

Statement of Intent Performance – 2015/16

Recommendation

That the Board:

- i. Receive the report.

Executive summary

AT has a statutory obligation for the Board to meet each year in open session to consider the organisation's performance under its Statement of Intent (SOI). This report summarises AT's performance for the year ended 30 June 2016, for each of the non-financial measures in the 2015/16 SOI.

Performance met or exceeded the SOI target for 26 of the 29 measures in the 2015/16 SOI. Three performance measures were not achieved.

Strategic context

Section 96 of the Local Government (Auckland Council) Act requires an AT Board meeting that is open to the public, to consider the organisation's performance under its SOI in the previous financial year.

Background

The 2015/16 SOI was adopted by the AT Board in June 2015.

Per the SOI, AT has used the following guideline to report on performance against the targets:

- Where performance is within +/- 2.5% of a target, the target will be considered to be met;
- Where performance is above a target by more than 2.5%, the target will be considered to be exceeded; and
- Where performance is below target by more than 2.5%, the target will be considered to be not met.

Performance Summary

The following table summarises the 2015/16 performance for each of the performance measures in the 2015/16 SOI. The performance assessment rating is explained in the background section above.

Performance measure	SOI Target	Actual	Performance
Strategic Theme - Prioritise rapid, high frequency public transport			
1. Total public transport boardings (millions)	84.47	82.90	Target met
2. Boardings on rapid or frequent network (rail, busway, Frequent Transit Network - bus)	Increase at faster rate than total boardings	9.9% growth compared to 4.6% total boarding growth	Target exceeded
Strategic Theme - Transform and elevate customer focus and experience			
3. Public transport punctuality (weighted average across all modes)	92%	95%	Target exceeded
4. Customer satisfaction index: Public transport	83%	84%	Target met
5. Customer satisfaction index: Road quality	70%	69%	Target met
6. Customer satisfaction index: Footpath quality	65%	65%	Target met

Performance measure	SOI Target	Actual	Performance
7. Customer satisfaction index: Road safety	60%	65%	Target exceeded
8. Change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number	Reduce by at least 9 (390)	Dec 2015 12 month rolling total: 538	Target not met
9. Percentage of customer service requests relating to roads and footpaths which receive a response within specified time frames ¹	85%	88%	Target exceeded
Strategic Theme - Build network optimisation and resilience			
10. Arterial road productivity ²	54% of the ideal achieved	60%	Target exceeded
Travel times on key freight routes (performance measures 11 to 20)			
11. SEART (from Sylvia Park to East Tamaki) – East Bound	11	11	Target met
12. SEART (from East Tamaki to Sylvia Park) – West Bound	12	10	Target exceeded
13. Wairau Rd (from SH1 to SH18) - West Bound	8	8	Target met
14. Wairau Rd (from SH18 to SH1) - East Bound	8	8	Target met

Performance measure	SOI Target	Actual	Performance
15. Harris Rd (from East Tamaki to SH1 Highbrook interchange) – West Bound	10	10	Target met
16. Harris Rd (from SH1 Highbrook interchange to East Tamaki) – East Bound	11	11	Target met
17. Kaka St/James Fletcher Dr/Favona Rd/Walmsley Rd (SH20 to Walmsley) – East Bound	13	8	Target exceeded
18. Kaka St/James Fletcher Dr/Favona Rd/Walmsley Rd (Walmsley to SH20) – West Bound	13	7	Target exceeded
19. Great South Rd (SH1 Ellerslie Panmure Highway Interchange to Portage Rd) – South Bound	11	11	Target met
20. Great South Rd (Portage Rd to SH1 Ellerslie Panmure Highway Interchange) – North Bound	11	12	Target not met
21. New cycle ways added to regional cycle network (km)	7.4 km	11.8 km	Target exceeded
22. Annual number of cycling trips in designated areas in Auckland (all day)	1.1 million (all day)	995,828	Target not met
23. Road maintenance standards (ride quality) as measured by Smooth Travel Exposure (STE) for all urban roads	83	87%	Target exceeded
24. Road maintenance standards (ride quality) as measured by Smooth Travel Exposure (STE) for all rural roads	93	96%	Target exceeded

Performance measure	SOI Target	Actual	Performance
25. Percentage of the sealed local road network that is resurfaced	8%	8.1%	Target met
26. Percentage of footpaths in acceptable condition (as defined in AT's AMP)	99%	99.5%	Target met
Strategic Theme - Ensure a sustainable funding model			
27. PT farebox recovery ³	46-48%	51.2%	Target exceeded
Strategic Theme - Develop creative, adaptive, innovative implementation			
28. Parking occupancy rates (peak four-hour, on-street) ⁴	70%-90%	89.1%	Target met
29. Number of car trips avoided through travel planning initiatives	17,500	24,227	Target exceeded

¹ As defined in AT's customer service standards: two days for incident investigation as a high priority; three days for an incident investigation as a normal priority; one-hour emergency response time.

² Road productivity is a measure of the efficiency of the road in moving people during the peak hour. It is measured as the product of number of vehicles, their average journey speed and average vehicular occupancy. Key arterial routes include:

- Airport to CBD (via Manukau Road)
- St Lukes to St Johns (via Balmoral/Greenlane West/Greenlane East/Remuera Road)
- Albany to Birkenhead (via Glenfield Road)
- Henderson to CBD (via Great North Road)
- SH1 to Ti Rakau Drive (via Te Irirangi Drive)
- SH20 to Portage Road (via Tiverton/Wolverton Road)

³ Farebox recovery measures the contribution passenger fares make to the operating cost of providing public transport services. The measure calculates farebox recovery in accordance with Transport Agency guidelines.

⁴ Four-hour peak period is defined as the top four busiest hours of the day. These hours are not often coincidental and can vary depending on contributing factors. On-street parking occupancy is surveyed once a quarter in three central city parking zone precincts: Shortland/High Streets, Karangahape Road and Wynyard Quarter.

Discussion

The performance summary shows that targets were **met** or **exceeded** for 26 of the 29 measure in the SOI. Highlights included:

- 82.9 million public transport trips taken (4.6% increase)
- All of the customer satisfaction performance measures met or exceeded target

Performance targets were **not met** for the following three measures:

- 1) Reduction in the number of deaths and serious crashes on the local road network

There were 538 deaths and serious injuries on the local road network in the 12 months to December 2015. The SOI target is to reduce this to 390 during 2015/16. AT has analysed the result (38% higher than target) and established areas and user groups at risk. Underlying themes include strong economic and population growth and increased travel. AT is working closely with NZ Police and other stakeholders to target safety infrastructure, training, and other interventions.

- 2) Annual number of cycling trips in designated areas in Auckland

The roll-out of Auckland's new cycling network will result in new sites being used for counting journeys from next year. This will better reflect the level of cycling activity across Auckland.

- 3) Travel times along Great South Road (Portage Road to SH1 Ellerslie Panmure Highway Interchange)

Actions have been undertaken to better understand and solve previous delays on this route, including installing CCTV cameras at the Great South Road/SEART intersection, undertaking traffic signal improvements, and detailed investigation to solve vehicle queuing. Close monitoring of this intersection will be continued.

Next steps

The performance results outlined in this report have been incorporated into the Annual Report for 2015/16.

Attachment

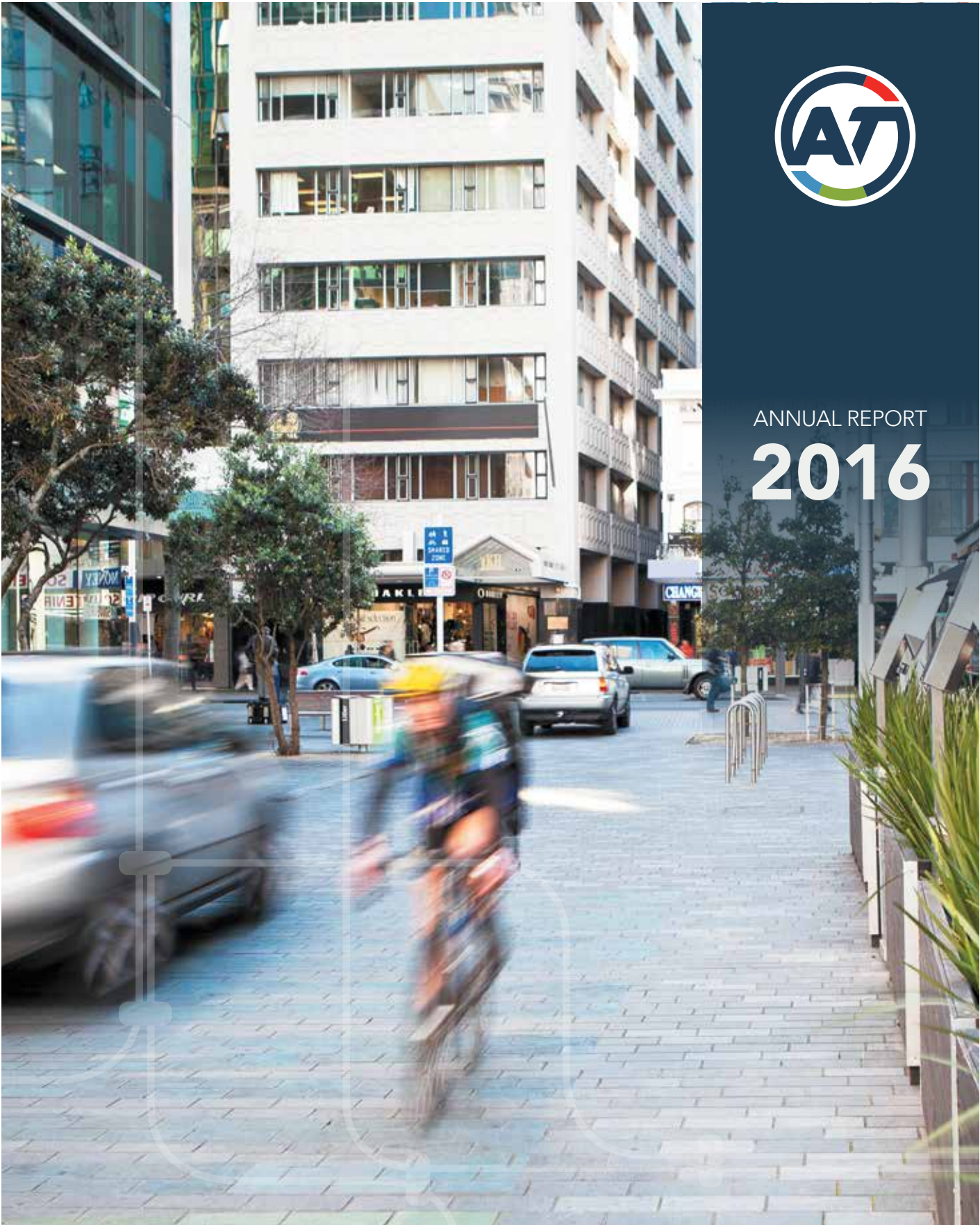
Attachment Number	Description
1	Annual Report 2016

Document ownership

Submitted by	Julian Michael Financial Reporting Manager	
Recommended by	Richard Morris Chief Financial Officer	
Approved for submission	David Warburton Chief Executive	

