

The following section shows the number of Auckland Transport employees who were paid \$100,000 and above for the twelve months ending 30 June 2012 (2011: eight months ending 30 June 2011).

	Number of employees 12 months to 30 Jun 2012	Number of employees 8 months to 30 Jun 2011
\$100,000 - \$109,999	52	12
\$110,000 - \$119,999	32	5
\$120,000 - \$129,999	20	6
\$130,000 - \$139,999	16	–
\$140,000 - \$149,999	18	4
\$150,000 - \$159,999	9	–
\$160,000 - \$169,999	11	2
\$170,000 - \$179,999	1	–
\$180,000 - \$189,999	7	2
\$190,000 - \$199,999	3	–
\$200,000 - \$209,999	–	1
\$220,000 - \$229,999	4	–
\$230,000 - \$239,999	1	1
\$250,000 - \$259,999	3	–
\$280,000 - \$289,999	1	–
\$300,000 - \$309,999	1	–
\$320,000 - \$329,999	1	–
\$340,000 - \$349,999	–	1
\$570,000 - \$579,999	1	–
	Actual 30 Jun 2012	Actual 30 Jun 2011
	\$000	\$000

## 26 OTHER FINANCIAL INSTRUMENT DISCLOSURES

### 26a CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments in each of the NZ IAS 39 categories are as follows:

Financial assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	2,840	2,251
Debtors and other receivables	244,302	214,071
	247,142	216,322

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

Actual  
30 Jun 2012  
\$000

Actual  
30 Jun 2011  
\$000

## 26 OTHER FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

### 26a CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities		
<i>Fair value through surplus or deficit</i>		
Forward foreign exchange contracts – not hedge accounted	975	2,561
Interest rate swaps – not hedge accounted	34,034	–
	35,009	2,561
<i>Derivatives that are hedge accounted</i>		
Forward foreign exchange contracts – hedge accounted	19,454	–
	19,454	–
<i>Financial liabilities at amortised costs</i>		
Creditors and other payables	176,933	182,479
Borrowings	112,569	–
	289,502	182,479

### 26b FAIR VALUE HIERARCHY DISCLOSURES

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active market or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

2012	Note	Total \$000	Quoted market price \$000	Valuation technique Observable inputs \$000	Significant non- observable inputs \$000
<i>Financial liabilities</i>					
Derivative financial instruments	17	54,463	–	54,463	–
2011					
<i>Financial liabilities</i>					
Derivative financial instruments	17	2,732	–	2,732	–

There were no transfers between the different levels of the fair value hierarchy.



# Notes to the Financial Statements

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## 26 OTHER FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

### 26c FINANCIAL INSTRUMENT RISKS

Auckland Transport's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. Auckland Transport has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

#### Market risk

##### Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Auckland Transport is not exposed to any significant price risk.

##### Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings issued at fixed rates of interest expose Auckland Transport to fair value interest rate risk.

Auckland Transport's borrowings are all issued at fixed rates as the main objective of Auckland Transport's interest rate risk management is to reduce uncertainty around interest expense as interest rates change.

##### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Auckland Transport is not exposed to any significant cash flow interest rate risk.

##### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. From time to time Auckland Transport purchases goods and services overseas which require it to enter into transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

It is Auckland Transport's policy to manage foreign currency risks arising from contractual commitments and liabilities by entering into forward foreign exchange contracts to manage the foreign currency risk exposure.

#### Sensitivity analysis

The potential effect on the surplus or deficit and equity (excluding retained earnings) for reasonably possible market movements, with all other variables held constant, at balance date are as follows:

##### Foreign exchange risk

	NZ \$000 -5% Profit	NZ \$000 -5% Other equity	NZ \$000 +5% Profit	NZ \$000 +5% Other equity
<b>2012</b>				
Forward foreign exchange contracts – hedge accounted				
USD derivatives	–	17,725	–	(18,263)
Forward foreign exchange contracts – not hedge accounted				
USD derivatives	–	–	–	–
EUR derivatives	122	–	(118)	–
	<b>122</b>	<b>–</b>	<b>(118)</b>	<b>–</b>
<b>2011</b>				
Forward foreign exchange contracts – not hedge accounted				
USD derivatives	176	–	(156)	–
EUR derivatives	811	–	(680)	–
	<b>987</b>	<b>–</b>	<b>(836)</b>	<b>–</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