Glossary

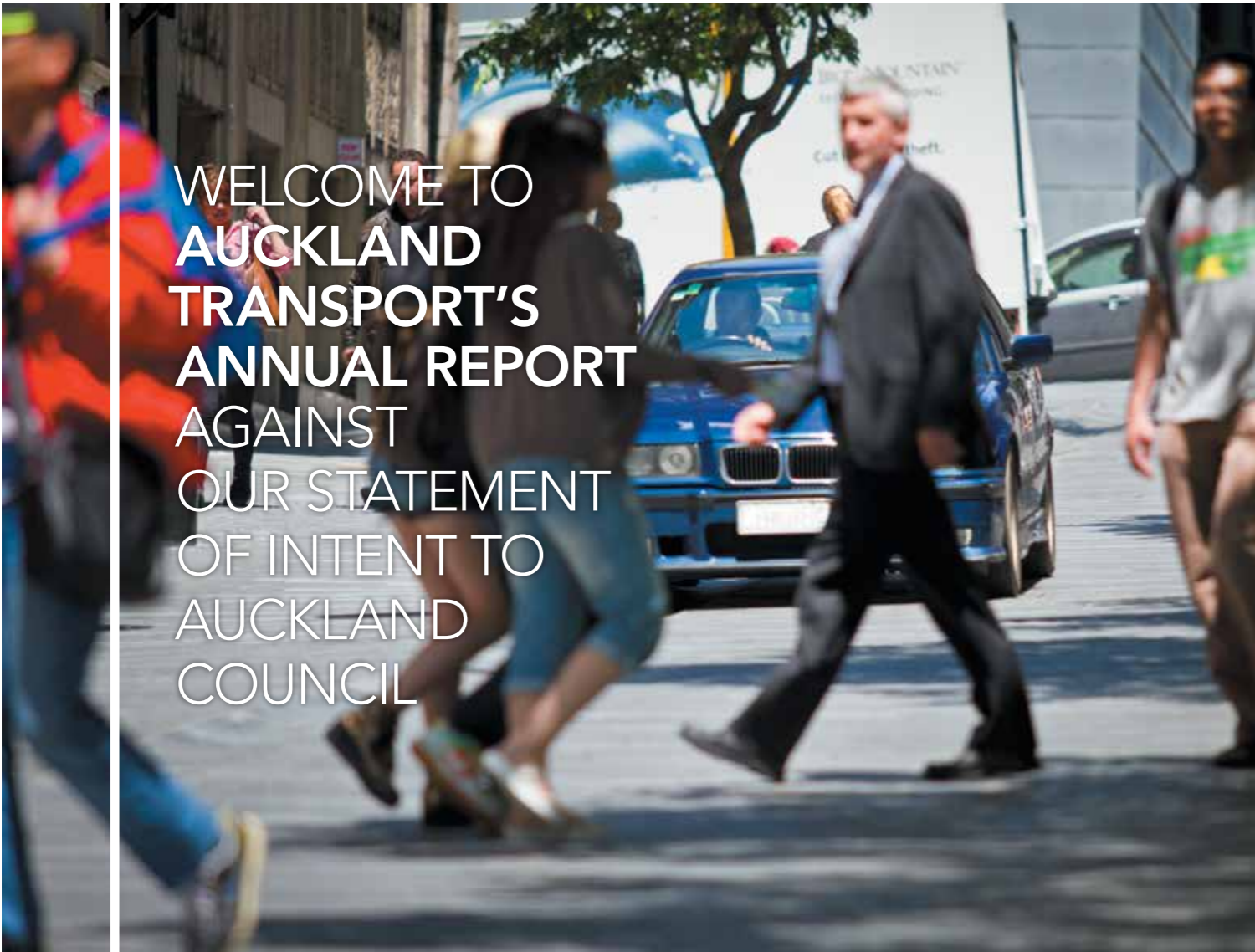
Acronym	Description
AT	Auckland Transport
SOI	Statement of Intent



ANNUAL REPORT
2016

**Auckland
Transport** 

An Auckland Council Organisation



WELCOME TO
AUCKLAND
TRANSPORT'S
ANNUAL REPORT
AGAINST
OUR STATEMENT
OF INTENT TO
AUCKLAND
COUNCIL

E ngā iwi whānui ki ngā topito o Tāmaki Makaurau
He mihi manahau ki a koutou katoa Topuni ki te Raki
Rakitu ki te Rāwhiti
Puketutu ki te Tonga
Oaia ki te Uru
Tāmaki herehere o ngā waka e!
Tihei Mauri ora ki te whai ao, ki te ao mārama

To the wider people to the ends of Auckland
A heartening greeting to you all
Topuni to the North
Rakitu to the East
Puketutu to the South
Oaia to the West
Tāmaki the meeting place of all canoes
Life essence to the world, to the world of light

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performed

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01 HOW WE PERFORMED

HIGHLIGHTS OF 2016

- City Rail Link (CRL) **construction formally launched** in June
- **82.9 million** public transport trips taken (4.6% increase)
- **33,570 fewer cars** on the roads weekly during the morning rush hour
- **16.8 million** rail passengers on electric trains (21% increase)
- **10,000** energy-efficient LED street lights installed
- **Auckland's buses travel the equivalent of 3.5 trips around the earth** every weekday
- Albany Highway North **upgrade transforms** rural road into safer arterial route
- **53,000** extra seats added on public transport including the introduction of **53 double decker buses**

CRL
is on!



82.9m
public transport trips taken



10,000
energy-efficient lights installed



WHO WE ARE AND WHAT WE DO



We delivered transport services to 1.6m Auckland residents and visitors in 2016 and planned transport infrastructure for a projected population of 2.2m by 2042.



We are guardians of New Zealand's highest-valued group of publicly held assets, worth \$16.6b.



Approximately 240,000 customer emails and enquiries were received via the Auckland Transport website this year.



We manage and build most of Auckland's public transport services, systems and facilities. Since coming into service, electric trains have travelled over four million kilometres which is equivalent to five return trips to the moon.



We maintain 7,565km of arterial and local roads, and have arterial upgrades under way costing \$68m.



In 2016 we spent \$371m operating, maintaining and renewing road and public transport assets.



We are jointly delivering the largest-ever, three-year programme of cycle infrastructure, valued at \$200m.

VISION

WHAT WE ARE STRIVING FOR
 Delivering transport choices to get you where you want, when you want



MISSION

WHY AUCKLAND TRANSPORT EXISTS

To deliver effective and innovative transport solutions to our customers



VALUES

HOW WE DO BUSINESS

On board
 One team
 Straight up
 Take action
 Be safe



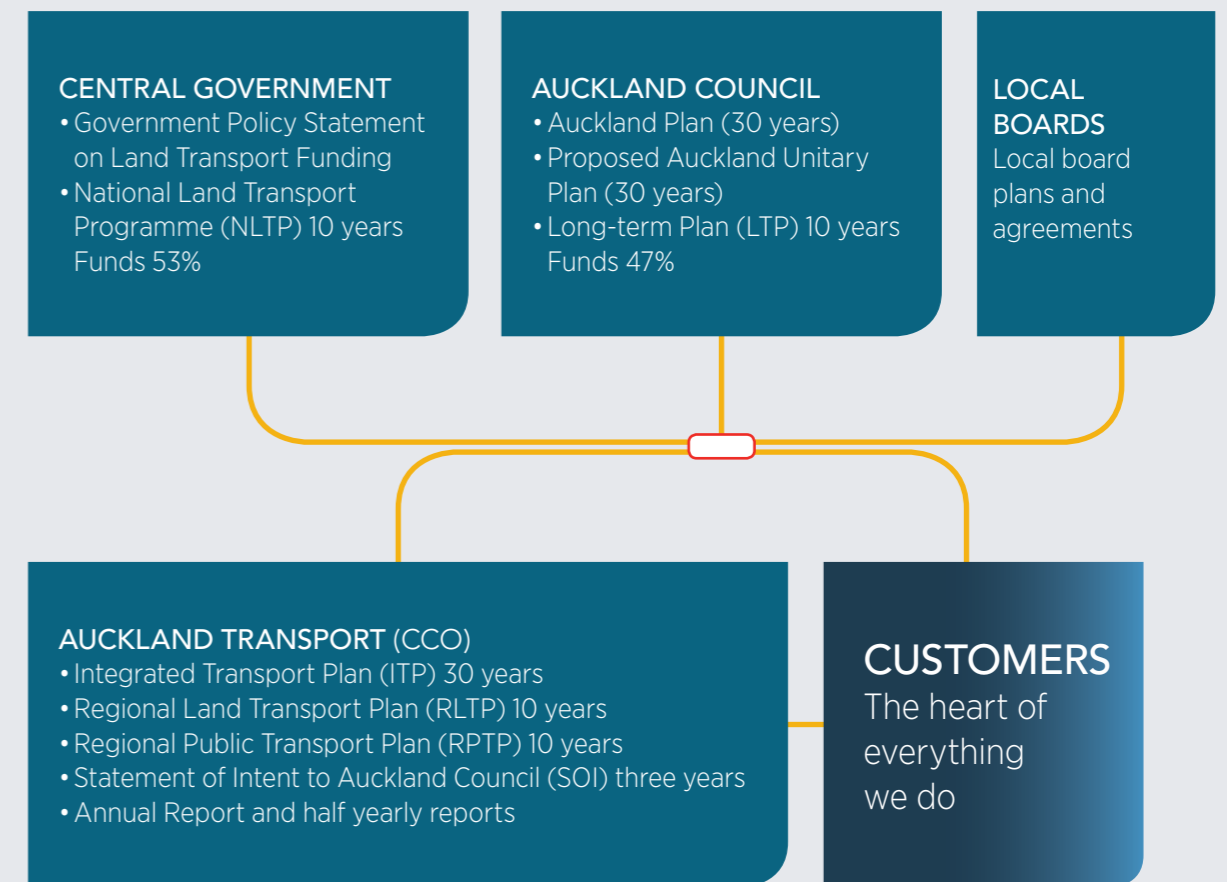
THE THREE-YEAR WORKPLAN

Transport in Auckland is funded by both central Government and Auckland Council. Objectives for the NZ Transport Agency include a high-quality transport system for Auckland, the nation's economic hub, to deliver economic growth targets, and a One Network approach that views all modes and networks as part of a larger, integrated system.

As a Council-Controlled Organisation (CCO), Auckland Transport (AT) is accountable to the Council's governing body. One of these accountability mechanisms is a Statement of Intent (SOI) that is annually agreed and is aligned with the Long-term Plan. The SOI for 2015-18 is structured on the Board's five strategic themes. It contains a three-year workplan and performance measures to deliver on these themes.