## 26 OTHER FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

### 26c FINANCIAL INSTRUMENT RISKS (CONTINUED)

#### Interest rate risk

2012	NZ \$000 -100bps Profit	NZ \$000 -100bps Other equity	NZ \$000 +100bps Profit	NZ \$000 +100bps Other equity
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#### Interest rate risk

Interest rate swaps – not hedge accounted	(37,734)	–	33,524	–
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#### Explanation of foreign exchange risk sensitivity

The foreign exchange sensitivity is based on a reasonable possible movement in foreign exchange rates, with all other variables held constant, measured as a percentage movement in the foreign exchange rate of -5%/+5%.

#### Explanation of interest rate risk sensitivity

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 50 bps is equivalent to a decrease in interest rates of 0.5%.

#### Credit risk

Credit risk is the risk that a third party will default on its obligation to Auckland Transport, causing it to incur a loss.

In the normal course of business, Auckland Transport is exposed to credit risk from cash, debtors and other receivables and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Auckland Transport has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

#### Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings (if available) or to historical information about counterparty default rates:

	Actual 30 Jun 2012 \$000	Actual 30 Jun 2011 \$000
<b>Counterparties with credit ratings</b>		
<i>Cash at bank</i>		
AA	–	2,122
AA-	2,676	–
<b>Counterparties without credit ratings</b>		
<i>Debtors and other receivables</i>		
Existing counterparty with no defaults in the past	186,428	214,071
Existing counterparty with defaults in the past	–	–
	<b>186,428</b>	<b>214,071</b>

# Notes to the Financial Statements

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## 26 OTHER FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

### 26c FINANCIAL INSTRUMENT RISKS (CONTINUED)

#### Liquidity risk

##### Management of liquidity risk

Liquidity risk is the risk that Auckland Transport will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liability risk management implies maintaining sufficient cash and the ability to close out market positions.

Auckland Transport manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

##### Contractual maturity analysis of financial liabilities, excluding borrowings

The table below analyses Auckland Transport's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount NZ\$000	Contractual cash flows NZ\$000	Less than 6 months NZ\$000	6-12 months NZ\$000	Less than 1 year NZ\$000
<b>2012</b>					
Trade and other payables	176,933	176,933	176,933	–	–
Forward foreign exchange contracts					
– outflow	–	382,964	45,284	11,929	325,751
– inflow	–	382,964	45,284	11,929	325,751
<b>2011</b>					
Trade and other payables	182,479	182,479	182,479	–	–
Forward foreign exchange contracts					
– outflow	–	14,092	2,563	10,681	848
– inflow	–	14,092	2,563	10,681	848

##### Contractual maturity analysis of borrowings

The table below analyses Auckland Transport's borrowings into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include principal payments of \$112.6m and interest payments of \$98.7m.

	Carrying amount \$000	Contractual cash flows \$000	Less than 11 years \$000	11-20 years \$000	21-30 years \$000	31-40 years \$000	41-50 years \$000
<b>2012</b>							
Borrowings	112,569	211,322	96,710	38,405	38,405	24,573	13,229

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

## 27 CAPITAL MANAGEMENT

Auckland Transport's capital is its equity, which comprises contributed capital, retained earnings and revaluation reserves. Equity is represented by net assets.

Auckland Transport is subject to financial management and accountability provisions of the Local Government (Auckland Council) Act 2009, which imposes restrictions in relation to borrowings and the use of derivatives.

Auckland Transport manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities and general financial dealings to ensure Auckland Transport effectively achieves its objectives and purpose, while remaining a going concern.

## 28 ESTABLISHMENT OF AUCKLAND TRANSPORT

Auckland Transport, together with the Auckland Council group, was formed as a result of the Local Government (Tamaki Makaurau Reorganisation) Act 2009 that was enacted 23 May 2009. The legislation provided for the dissolution of local authorities in the Auckland Region on 31 October 2010 (Auckland City Council, Manukau City Council, Papakura District Council, Franklin District Council, North Shore City Council, Rodney District Council, Waitakere City Council and Auckland Regional Council) as well as the Auckland Regional Transport Authority and Auckland Regional Transport Network Limited group. The assets and liabilities of these entities were transferred to the new governing structures established on 1 November 2010. The Auckland Transition Agency was established prior to the reorganisation to oversee the transition.

The new Auckland Transport organisation combines the transport expertise and functions of the eight former local and regional councils and the Auckland Regional Transport Authority and Auckland Regional Transport Network Limited group.

On 22 April 2010, the Accounting Standards Review Board approved an amendment to NZ IFRS 3 Business Combinations (NZ IFRS 3) applying to annual periods beginning on or after 1 July 2009. This amendment applies to public benefit entities, and results in NZ IFRS 3 not applying to a local authority reorganisation where the assets and liabilities are transferred to a local authority from another local authority at no cost, or for nominal consideration, pursuant to legislation, ministerial directive or other externally imposed requirement. As the reorganisation of the predecessor councils into the new Auckland Council group meets the requirements to apply this exemption, accounting for the reorganisation was not required to be in accordance with NZ IFRS 3.

Alternative accounting options were therefore assessed and it was determined by the Auckland Transition Agency that the most appropriate way to account for the reorganisation was to use the principles of merger accounting to treat Auckland Transport as a new entity, rather than a continuation of the predecessor entities.

Under the merger accounting principles, the transport related assets and liabilities from the predecessor entities were able to be recognised in Auckland Transport either at their current carrying values or at fair value. The Auckland Transition Agency deemed that using current carrying values would have the result of showing a balance sheet that represents the total net assets of the predecessor entities prepared on a consistent basis which is familiar to users, enabling a more transparent and meaningful assessment of Auckland Council group compared to the predecessor entities.

## 29 EVENTS SUBSEQUENT TO BALANCE DATE

### *New Zealand Transport Agency vested assets*

A Memorandum of Understanding between Auckland Transport and New Zealand Transport Agency for the vesting of sections of State Highways was signed in June 2012. The vesting of these assets from NZTA to Auckland Transport is likely to occur by 30 September 2012. The value of these assets is estimated at between \$500m and \$550m. These assets will be valued to ensure consistency with Auckland Transport's valuation policies.

### *City Rail Link*

In July 2012 Auckland Transport announced the proposed land footprint for the City Rail Link. The City Rail Link will require the future purchase of surface property from 210 owners. Underground portions of land from 70 interests, including 12 unit title developments with multiple owners, will also need to be purchased for the tunnels and stations.

# Notes to the Financial Statements

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	Actual 12 months to 30 Jun 2012	Budget 12 months to 30 Jun 2012	Variance
	\$000	\$000	\$000

## 30 MAJOR BUDGET VARIANCES

Explanations for major variations from Auckland Transport's budget are as follows:

### Statement of comprehensive income

Income	755,196	775,643	(20,447)
Expenditure	865,622	792,779	(72,843)
<b>Deficit before tax</b>	<b>(110,426)</b>	<b>(17,136)</b>	<b>(93,290)</b>

### Income

<i>Funding from Auckland Council</i>	323,215	277,215	46,000
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Grant from Auckland Council for electric trains project \$46m.

<i>Operational funding from NZ Transport Agency</i>	190,723	206,057	(15,334)
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NZ Transport Agency operational funding is reduced as a result of reduced operational spending.

<i>Capital funding from NZ Transport Agency</i>	71,666	151,185	(79,519)
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Reduced funding from NZTA is due to reduced expenditure on roading. Auckland Transport reduced its new capital roading programme to reflect a more realistic programme of work as well as to recognise the NZTA funding available and the impact of the funding assistance agreement with NZTA.

<i>Vested asset income</i>	24,037	–	24,037
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Vested asset income of \$24m not included in the budget.

### Expenditure

<i>Finance costs</i>	37,636	–	(37,636)
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Unrealised loss on valuation of interest rate swaps \$34m and interest expense for electric trains project \$2.8m not included in the budget.

<i>Other expenses</i>	522,408	501,072	(21,336)
-----------------------	---------	---------	----------

Electric train procurement costs of \$41.9m funded by a grant from Auckland Council offset by reduced operational spending.