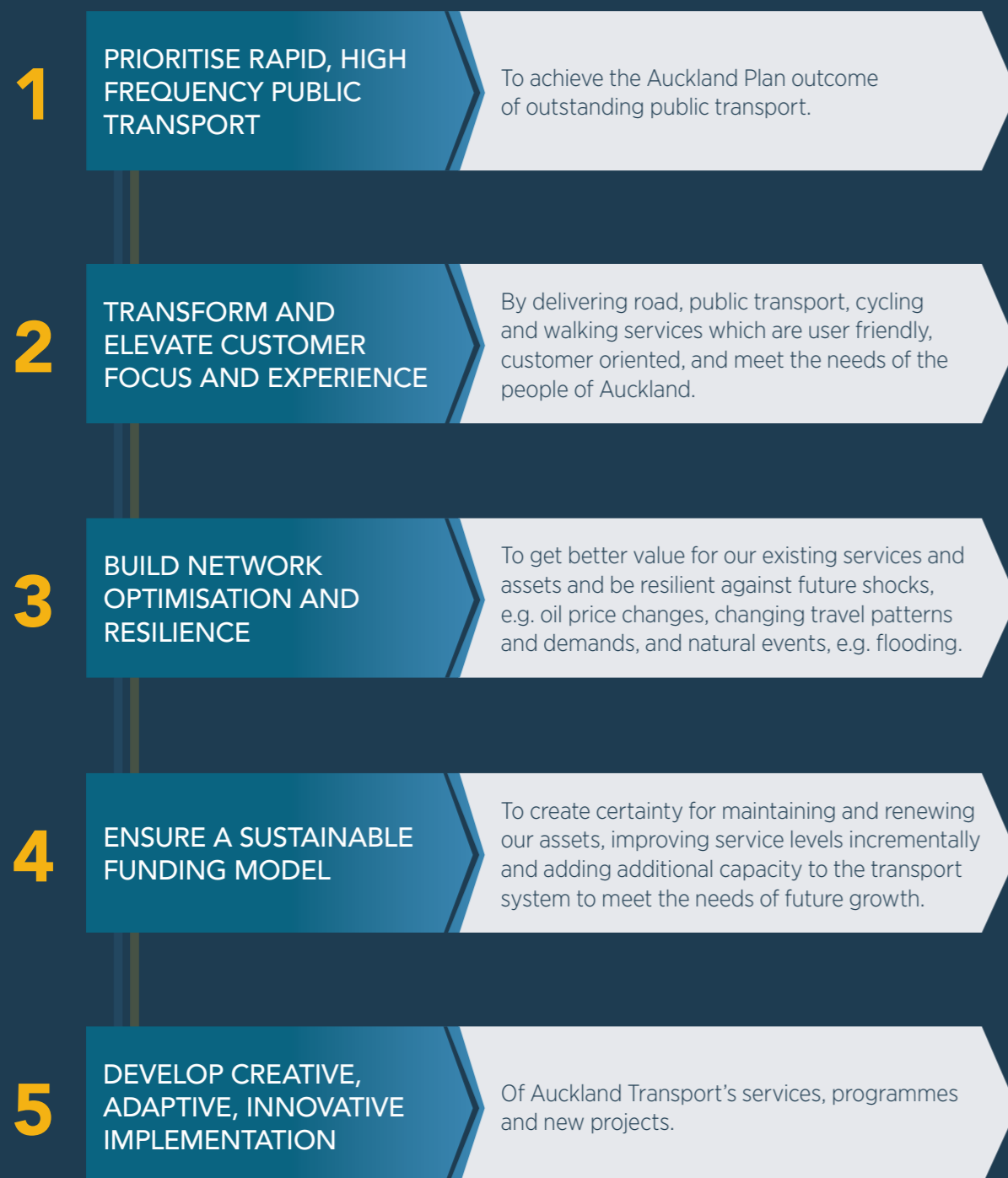
Up-to-date information on the workplan is on the website at at.govt.nz/projects-roadworks.

Videos explaining major projects are on YouTube. You can view these by searching 'Auckland Transport'.



FIVE STRATEGIC THEMES

Auckland Transport's Board of Directors has reframed the underlying strategic themes to transform transport in Auckland.



PERFORMANCE AGAINST 2016 SOI TARGETS

In 2016, 26 targets out of 29 were met or exceeded.

PERFORMANCE MEASURE	% PERFORMANCE SCORE AGAINST TARGET	PAGE REF
Strategic theme: Prioritise rapid, high frequency public transport		
Total public transport boardings (millions)	98%	16
Boardings on rapid or frequent network (rail, busway, FTN bus)	100%	16
Strategic theme: Transform and elevate customer focus and experience		
Public transport punctuality (weighted average across all modes)	100%	18
Customer satisfaction index (public transport, road and footpath quality, road safety)	100%	18
Percentage of customer service requests relating to roads and footpaths responded to within specified timeframes	100%	18
Reduce number of fatalities and serious injury crashes on the local road network	62%	18
Strategic theme: Build network optimisation and resilience		
Arterial road productivity	100%	20
Travel times on key freight routes during the inter-peak (9am-4pm) for 85th percentile	99%	20
Road maintenance standards (ride quality) as measured by smooth travel exposure (STE) for all urban and rural roads	100%	20
Percentage of sealed local road network resurfaced	100%	20
Percentage of footpaths in acceptable condition (as defined in AT Asset Management Plan)	100%	20
New cycleways added to regional cycle network (km)	100%	20
Annual number of cycling trips in designated areas in Auckland (all day)	91%	20
Strategic theme: Ensure a sustainable funding model		
Public transport farebox recovery	100%	22
Strategic theme: Develop creative, adaptive, innovative implementation		
Parking occupancy (peak four-hour, on street)	100%	23
Number of car trips avoided through travel planning initiatives	100%	23

FINANCIALS AT A GLANCE

A summary of Auckland Transport's financial performance for the year ended 30 June 2016.

Auckland Transport has operated within its agreed funding envelope.

Total income for the year is \$1,368.3m, against a budget of \$1,379.7m. Auckland Council and the NZ Transport Agency are the primary sources of funding. However, 25 per cent of income was received from various other sources including user charges and fees, rental, other subsidies and vested assets. Public Transport income is 25% of Public Transport expenses. The pie chart below provides a breakdown of income.

Total operating expenses are \$983.6m, against a budget of \$975.0m. In the pie chart below, other expenses include \$453.8m spent on the following activities:

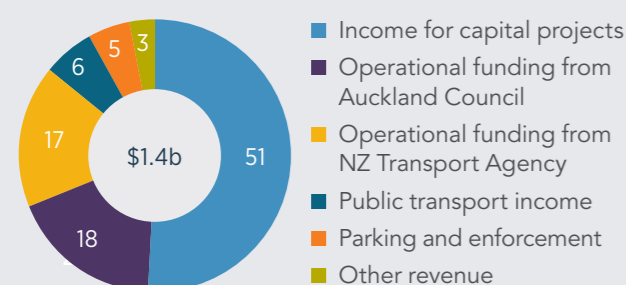
- \$334.7m Public transport
- \$100.2m Rooding
- \$18.9m Parking.

The surplus before tax of \$384.7m is \$19.9m below the budget of \$404.7m. The variance is mainly due to lower capital funding from Auckland Council (\$36.3m) and the NZ Transport Agency (\$30.8m) as a result of lower capital expenditure. This is partially offset by unbudgeted vested asset revenue (\$51.5m).

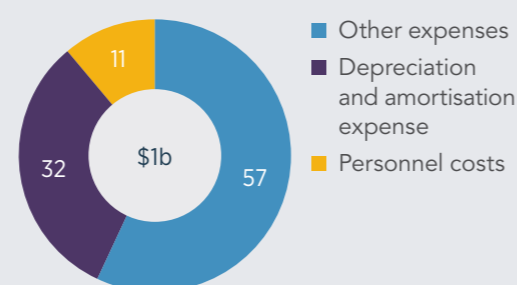
Investment in the city's infrastructure was \$706.7m against a budget of \$720.3m. After adjusting for vested assets, capital expenditure was \$555.2m. The reduced capital spend reflects an absence of Auckland Council-driven Special Housing Areas, delays in property purchases and other factors. A significant level of new infrastructure was delivered last year and the required level of renewal of existing assets was undertaken.

The net asset position that AT manages is \$16.6b, up \$0.5b from the June 2015 position.

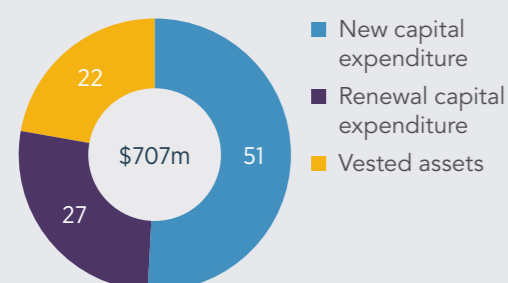
INCOME percentage



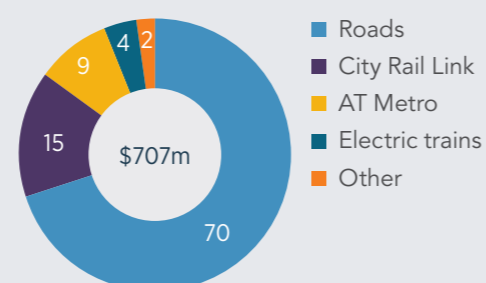
EXPENSES percentage



CAPITAL EXPENDITURE percentage



CAPITAL EXPENDITURE percentage



INCOME AND EXPENDITURE SUMMARY

All in \$000's	Actual 2016	Budget 2016	Actual 2015
WHAT WAS RECEIVED? WHAT WAS SPENT?			
Income for capital projects	694,708	610,281	428,504
Operational funding	481,722	487,763	463,530
Grant from Auckland Council for electric trains project	–	–	38,000
Other income	191,849	281,665	171,430
Total income	1,368,279	1,379,709	1,101,464
Expenditure on activities	983,557	975,043	947,029
Surplus/(deficit) before tax	384,722	404,666	154,435
Income tax	(1,116)	–	(1,446)
Other comprehensive income	82,593	–	114,236
Total comprehensive income	466,199	404,666	267,225
NEW CAPITAL EXPENDITURE			
Roads	151,842	201,040	163,570
AT Metro	60,308	62,588	44,904
City Rail Link	107,130	113,808	92,456
Electric trains	29,777	26,798	204,931
Other	14,029	18,073	28,564
Total new capital expenditure	363,086	422,307	534,425
RENEWAL CAPITAL EXPENDITURE			
Roads	185,667	189,825	189,947
Other	6,414	8,149	5,125
Total renewal capital expenditure	192,081	197,974	195,072
Vested assets	151,495	100,000	162,926
Total capital expenditure	706,662	720,281	892,423
FUNDING OF CAPITAL EXPENDITURE			
NZ Transport Agency funding – new	76,763	101,427	52,194
NZ Transport Agency funding – renewal	63,425	69,540	78,883
Capital funding from Auckland Council	403,025	439,314	134,501
Grant from Auckland Council for electric trains project	–	–	22,931
Other capital grants	1,954	–	–
Loan funding from Auckland Council	10,000	10,000	182,000
Investment by Auckland Council	–	–	258,988
Vested assets	151,495	100,000	162,926
Total funding of capital expenditure	706,662	720,281	892,423



The Government, Auckland Council, the NZ Transport Agency and AT are now working intensively on the Auckland Transport Alignment Project (ATAP), which for the first time will set in place an agreed long-term programme for the development of transport in the city.

DR LESTER LEVY



CRL Launch celebrations in June 2016

CHAIRMAN'S REPORT

In the context of Auckland's legacy transport infrastructure deficit and the current accelerated population growth, Auckland Transport has already completed or has underway a range of transport projects.

Many of these are of international scale and complexity. The new electric trains, AT HOP* and key rail station developments are already revealing their worth through record patronage on the city's trains. Enabling works for the City Rail Link have commenced.

Progress with this historical deficit is being challenged by major population growth. Fifty five per cent of New Zealand's recent growth has been in Auckland, which will reach a population of 1.6 million this year. This means Auckland will have grown by 125,000 people in the past four years, equivalent to a city the size of Tauranga. It is vital that we work constructively with our partners to plan for the appropriate level of future service and infrastructure that will meet the needs of tomorrow's Auckland.

Joined-up thinking

The Government, Auckland Council, the NZ Transport Agency and AT are now working intensively on the Auckland Transport Alignment Project (ATAP), which for the first time will set in place an agreed long-term programme for the development of transport in the city. The importance of the alignment process extends well beyond a shared intent and agreed priorities, as the solutions must be realistically funded, expedited and provide value for money. ATAP is critical to keeping

ahead of the growth curve, and will also test how intelligently improvements can be accelerated in an environment of highly contestable resources. A third report was delivered to Cabinet in August ahead of the Government's confirmation of the funding mechanism for the City Rail Link and other priority projects in Auckland Council's Long-term Plan.

Transport is an intriguing sector in that various people and interest groups have powerful attachments to their favoured mode of transport, potentially privileging mode over value-for-money decision making. The problems of transport in Auckland are too acute and numerous for this paradigm to continue to prevail. The AT Board believes that the transport solutions for Auckland are contextual, multi-modal and integrated and in particular need to deliver value for money.

As the alignment project unfolds, AT continues to work with the NZ Transport Agency on key projects to join up disparate sections of the strategic road network, such as AMETI, the East-West Connection, linking the North-western and Northern motorways at Constellation Drive and improving access to Auckland Airport. In January 2016, the Government committed \$1.85b to the East-West Connection between Onehunga and Mt Wellington, which will create much needed

efficiencies of freight movements. Planning for the Mill Road upgrade and the Reeves Road flyover in east Auckland are further examples in the under-served eastern area of an overall network solution approach rather than a collection of disparate projects.

The transport revolution

We are on the cusp of a transport revolution similar to that at the turn of the 20th century when tarsealed roads, the motor vehicle and electricity became part of everyday life. All of our planning needs to be undertaken with a very close eye on how Auckland can adopt disruptive transport innovations, which include but are not limited to a switch to alternative fuels, large-scale car sharing schemes and the application of advanced intelligent transport systems including connected autonomous (driverless) vehicles.

Driverless cars are an exciting and high-potential opportunity, but will not in themselves address the challenge of congestion. Ultimately the solution will be a thoughtful and considered mix of infrastructure development, a range of demand management techniques and intelligent transport technologies. The rate at which such technologies and interventions can be introduced and taken up will determine the extent of infrastructure that will need to be developed. New infrastructure will necessarily be part of the mix, but these other two elements play a critical balancing role as the reality is we cannot build our way out of the ever-growing demand for transport.

Safety first

Auckland Transport places a very high priority on the health and safety of all who use the various transport modes in Auckland as well as our own employees and contractors. Given the complexities and breadth of the services

that AT provides, this is a major challenge requiring investment, focus and discipline. AT is planning an enhanced joint approach with the New Zealand Police to increase safety and security on the rail network and we welcome the impending changes to the Land Transport Act that provide greater fare enforcement powers for warranted officers.

Partnerships and people

Alignment between the Auckland Council and central Government across the wide range of transport issues in Auckland has the very real potential of uncoupling transport in Auckland from legacy thinking and decision making. A desirable outcome of this alignment work is that current problems are realistically confronted and timely funding for both operational and capital requirements is agreed and programmed. The AT Board and management will do everything in its power to assist this critical process of alignment, bringing urgency to its strong implementation capacity.

I would like to acknowledge outgoing director Geoff Dangerfield, who attended his last meeting in December 2015. Geoff has been an integral and valued member of the AT Board, he is highly experienced and a very wise counsel. My thanks also to fellow directors, management and all of our employees for their hard work and commitment in helping to keep Auckland moving.

DR LESTER LEVY CNZM
Chairman

* This annual report contains various references to AT HOP cards. Terms of use and the registered prospectus for the AT HOP cards and other information regarding the AT HOP cards are available on at.govt.nz or at the Auckland Transport Customer Service Centre, Britomart. The obligations of Auckland Transport under the AT HOP cards are unsecured.



The City Rail Link will be transformational for Auckland. It is the largest of over 40 capital projects taking place in the central city and we are already seeing land use around the inner city stations developing rapidly.

DR DAVID WARBURTON



Opening of Te Āra I Whiti Cycle Path, December 2015

CHIEF EXECUTIVE'S REPORT

The official launch in early June of the long-anticipated City Rail Link construction marked a pivotal moment in the city's history.

The City Rail Link will be transformational for Auckland. We are already seeing land use around the inner city stations developing rapidly and our economic assessment shows it will result in \$1.3b in travel time benefits for public transport users, \$136m for road users and \$6m in environmental benefits.

The City Rail Link is the largest of over 40 capital projects taking place in the central city which, by 2020-2023, are projected to offer an additional 167,000sqm of commercial office space¹, 7,000 new dwellings, a convention centre, new hotels and more. AT has formed a dedicated City Centre Network Operations Team to keep traffic moving over this extended period and has already put in place significant changes to public transport services and the road network within the city to accommodate these developments.

Other key achievements this year were:

- Albany highway upgrade ahead of schedule and under budget
- The first New Network bus contracts awarded for South Auckland
- Simpler, zone-based fares scheme developed
- Rail passenger numbers topping 16 million, the highest on record
- Quay Street and Nelson Street (Lightpath) cycleways completed
- SuperGold card integrated into AT HOP with approximately 90,000 cards in or having completed the SuperGold registration process
- New transport networks adopted for urban growth areas, aligned with ATAP.

New networks are taking shape

Use of AT HOP cards for travel on public transport has risen during the year, reaching 83 per cent for June. While the shift to simpler fares will initially negatively impact farebox revenue by approximately \$3m, we are focused on increasing revenue through increased public transport use.

Rail delays have decreased 17 per cent and complaints by over 58 per cent since full introduction of electric trains in August 2015, demonstrating the value of this game-changing investment, and we are continuing to improve network performance.

Nine years of engagement with the Government, two legislation changes, policy development, extended negotiations and a rigorous tender process has resulted in the first eight of 54 area-based bus contracts for services being signed in February this year and starting operation in October 2016. The new contracts for South Auckland will save over \$3m per annum and add 21 per cent more operating hours. We expect similar results from the next tranches of contracts that will roll out over the next 18 months.

Bus service passenger numbers peaked in March at 5.9 million passengers for the month, affecting performance. The South Auckland New Network, 53 new double decker buses and 17km of new bus lanes are anticipated to significantly improve the customer experience for 2017's peak month. New journey planners, regional signage currently being trialled, information maps and mobile apps continue to enhance the experience of using the networks and it is pleasing to note customer satisfaction exceeding its target this year.

All the networks are real time managed by our operations centre. New video systems integrated in June this year now automatically alert operators to safety breaches occurring across the transport network. Of particular concern is the public transport network where extended evening services pose a potential risk to customer safety. City Rail Link construction site monitoring is also a working example of AT's commitment to daily health and safety practices for contractors and staff.

Cycleway expansion and parking

The largest-ever, three-year urban cycleway programme aims to create continuous separated cycle and shared paths throughout Auckland, including through the busy city centre with projects such as Beach Road, Quay Street and Nelson Street. An additional 11km were added this year. These cycleways are creating a quiet revolution in behaviour change, evidenced by the growth in numbers of people cycling. In its first three summer months, the Lightpath was used for over 100,000 journeys.

Following development of a robust Parking Strategy in 2015, this year has seen significant progress with priorities such as residential parking consultation in city fringe suburbs and park-and-ride facilities that connect into public transport.

Funding and budgeting

Auckland Transport has operated within its agreed funding envelope, while effectively managing its cash position. This is a solid result given a constrained budget. Capital income and expenditure budgets were impacted primarily by asset revaluations, including gains on operational assets of \$81.8m, and vested assets from developers of \$151.5m. Financial results for the year show total comprehensive income of \$466.2m.

Total fixed assets (IT, property, plant and equipment) has increased from \$16.6b to over \$17b, reflecting the development of additional transport infrastructure to support Auckland's growth. Transport assets are depreciating at a rate of \$874,000 daily.

Details of AT's financial performance and position can be found in the financial section of this report.

Transport for future urban growth

Transport for Future Urban Growth completed two rounds of consultation, and recommended Transport Networks for Auckland's growth areas were identified. The aim is to ensure transport is well connected and that plans enhance investment already under way. Auckland currently has 82km of rapid transit lines and the plan would see 166km constructed over the next 30 years. Projects include extending and constructing busways and extending electric rail to Pukekohe.

The recommended networks will be provided to the Auckland Transport Alignment Project (ATAP) to inform further strategic development. Agreeing to a set of shared outcomes will be another pivotal moment in the history of the region.



I sincerely thank the Board for its support and guidance through 2015/16, the Executive Leadership Team for its dedication and resilience under demanding conditions, and thank all our staff for their ongoing commitment to and passion for this city and delivery of transport solutions.




DR DAVID WARBURTON
Chief Executive

¹ Colliers International report, January 2016.

STRATEGIC THEME 1

Prioritise rapid, high frequency public transport

KEY PROJECT	PROGRESS REPORT FOR 2016
CITY RAIL LINK	
<p>Enabling works for City Rail Link (across Lower Queen Street and under Downtown building) progressed to meet timeframes agreed with Precinct Properties Ltd</p> 	<p>Construction of the City Rail Link was celebrated in June with an event in Lower Queen Street. The Government has confirmed it will work with the Council to formalise its funding commitment, allowing the major construction phase to start in 2018 and be completed in 2023.</p> <p>The procurement strategy for the City Rail Link major works has been approved. It divides the works into four packages, and this was released to the market. All the surface properties required by the designation have been purchased and the subterranean purchase programme has begun.</p> <p>Significant changes to the city centre's bus network were made in advance of construction, with buses removed from Lower Queen Street until cut and cover tunnelling starts. After a dawn blessing in December 2015, work started to replace a major stormwater line in Albert Street between Swanson and Wellesley Streets. A contract was awarded to build the cut and cover tunnels up Albert Street as far as Wyndham Street, with initial works under way.</p>
NEW PUBLIC TRANSPORT NETWORK	
<p>Off-peak frequency improvements on inner harbour ferries by 2016</p> 	<p>Pine Harbour services were increased in February by 25%, and a larger vessel is now operating for West Harbour services.</p>
MANUKAU BUS/RAIL INTERCHANGE	
<p>Initial improvements to coincide with launch of South Auckland New Network [2016] and full implementation by 2022</p>  	<p>A new 23-bay bus station is being constructed next to the Manukau Rail Station. Enabling work began in February, following consultation in 2015. Final design work is also complete.</p> <p>An essential component of the New Network, the hub will facilitate transfers between high frequency buses and trains. The \$26m project is a partnership with the NZ Transport Agency and is expected to be complete in the second half of 2017.</p>

KEY PROJECT	PROGRESS REPORT FOR 2016
OTAHUHU BUS/RAIL INTERCHANGE	
<p>Initial improvements to coincide with launch of South Auckland New Network [2016] and full implementation by 2021</p>  	<p>Construction began in November 2015 of a fully integrated bus and rail station that will deliver more frequent services, better connections, increased safety and modern facilities.</p> <p>The \$28m project is a partnership with the NZ Transport Agency and is planned to be completed in August 2016, ahead of the roll-out of the South Auckland New Network.</p>
WESTGATE BUS INTERCHANGE (PART OF NORSGA PLAN CHANGE 15)	
<p>Construction complete June 2016</p> 	<p>Design of the bus stops is well advanced. The resource consent for the on-street bus stops has been put on hold while an alternative off-street option proposed by the developer is assessed.</p>

BOARDINGS ON RAPID OR FREQUENT NETWORK (RAIL, BUSWAY, FTN BUS)

TARGET EXCEEDED ++

Actual 2016: 9.9% growth compared with 4.6% total boarding growth
 Target 2016: increase at faster rate than total boardings
 Actual 2015: new measure

TOTAL PUBLIC TRANSPORT BOARDINGS (MILLIONS)

TARGET MET +



Actual 2016: 82.9
 Target 2016: 84.47
 Actual 2015: 79.20
 Actual 2014: 72.40



KEY TO TARGETS:

- +** Result within +/- 2.5% of target = MET. **++** Result above target by more than 2.5% = EXCEEDED.
- Result below target by more than 2.5% = NOT MET. See page 23 for Notes to the performance measure targets.