<b>Equity</b>	<b>13,490,320</b>	<b>13,303,390</b>	<b>186,930</b>
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Equity is higher than budgeted mainly due to the increase in the asset revaluation reserve of \$196.1m, transfer of assets from Auckland Council to Auckland Transport of \$117.5m, offset by variance in net deficit of \$93.3m.

The \$117.5m unbudgeted equity was provided by Auckland Council to Auckland Transport during the year in the form of various properties held by Auckland Council at 30 June 2011 which were identified as specifically for the purposes of future roading projects to be undertaken by Auckland Transport on behalf of Auckland Council.

## Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012 CONTINUED

	Actual 12 months to 30 Jun 2012	Budget 12 months to 30 Jun 2012	Variance
	\$000	\$000	\$000

### 30 MAJOR BUDGET VARIANCES (CONTINUED)

#### Statement of financial position

<i>Debtors and other receivables</i>	244,302	169,046	75,256
--------------------------------------	---------	---------	--------

Grant income due from Auckland Council for electric train project \$46m, and higher than budgeted receivables.

<i>Creditors and other payables</i>	176,933	141,079	(35,854)
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Higher than budgeted level of accrued expenditure.

<i>Property, plant and equipment</i>	13,569,719	13,248,225	321,494
--------------------------------------	------------	------------	---------

Net gain on revaluation of assets at 30 June 2012 of \$190m and transfer of assets from Auckland Council to Auckland Transport \$117.5m

<b>Capital expenditure</b>	591,696	546,200	45,496
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Capital expenditure was in line with budgeted capital funding and investment from Auckland Council.

Capital expenditure was above budget due to: additional loan-funded capital expenditure of \$94.6m for the electric trains project; unbudgeted vested assets of \$24m; less a reduction in the new capital roading programme of \$67.4m. The reduction in roading reflected a more realistic programme of work as well as recognised the NZTA funding available and the impact of the funding assistance agreement with NZTA.

# Independent Auditor's Report

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**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

## TO THE READERS OF AUCKLAND TRANSPORT'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

The Auditor General is the auditor of Auckland Transport. The Auditor General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of Auckland Transport on her behalf.

We have audited:

- the financial statements of Auckland Transport on pages 82 to 124, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of Auckland Transport on pages 40 to 46, 54 to 59, and 64 to 65.

### OPINION

In our opinion:

- the financial statements of Auckland Transport on pages 82 to 124:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect Auckland Transport's:
- financial position as at 30 June 2012; and
- financial performance and cash flows for the year ended on that date; and
- the statement of service performance of Auckland Transport on pages 40 to 46, 54 to 59, and 64 to 65:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects Auckland Transport's service performance achievements measured against the performance targets adopted for the year ended 30 June 2012.

Our audit was completed on 20 August 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

### BASIS OF OPINION

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of Auckland Transport's financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Auckland Transport's internal control.

## Independent Auditor's Report CONTINUED

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect Auckland Transport's financial position, financial performance and cash flows; and
- fairly reflect its service performance achievements.

The Board is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from the Local Government Act 2002.

### RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

### INDEPENDENCE

When carrying out the audit we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit we have carried out assignments, in the area of a desktop review of the Draft Asset Management Plans, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Auckland Transport.

David Walker  
Audit New Zealand  
On behalf of the Auditor General  
Auckland, New Zealand



# Glossary

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AMETI	Auckland-Manukau Eastern Transport Initiative
AT	Auckland Transport
b.line	High-frequency bus services along Dominion and Mt Eden roads
CCO	Council-controlled organisation
CRL	City Rail Link
HOP	Auckland's branded integrated ticket for public transport
HOV	High-occupancy vehicle lanes
JTOC	Joint Transport Operations Centre (at Smales Farm)
KPI	Key performance indicator
LTP	Auckland Council's Long-term Plan
NorSGA	Now known as the North West Transformation Area, around Hobsonville
NZTA	NZ Transport Agency
POA	Programme of action, within the Statement of Intent
PTNP	Public Transport Network Plan
PTOM	Public Transport Operating Model
RLTP	Regional Land Transport Programme
RWC 2011	Rugby World Cup 2011
SOI	Statement of Intent
TetraTrap	Stormwater filtering device
TOD	Transport-oriented development
TravelWise	Auckland's school travel plan programme



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