STRATEGIC THEME 2

Transform and elevate customer focus and experience

KEY PROJECT	PROGRESS REPORT FOR 2016
NEW PUBLIC TRANSPORT NETWORK	
<p>Rail: improved punctuality and customer service as fully electric services implemented on all lines (excluding Papakura-Pukekohe) during 2015</p> 	<p>Electrification and new train roll-out was completed in 2015, with increased frequency on the Western Line bringing all three major lines up to peak service of six services per hour.</p> <p>The new trains have resulted in a 21% increase in patronage and rail satisfaction is up, at 84%.</p> <p>A Rail Performance Improvement Plan of track and signalling works has resulted in improved service times.</p>
NEW PUBLIC TRANSPORT NETWORK	
<p>Bus: improved customer service and logical, intuitive and integrated schedules with implementation of New Network:</p> <ul style="list-style-type: none"> South Auckland New Network consultation completed Hibiscus Coast implemented in 2015 West, central suburbs, North Shore and east New Network by 2017 	<p>AT is implementing change on a scale never before seen in Auckland. The first New Network routes began operating on the Hibiscus Coast in 2015.</p> <p>Services for the South Auckland New Network including Pukekohe and Waiuku are due to begin in late 2016.</p> <p>North Shore route designs were finalised in May 2016, following extensive consultation (3,500 pieces of feedback) that saw changes to 21 of the proposed 40 routes. These routes are planned to be implemented in stages during early 2018.</p> <p>West, central suburbs and east New Networks are planned to be implemented in 2017. Public consultation has been completed.</p> <p>A new fleet of state-of-the-art, low-emission buses, and new standards of service, will be introduced as part of the contract requirements. New bus shelters are also being integrated into new bus stops on the networks.</p> <p>Fifty three new double decker buses were also operating by June, as part of a wider programme to increase bus capacity and meet demand on the busiest routes. The buses were introduced following extensive route clearance to ensure customer safety.</p>

KEY PROJECT	PROGRESS REPORT FOR 2016
REAL TIME PUBLIC INFORMATION SYSTEM IMPROVEMENTS	
<p>Ongoing improvements to accuracy and accessibility of real time information</p> 	<p>Various video management systems were consolidated into a single system in June, configured with video analytics that automatically alert operators to safety breaches or concerns occurring across the transport network. The system is integrated into an incident and event management system so all network incidents are recorded and actions are documented.</p>
INTEGRATED FARES	
<p>Implement a simpler, integrated fare structure</p> 	<p>Simplified zone-based fares for bus and rail travel were developed to support the New Network and to replace the inconsistent and complex fare stage system.</p> <p>Work this year included final pricing, fare review, independent audit and upgrade of AT HOP functionality.</p>

<p>PUBLIC TRANSPORT PUNCTUALITY (WEIGHTED AVERAGE ACROSS ALL MODES)</p> <p>TARGET EXCEEDED ++</p> <p>Actual 2016: 95% Target 2016: 92% Actual 2015: new measure</p> <p>Punctuality is measured by the percentage of total scheduled services leaving their origin stop no more than one minute early or five minutes late. Train uses origin, Bus uses first stop and Ferry uses departure.</p>	<p>REDUCE NUMBER OF FATALITIES AND SERIOUS INJURY CRASHES ON THE LOCAL ROAD NETWORK²</p> <p>TARGET NOT MET -</p> <p>Actual 2016: 538 Target 2016: Reduce by at least 9 (390)</p> <p>Actual 2015: 399 Actual 2014: 21% increase from 2013</p> <p>AT has analysed the poor result (38% higher than target) and established areas and user groups at risk. Underlying themes include strong economic and population growth and increased travel. We are working closely with New Zealand Police and other stakeholders to target safety infrastructure, training and other interventions.</p>	<p>CUSTOMER SATISFACTION INDEX (PUBLIC TRANSPORT, ROAD AND FOOTPATH QUALITY, ROAD SAFETY)</p> <p>TARGET MET +</p> <p>Actual 2016:</p> <ul style="list-style-type: none"> Public transport: 84% + Roads: 69% + Footpaths: 65% + Safety: 65% ++ <p>Target 2016:</p> <ul style="list-style-type: none"> Public transport: 83% Roads: 70% Footpaths: 65% Safety: 60% <p>Actual 2015: new measure</p> <ul style="list-style-type: none"> Public transport: 84% Roads: 69% Footpaths: 65% Safety: new measure
<p>PERCENTAGE OF CUSTOMER SERVICE REQUESTS RELATING TO ROADS AND FOOTPATHS RESPONDED TO WITHIN SPECIFIED TIMEFRAMES¹</p> <p>TARGET EXCEEDED ++</p> <p>Actual 2016: 88% Target 2016: 85% Actual 2015: new measure</p>		

KEY TO TARGETS:

- +** Result within +/- 2.5% of target = MET. **++** Result above target by more than 2.5% = EXCEEDED.
- Result below target by more than 2.5% = NOT MET. See page 23 for Notes to the performance measure targets.

STRATEGIC THEME 3

Build network optimisation and resilience

KEY PROJECT	PROGRESS REPORT FOR 2016
DEVELOP SAFE CYCLEWAYS AND WALKWAYS	
<p>Completion of Waterview Cycleway Connection (joint project with NZTA) by 2018</p> <p>Extend the regional cycleway network</p> <p>Support greenways plans within the development of safe cycleways and walkways</p>	<p>We are working together with Auckland Council and the NZ Transport Agency on a three-year, \$200m urban investment programme in cycling. This year 11km of new cycleways were delivered. Major projects include:</p> <ul style="list-style-type: none"> Nelson Street Lightpath opened December 2015 Quay Street cycleway opened July 2016 Mt Roskill safe routes began construction April 2016 Section one of Glen Innes to Tamaki shared path completed August 2016 Waterview 2.5km shared path now under construction and expected to be completed early 2017 Consultation on a New Lynn to Avondale shared path took place before construction starts late 2016. <p>Draft guidance was published in March and presented to the Greenways Steering Group, local boards and key stakeholders including Bike and Walk Auckland. Initial feedback has been positive and the guidance is currently being applied to a proposed greenway in Grey Lynn.</p>
ROUTE OPTIMISATION	
<p>Progress route optimisation programme, which helps ease congestion on Auckland's road network</p>	<p>Twelve routes encompassing 129 intersections were assessed as part of a new traffic signal optimisation programme in 2016. A working group has developed a proposed methodology to align with new optimisation targets ranging from one to three years.</p> <p>The City Centre Network Operations Team is delivering signal and other changes to the city centre in response to the effects of long-term construction activity to better manage traffic flow and pedestrian safety.</p>
SUPPORTING GROWTH ENABLED BY PROPOSED AUCKLAND UNITARY PLAN	
<p>Hobsonville Point Park-and-Ride complete by July 2017</p> <p>Massey North Town Centre substantially complete by July 2018</p>	<p>Agreement has been reached to use existing car parks on Launch Road as the new park-and-ride facility at Hobsonville Point. This will come into effect in January 2017.</p> <p>The Massey North Town Centre project is being led by Auckland Council, with AT providing supporting transport infrastructure.</p>
SUPPORTING GROWTH ENABLED BY PROPOSED AUCKLAND UNITARY PLAN	
<p>Glenvar Ridge Road (Long Bay) construction complete 2018</p>	<p>Construction of stage 1 began this year with installation of stormwater infrastructure. Property acquisitions for stage 2 are progressing. The \$23.1m project is a public/private partnership.</p>

KEY TO TARGETS:

- +** Result within +/- 2.5% of target = MET. **++** Result above target by more than 2.5% = EXCEEDED.
- Result below target by more than 2.5% = NOT MET. See page 23 for Notes to the performance measure targets.

NEW CYCLEWAYS ADDED TO REGIONAL CYCLE NETWORK (KM)

TARGET EXCEEDED ++

Actual 2016: 11.8km
Target 2016: 7.4km
Actual 2015: new measure

ANNUAL NUMBER OF CYCLING TRIPS IN DESIGNATED AREAS OF AUCKLAND (ALL DAY)³

TARGET NOT MET -

Actual 2016: 995,828
Target 2016: 1.1m
Actual 2015: 906,518
Actual 2014: 915,458

The roll-out of Auckland's new cycling network will result in new sites being used for counting journeys from next year. This will better reflect the level of cycling activity across Auckland.

ARTERIAL ROAD NETWORK PRODUCTIVITY⁴

TARGET EXCEEDED ++

Actual 2016: 60%
Target 2016: 54% of the ideal achieved
Actual 2015: 53%
Actual 2014: 68%

ROAD MAINTENANCE STANDARDS (RIDE QUALITY) AS MEASURED BY SMOOTH TRAVEL EXPOSURE (STE) FOR ALL URBAN AND RURAL ROADS

TARGET EXCEEDED ++

Actual 2016: Rural 96%; Urban 87%
Target 2016: Rural 93%; Urban 83%
Actual 2015: Rural 95%; Urban 85%

PERCENTAGE OF SEALED LOCAL ROAD NETWORK RESURFACED

TARGET MET +

Actual 2016: 8.1%
Target 2016: 8%
Actual 2015: new measure

PERCENTAGE OF FOOTPATHS IN ACCEPTABLE CONDITION (AS DEFINED IN AT'S AMP)

TARGET MET +

Actual 2016: 99.5%
Target 2016: 99%
Actual 2015: new measure

TRAVEL TIMES ON KEY FREIGHT ROUTES DURING THE INTER-PEAK (9AM-4PM) FOR 85TH PERCENTILE (I.E. 85 PER CENT OF TRIPS ON THE ROUTE ARE MADE WITHIN THE TRAVEL TIME INDICATED)

MINUTES	TARGET	2016 ACTUAL	2016 TARGET	2015 ACTUAL	2014 ACTUAL
SEART (from Sylvia Park to East Tamaki)	+	11	11	11	11.5
SEART (from East Tamaki to Sylvia Park)	++	10	12	10	10
Wairau Road (from SH1 to SH18)	+	8	8	8	8
Wairau Road (from SH18 to SH1)	+	8	8	8	8
Harris Road (from East Tamaki to SH1 Highbrook interchange)	+	10	10	10	9.7
Harris Road (from SH1 Highbrook interchange to East Tamaki)	+	11	11	11	10.4
Kaka Street/James Fletcher Drive/Favona Road/Walmsley Road (SH20 to Walmsley)**	++	8	13	8	***
Kaka Street/James Fletcher Drive/Favona Road/Walmsley Road (Walmsley to SH20)**	++	7	13	7	***
Great South Road (SH1 Ellerslie-Panmure Highway Interchange to Portage Road)**	+	11	11	11	***
Great South Road (Portage Road to SH1 Ellerslie-Panmure Highway Interchange)**	-	12*	11	11	***

* Actions have been undertaken to better understand and solve previous delays on this route, including installing CCTV cameras at the Great South Road / SEART intersection, undertaking traffic signal improvements and detailed investigation on solving the queuing issue. Close monitoring of this intersection will be continued.

** A signal optimisation has been undertaken, which has had some benefit, but further infrastructure improvements are required.

*** New measure.

STRATEGIC THEME 4

Ensure a sustainable funding model

KEY PROJECT	PROGRESS REPORT FOR 2016
SUPPORTING GROWTH ENABLED BY PROPOSED AUCKLAND UNITARY PLAN	
Establish the Local Residential Growth Fund and invest over \$100m in transport infrastructure to enable growth and development in Auckland	To date, \$33.7m of funding has been allocated to a variety of land purchase, road, intersection and cycle infrastructure projects in Albany North, Huapai and Hingaia. This year, \$1.6m was planned to be spent, with the rest allocated for future financial years. The approved funding for special housing areas and other high-growth areas to 2025 was confirmed at \$398.3m.
MAXIMISE VALUE FROM EXISTING ASSETS	
Review and assess (in conjunction with Panuku Development Auckland) maximising value from existing assets, and identification of surplus non-strategic assets for disposal	A review of our property assets was undertaken in 2015 to determine the current and future transport requirements of each property. At 31 December 2015, 88 properties with a book value of \$61.91 million were returned to Auckland Council for an assessment of alternative use or disposal.
IMPROVED EFFECTIVENESS OF OPERATING EXPENDITURE	
Programme for achieving efficiency targets for operating expenditure while maintaining service delivery over the course of the SOI	Auckland Transport has in place a continuous review and monitoring programme of operating expenditure efficiency. Efficiency gains over the previous years have ranged from \$10m to \$20m from additional revenue sources and procurement-led cost reductions, and AT has achieved its operating budget in every year of operation to date. This year actual tracking of efficiency targets has been rolled out across the business, with Finance monitoring and tracking, and quarterly reporting to the Chief Financial Officer.
IMPROVED VALUE FOR MONEY AND SECTOR PERFORMANCE FOR ROAD CONSTRUCTION, OPERATIONS AND RENEWALS	
Implement the recommendations of the national Road Efficiency Group, including One Network Road Classification	The One Network Road Classification (ONRC) is the framework AT is using to develop an optimal, nationally consistent programme of maintenance, operations and renewals for the road network. The local road network classification was completed in late 2014. This year an organisation-wide project has agreed a fit-for-purpose level of service for the different classes of road, and work is under way to quantify the gap between current service delivery and the desired level of service. The aim is to use limited funding more effectively, by directing more spending to busier roads while keeping all road assets in a fit-for-purpose condition. The NZ Transport Agency will use ONRC as the basis of its funding allocation decisions for the 2018-21 period.

KEY TO TARGETS:

- +** Result within +/- 2.5% of target = MET. **++** Result above target by more than 2.5% = EXCEEDED.
- Result below target by more than 2.5% = NOT MET. See page 23 for Notes to the performance measure targets.

KEY PROJECT	PROGRESS REPORT FOR 2016
NEW PUBLIC TRANSPORT CONTRACTS	
Shift to new performance-based commercial and contractual framework for public transport services, based on Public Transport Operating Model (PTOM) (rolling change as contracts are renegotiated)	Contracts for the South Auckland New Network were awarded in February to three of the eight companies who tendered: Ritchies Murphy Transport Solutions, Howick and Eastern Buses and new company Go Bus. A tender for West Auckland services closed in June 2016. Central, east and North Shore tenders will be released once final network designs are approved in the second half of 2016. A tender for all ferry service contracts was released in June 2016.
COMPETITIVE PRICING AND IMPROVED VALUE FOR MONEY	
Ensure effective systems are in place to achieve competitive pricing and improved value for money from the New Network	The procurement framework has attracted pricing competition for new South Auckland bus contracts with eight separate entities competing for the contracts. Outcome: The new South Auckland bus contracts will save \$3.1m per annum and add 21 per cent more operating hours.

PUBLIC TRANSPORT FAREBOX RECOVERY⁵



TARGET EXCEEDED ++

Actual 2016: 51.2%
Target 2016: 46-48%
Actual 2015: new measure
Actual 2016 result is for the 12 months rolling to May 2016.



STRATEGIC THEME 5

Develop creative, adaptive, innovative implementation

KEY PROJECT	PROGRESS REPORT FOR 2016
CITY CENTRE PUBLIC TRANSPORT ACCESS	
<p>Complete investigations to address bus congestion in city centre, including investigations into light rail on selected arterial routes, and develop implementation plan by 2015</p> 	<p>The business case for a Central Access Plan, embracing the city centre and isthmus, is being jointly developed with Auckland Council and the NZ Transport Agency. It seeks to resolve growing patronage and corridor constraints. A preferred programme was approved in May by the NZ Transport Agency's Board.</p> <p>In November 2015 we appointed a technical advisor to progress light rail investigations. The route through the isthmus and city centre has been approved.</p>
COORDINATE TRAVEL PLANNING INITIATIVES	
<p>Support schools, workplaces and tertiary institutions to identify and use transport options other than single occupancy private vehicles</p> 	<p>The target for number of car trips avoided was exceeded this year.</p> <p>The Commute programme has signed up a further 22 organisations this year and delivered 10 targeted campaigns and almost 200 events.</p> <p>This year's Travelwise programme delivered 472 events. The programme has focused on interventions in school communities where the crash risk is high. Four hundred teachers and students took part in workshops during March while the Walking School Bus programme also highlighted safety, and added 26 routes in 2016.</p>

PARKING OCCUPANCY (PEAK 4-HOUR ON-STREET)⁶

TARGET MET +

Actual 2016: 89.1%
Target 2016: 70-90%
Actual 2015: 86%
Actual 2014: 73%

NUMBER OF MORNING PEAK (7-9AM) CAR TRIPS AVOIDED THROUGH TRAVEL PLANNING INITIATIVES

TARGET EXCEEDED ++

Actual 2016: 24,227
Target 2016: 17,500
Actual 2015: 22,729
Actual 2014: 16,587

Result is a combination of AT's Travelwise and Commute initiatives. Commute survey results for some entities use prior year data to extrapolate current year results.

Baseline is based on the last survey performed on the organisation which may not be conducted in 2014/15 year.

KEY TO TARGETS:

+ Result within +/- 2.5% of target = MET. **++** Result above target by more than 2.5% = EXCEEDED.

- Result below target by more than 2.5% = NOT MET.

- NOTES TO THE PERFORMANCE MEASURE TARGETS:**
- As defined in AT's customer service standards: two days for incident investigation as a high priority; three days for an incident investigation as a normal priority; one hour emergency response time.
 - Actual results are based on calendar year reporting, so 2016 represents results from Jan-Dec 2015.
 - The nine sites currently used for reporting are located at: Upper Harbour Drive; Great South Road; Highbrook Drive; Lake Road; North-western Cycleway (Kingsland), North-western Cycleway (Te Atatu); Orewa Cycleway, Tamaki Drive (eastbound); and Twin Streams path.
 - Road productivity is a measure of the efficiency of the road in moving people during the peak hours. It is measured as the product of number of vehicles, their average journey speed and average vehicular occupancy. Key arterial routes include: Airport to CBD (via Manukau Road); St Lukes to St Johns (via Balmoral/Greenlane West/Greenlane East/Remuera Road);

SPECIFIC PROJECTS DELIVERING ON MĀORI RESPONSIVENESS

The following table reports on specific projects which will contribute to Māori wellbeing, organisational effectiveness and post-Treaty settlement opportunities.

KEY PROJECT	PROGRESS REPORT FOR 2016
MANA WHENUA ENGAGEMENT	
<p>Engage with mana whenua on major transport infrastructure projects using Te Aranga Māori urban design principles and AT's Māori Engagement Framework (A NOR is the Notice of Requirement for designating land)</p>	<p>NOR requirements were completed for AMETI stage 2a and the NOR lodged for Mill Road included a cultural values assessment. Monthly hui are held for the City Rail Link.</p> <p>Te Aranga Māori urban design principles were applied to:</p> <ul style="list-style-type: none"> The regional signage project, with 19 iwi (whakapapa and cultural narrative) Glen Innes to Tāmaki Drive shared path, and Ōtāhuhu Station (maunga and waka stories). <p>The focus this year was also on region-wide engagement with mana whenua for the Transport for Future Urban Growth.</p>
MĀORI VALUES AND STORMWATER	
<p>Māori values such as kaitiakitanga are considered in stormwater management in transport infrastructure projects</p>	<p>The mauri of waterways is being protected by using stormwater management techniques such as rain gardens, vegetative swales and wetlands in the design of new and upgraded infrastructure, such as Ōtāhuhu Station and the \$5.9m Half Moon Bay ferry pier and associated facilities.</p>
MARAE DEVELOPMENT AND PAPA KAINGA HOUSING	
<p>Infrastructure support and technical advice on marae development and papakainga housing</p>	<p>AT began a road safety programme aimed at improving the access and exit points from marae to busy roads, such as Kia Ora Marae in the Kaipara. To address the high incidence of Māori road deaths in Auckland, a number of marae-based road safety programmes have been developed with a specialised health provider for driver licensing with at-risk rangatahi Māori (Māori youth). Marae include Ōrakei and Papakura.</p>

- Albany to Birkenhead (via Glenfield Road); Henderson to CBD (via Great North Road); SH1 to Ti Rakau Drive (via Te Irirangi Drive); SH20 to Portage Road (via Tiverton/Wolverton Roads). The result from 2014 was for a smaller number of trial routes. More recent data for the full range of surveyed data indicates the target of 54-55 per cent is more realistic.
- Farebox recovery measures the contribution passenger fares make to the operating cost of providing public transport services. The measure calculates farebox recovery in accordance with NZ Transport Agency guidelines.
- Four-hour peak period is defined as the top four busiest hours of the day. These hours are not often coincidental and can vary depending on contributing factors. On-street parking occupancy is surveyed once a quarter in three central city parking zone precincts: Shortland/High Streets, Karangahape Road and Wynyard Quarter.

02 GOVERNANCE

HOW AUCKLAND TRANSPORT IS GOVERNED

Auckland Transport is one of six Council-Controlled Organisations (CCOs) of Auckland Council and is accountable to the governing body, which sets its objectives. The Local Government Act requires AT to give effect to Auckland Council's Long-term Plan, and it is subject to 14 accountability mechanisms, including this annual report.

Auckland Council and AT are working with the NZ Transport Agency, the Ministry of Transport, Treasury and the State Services Commission on developing an agreed strategic approach to the challenges facing Auckland's transport system. The Auckland Transport Alignment Project (ATAP) aims to gain the best possible returns from transport investment over the next 30 years.

BOARD OF DIRECTORS

The Board's responsibilities are to:

- Negotiate Statements of Intent (SOI) with Auckland Council
- Act consistently with the guidelines provided in the Shareholder Expectation Guide for CCOs
- Actively review and direct the overall strategy, policies and delegations of Auckland Transport
- Adhere to our Charter
- Identify, evaluate and mitigate controllable risk factors
- Manage and monitor the Chief Executive's performance
- Establish remuneration policies and practices, and set and review remuneration for the Chief Executive and other senior executives
- Provide leadership in relationships with key stakeholders
- Obtain full and timely information necessary to discharge its obligations.

DIRECTORS' PROFILES



DR LESTER LEVY
CNZM, MBBCh, MBA, FNZIM
CHAIRMAN

Lester Levy has over two decades' experience in a range of roles as a chairman, chief executive and entrepreneur. Lester's governance experience includes chairing private healthcare, film and television production, research, biotechnology and engineering enterprises. His previous roles include Chief Executive of South Auckland Health, the New Zealand Blood Service and MercyAscot Private Hospital Group (where he was a founder).

Current roles and general disclosure of interests:

Chairman, Auckland and Waitemata District Health Boards; Chairman, Health Research Council; Independent Chairman, Tonkin + Taylor; Adjunct Professor of Leadership, the University of Auckland Business School; Head, New Zealand Leadership Institute, University of Auckland; Lead Reviewer, State Services Commission's Performance Improvement Framework Review Panel; Trustee, Well Foundation; Director and sole shareholder, Brilliant Solutions Ltd; Director and shareholder LLC Ltd and Mentum Ltd.



PAUL LOCKEY
BCom, MBA
DEPUTY CHAIRMAN

Paul Lockey has significant corporate strategy and finance experience, gained as a consultant at McKinsey & Company, then as CFO of Lion Nathan Ltd, and Managing Director of CSL Traffic Ltd. He divides his time between company and not-for-profit directorships and managing private investments.

Current roles and general disclosure of interests:

Director, MediaWorks; Partner, Smylo Partners; Shareholder, Invenco.



CHRISTINE FLETCHER
QSO

Hon. Christine Fletcher is a former Member of Parliament and Mayor of Auckland City. Projects achieved under her leadership include Britomart Transport Centre and access to Auckland's rail corridors.

Prior to entering politics she worked in the materials handling and manufacturing sector and, as a founding trustee and Chair of the Motutapu Restoration Trust, is passionate about preserving the environment of the Hauraki Gulf Maritime Park for future generations to enjoy.

Current roles and general disclosure of interests:

Ward Councillor Albert-Eden-Roskill, Auckland Council; Chair, Auckland Council – CEO Review Committee; Chair, Auckland Domain Committee; Chair, Parks, Recreation and Sports Committee; Chair, Treaty of Waitangi Settlements Working Party; Patron, Motutapu Restoration Trust; Deputy Chair, Maunga Authority; Member, Hauraki Gulf Marine Park Forum.

AT's Board of Directors has nine members, including a non-voting member appointed by the NZ Transport Agency.

DIRECTORS' PROFILES CONTINUED



MARK GILBERT

Mark Gilbert has three decades' experience in a range of senior management and directorships in the automotive industry. He was previously Managing Director of BMW Group, both in New Zealand and the Philippines, and has been an Executive Member of the NZ Business Council for Sustainable Development (now the Sustainable Business Council) and President, Motor Industry Association of New Zealand Inc.

Current roles and general disclosure of interests: Chair, Motorcycle Safety Advisory Council and Drive Electric Inc; Director, Insight Perspective Ltd and Gilbert & Company; Trustee/Director, Home of Cycling Charitable Trust; Independent Director, New Zealand Lotteries Commission; Partmaster Limited, Appliance Connexion Ltd, Appliance Connexion Group Services Ltd and Score Ltd; NZ representative, Vancore Group.



MICHAEL LEE

MSc(Hons)

Michael (Mike) Lee first entered local government in 1992. He has been involved in public transport governance in Auckland in various ways since that time. Mike became Chairman of the Auckland Regional Council in 2004 and served two terms in that role up until the advent of the Auckland Council in November 2010.

Current roles and disclosure of interests: Ward Councillor Waitemata and Gulf, Auckland Council; Chair, Auckland Council Infrastructure Committee; Chair, Auckland Council Heritage Advisory Panel; Chair, Auckland Council WWI Centennial Memorial Working Party; Chair, Southwest Multi-Modal Airport Rapid Transit (SMART); Member, Public Transport Users Association (NZ) Inc.



DR IAN PARTON

BE(Hons), PhD, DistFIPENZ, CFInstD

Ian Parton has had a career in engineering. He is a Distinguished Fellow of the Institution of Professional Engineers NZ (IPENZ), and a Past President of IPENZ. Ian was awarded the William Pickering Medal for engineering leadership in 2007. He is a Chartered Fellow of the Institute of Directors. His previous roles include Deputy Chair and then Transition Chief Executive for Watercare Services Ltd, and Director of Industrial Research Ltd.

Current roles and general disclosure of interests: Director, Construction Techniques Ltd; Director, Skellerup Holdings Ltd; Chancellor, the University of Auckland; Chair, Aurora Energy Ltd; Chair, Delta Utilities Ltd.



RABIN RABINDRAN

Barrister-at-Law (Middle Temple), MA, AAMINZ

Rabin Rabindran is a barrister and international legal consultant who specialises in major national and international project structuring, negotiation and documentation. His previous roles include Chair of ARTA, Director Tomorrow's Manukau Properties Ltd, Director of Manukau Water Ltd, Director TMPL (Flat Bush) Ltd and Director of Australian public company, MBf Carpenters Ltd.

Current roles and general disclosure of interests: Chair, Bank of India (NZ) Ltd; Director, Solid Energy; Director, New Zealand Liaoning International Investment & Development Co Ltd; Chair, Singapore Chapter ASEAN New Zealand Business Council; Trustee, Chinese Language Foundation; Peer Reviewer Ultrafast Broadband; Director, RSR Legal Consultants Ltd; Director, RSR Projects International Ltd; Director, Swift Energy NZ Ltd; Director, Swift Energy NZ Holdings Ltd; Director, Kowhai Operating Ltd.



**DAME PAULA REBSTOCK
DNZM MSc**

Paula Rebstock was Chair of the Commerce Commission 2003-2009, and a Director of the Foundation for Research, Science and Technology 1999-2004. Before that she was General Manager, Labour Market Policy Group, Department of Labour and worked in The Treasury and the Department of the Prime Minister and Cabinet. Paula has also chaired significant government reviews and panels. She was made Dame in 2016 for her services to the State.

Current roles and general disclosure of interests: Deputy Chair, New Zealand Railways Corporation, and KiwiRail; Chair, ACC; Chair, Insurance and Savings Ombudsman Commission; Chair, Expert Panel of CYF Modernisation; Chair, New Zealand Police, Women's Advisory Network; Member, University of Auckland Business School Advisory Board; Member, Synergia Ltd Advisory Board; Financial Performance Auditor, Ngapuhi Tūhoronuku IMA; Senior Lead Reviewer, State Services Commission, Performance Improvement Framework; Board member, New Zealand Defence Force.



ERNST ZÖLLNER

MCRP

Ernst Zöllner has been with the NZ Transport Agency since 2008 with responsibility for strategy, communications, governance and road safety. Ernst previously worked in local government for over a decade in strategy, economic, urban and transport development leadership roles. He has lectured at the University of Auckland, worked at Local Government NZ and as a consultant in private practice in Auckland, Wellington and Cape Town.

Current roles and general disclosure of interests: Regional Director Auckland and Northland, Director, Road Safety, the NZ Transport Agency.

BOARD MEETINGS

In general, the Board holds publicly open monthly meetings in accordance with its principle of transparent decision-making. Closed sessions respect the need for commercially sensitive information to be protected.

Open agendas, minutes, meeting dates and reports submitted are all available on AT's website at at.govt.nz/about-us/board-members/board-meetings-minutes

Director attendance at Board meetings and committees for 2016 is shown opposite.

AUCKLAND TRANSPORT COMMITTEES

FINANCE AND RISK COMMITTEE

The Finance and Risk Committee (FRC) assists the Board to fulfil its responsibilities for financial reporting, audit and risk management, and provides assurance regarding compliance with internal controls, policies and procedures. The FRC has no delegated authority.

CUSTOMER FOCUS COMMITTEE

The Customer Focus Committee (CFC) follows the model of the CRC in giving Directors greater input and governance oversight of AT's initiatives to continuously improve customer service. The CFC has no general delegated powers.

CAPITAL REVIEW COMMITTEE

The Capital Review Committee (CRC) assists the Board with ensuring that capital expenditure on projects longer than one year is optimised against AT's strategic objectives. The CRC has no general delegated powers.

REGIONAL TRANSPORT COMMITTEE

The Regional Transport Committee (RTC) is a requirement for every regional council in New Zealand. In Auckland, the Board of Directors of AT also acts as the RTC because the responsibility for preparing the Regional Land Transport Programme sits with AT.

MEETINGS JULY 2015 - JUNE 2016

	BOARD MEETINGS (11)	FINANCE & RISK COMMITTEE MEETINGS (4)	CAPITAL REVIEW COMMITTEE MEETINGS (11)	CUSTOMER FOCUS COMMITTEE (11)	REGIONAL TRANSPORT COMMITTEE **** (0)
Lester Levy	11	4	9	9	
Geoff Dangerfield*	4				
Christine Fletcher	9		8	9	
Mark Gilbert	11	3	11	11	
Mike Lee	11		10	10	
Paul Lockey	8	4	2	3	
Ian Parton	10		11	11	
Rabin Rabindran*****	9	2	7	8	
Dame Paula Rebstock	11	3	8	8	
Ernst Zöllner**	4		2	2	
Louise Ward***	11	3	9	9	

* Geoff Dangerfield retired on 16 December 2015

** Ernst Zöllner joined the Board on 21 March 2016

*** Board observer

**** Not required to meet in 2016

***** Rabin Rabindran was away on Auckland Transport business for two CFC meetings and two CRC meetings

BOARD MEMBER REMUNERATION

For Board member remuneration see the Notes to the Financial Statements on page 78.

EXECUTIVE LEADERSHIP TEAM PROFILES

The Chief Executive heads an eleven member Executive Leadership Team.



DR DAVID WARBURTON PhD FIPENZ **CHIEF EXECUTIVE**

David Warburton was the Chief Executive for CPG NZ & Australia until joining AT, and prior to that Chief Executive of Wanganui District Council. David has held numerous senior management roles in the forestry, processing, packaging, property development and retail industries, after more than a decade of university research and lecturing.



RICHARD MORRIS BCom **CHIEF FINANCIAL OFFICER**

Richard Morris joined AT in 2014 after a career in the public sector in Wellington. He has previously been the Chief Financial Officer at the Ministry of Health and the Department of Corrections. Prior to joining AT Richard was a Senior Consultant at Martin Jenkins. Richard is also a graduate of the Oxford University Advanced Management Programme.



GREG EDMONDS MBA **CHIEF INFRASTRUCTURE OFFICER**

Greg Edmonds was AT's Chief Operations Officer until March 2015. Prior to joining AT, he was with Air New Zealand, as Airport Manager Auckland International and then Regional General Manager North Asia based in Shanghai. He has 25 years' experience in the transport industry including General Management roles for New Zealand Post, General Electric (GE) and an Executive Director role of Couriers Please Pty in Australia.



SIMON HARVEY DipBus **CHIEF PEOPLE OFFICER**

Simon Harvey has global experience in Australia, Singapore, Canada and the United Kingdom. He has worked in Human Resources and Strategy for large corporations such as Westpac, PWC and Vodafone and has had an active involvement in community development with the Ministry of Social Development on work-based strategies and initiatives.



ROGER JONES BSC (Tech) **CHIEF TECHNOLOGY OFFICER**

Roger Jones has extensive experience in the IT industry in both the private and public sectors working for such organisations as New Zealand Police, Air New Zealand and Fonterra. Roger has been with AT from its inception, moving over from ARTA in November 2010. He was runner-up in the 2015 CIO of the Year Awards.



ANDREW ALLEN BE **GENERAL MANAGER, TRANSPORT SERVICES**

Andrew Allen has over 20 years' experience in the civil engineering industry with particular emphasis on transport. He was Group Manager of Auckland City Council's Transport Assets Group until his appointment in 2010 as AT's Manager of Road Corridor Operations and member of the Joint Transport Operations Management Board. He has since moved through a number of senior operational roles.



PETER (PETE) CLARK MCRP, MSc **CHIEF STRATEGY OFFICER**

Pete Clark has been involved in the transport sector for almost 30 years and has held roles in research, consulting, local and regional government. Born and raised in Zimbabwe, he is on the advisory boards for the Centre of Infrastructure Research and the Department of Civil Engineering at the University of Auckland.



MARK LAMBERT BSc (Hons) **GENERAL MANAGER AT METRO**

Mark Lambert has held senior management roles leading to his appointment to the executive team in March 2015. Mark graduated with First Class Honours in Construction, Engineering and Management from Loughborough University, UK, and has since worked across various business sectors in consultancy, project, programme and procurement management in Europe and New Zealand.



CHRIS MEALE BE (Hons), DipCM, IPENZ full member
CITY RAIL LINK PROJECT DIRECTOR

Chris Meale has extensive international design and construction management experience in the property, electricity, and transport infrastructure sectors, with special expertise in the leadership of major projects. His previous roles include Program Director City Rail Expansion Sydney, Transport for NSW; Director Design and Engineering, Sydney Metro; Regional Director Major Projects, Hyder Consulting.



CLAIRE STEWART LLB (Hons), BCom **CHIEF INVESTMENT OFFICER**

Claire Stewart has extensive Australasian experience in professional services (legal, financial, engineering consulting) in the commercial sector including roles with Fletcher Building and Downer. Her most recent position prior to joining AT was Commercial Manager in an engineering consulting firm and prior to that she was Manager, Corporate Finance, at an accounting firm.

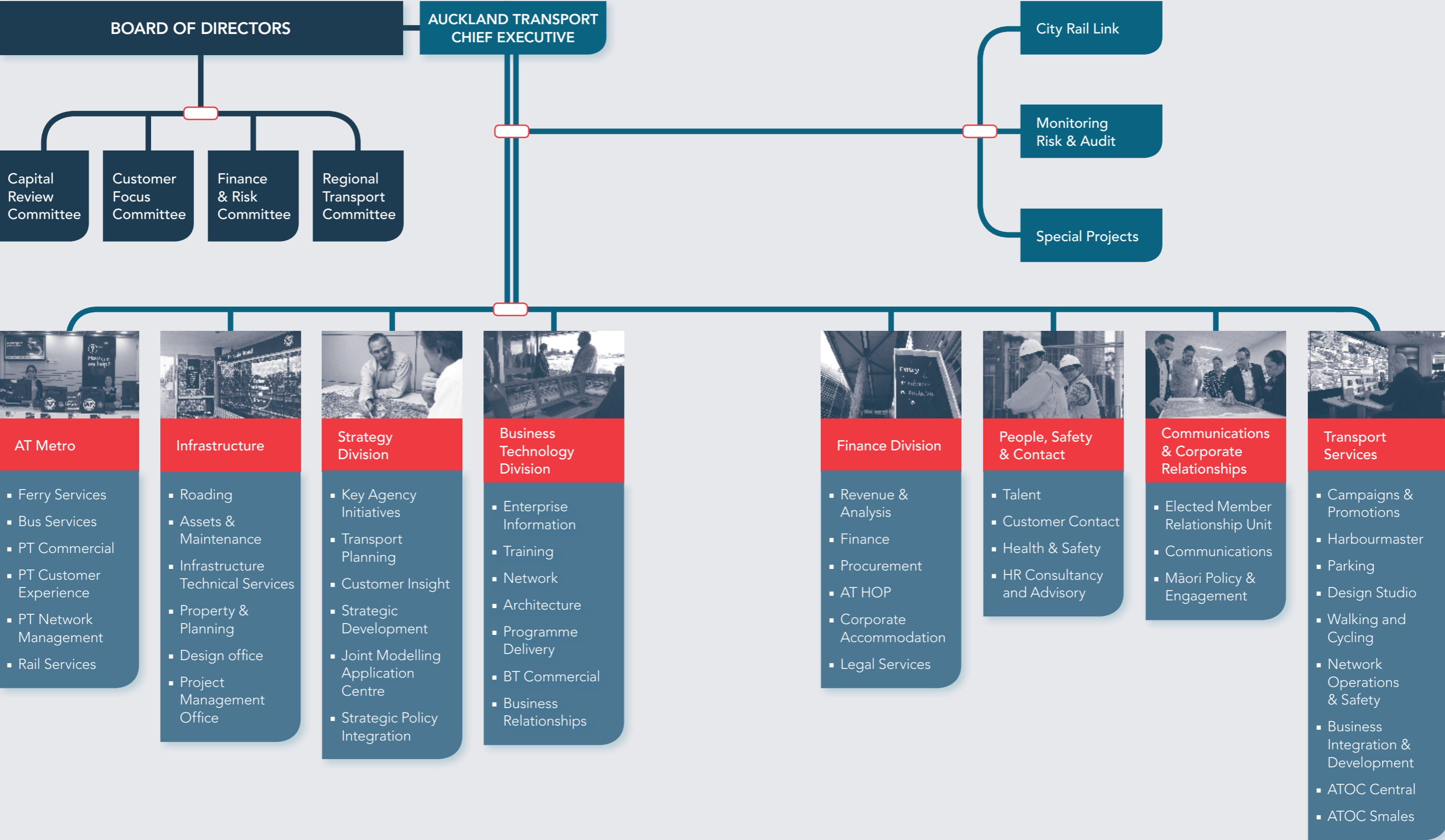


WALLY THOMAS DipJ, PRINZ **GENERAL MANAGER, COMMUNICATIONS & STAKEHOLDER RELATIONS**

Wally Thomas joined AT in 2010 at its inception. Following a successful career as an award-winning journalist and editor, Wally has spent the last 20 years working for both public and private organisations in senior corporate communications and media management roles. He is a fellow of the Public Relations Institute of New Zealand and serves on the boards of a number of charities and not for profit organisations.

ORGANISATION CHART

as at 30 June 2016



OUR PEOPLE

We value the diversity our people bring to the business and are committed to building an organisation where our people are fully engaged. This year's fresh approach to the employee engagement survey sees a new provider, global HR consultancy Aon Hewitt, undertaking quarterly pulse surveys that will give us a better insight than the annual survey into what motivates and engages our people. We can then address the things that will make the biggest difference. The first new People Pulse survey took place in June 2016.



Attracting and retaining top talent

Over 4,700 candidates registered as seeking career opportunities with us in 2016. Our permanent employee turnover has remained stable despite growing the business by 86 full-time employees over the June 2015 total.

The largest increases have been in the Infrastructure, Business Technology and Strategy units. As the City Rail Link project continues to ramp up, we have also seen an increase from 13 in July 2015 to 41, with the expectation of continued increases. Recruitment agency use is a low 4 per cent, supporting recruitment of technical specialist roles in Business Technology, Property, Procurement, and Rail Engineering.

With so many beneficial employee development programmes in place, our employees are comparing strongly against external applicants for promotion opportunities. Internal applicants filled 38 per cent of the roles recruited. We also implemented interview training for internal employees to help them refine their behavioural interview skills and confidence.

The benefits of flexible working are well documented, and include increased business performance, increased employee attraction and engagement, and retention of talent.

Our employees are already working flexibly in some areas of the business, and we've developed further tools to support this. Two teams successfully piloted these tools between January to April this year, and we are preparing to roll-out our flexible working approach in July.

The increase in voluntary turnover is primarily due to a spike in resignations in March and April (24 and 21 respectively). Without this, the turnover percentage would have been 10.95, in line with previous years.

	2014	2015	2016
NUMBER OF FULL-TIME EMPLOYEES	1,265	1,367	1,453
PERCENTAGE OF UNPLANNED TURNOVER	10.51	10.55	11.60

Employee development

Key development programmes include the introduction of a career management and succession planning framework, new workshops to help our people grow their careers, and new initiatives to build our leadership capability, including a high potential programme.

Over 100 leaders completed a leadership programme this financial year. Highlights include the introduction of our first Authentic Leadership Programme, bringing together leaders from across the council group, and 27 frontline leaders graduated with a National Certificate in Business – Level 4 (First Line Management). A new Business Acumen Programme was also delivered to a range of managers.

Building a sustainable zero harm culture

The new Health & Safety at Work Act came into effect in April 2016 with a new approach to this area. We have worked to ready ourselves over the past year, including amending policies and procedures, legal sessions with the Board on the changes and impacts, improving systems capability and the introduction of a new company value (Be Safe) to position safety as core to everything we do. The next year will see us focus on the behavioural and governance side, to further embed our desire for a zero harm business and industry.

Seeing the results of health, safety and wellbeing programmes

Through a targeted training and support programme focused on mitigating violence against our parking officers, assault threats and violence-related incidents have reduced from an average of five a month to less than two a month. This programme, which included a dedicated in-house counsellor and de-escalation training, was the first of its kind in local government.

EMPLOYEE HEALTH	2014	2015	2016
Percentage of sick leave	3.53	2.60	3.64
Medical treatment injuries (non-serious)	83	37	49
Injuries (serious)	0	2	0
Assaults, threats or violence to staff	52	43	23
Lost-time injury	35	26	35
Average heart age above actual	1.4yrs	1.1	Discontinued*
Less than 10% risk of cardiovascular disease	92%	92%	Discontinued*
Bonus year, average across AT	n/a	n/a	1

* AT no longer measures heart age or cardiovascular risk. These have been replaced by bonus year averages that measure wellness age versus actual age.

RISK AND AUDIT PROGRAMME

Risk and Audit is an integrated and dynamic business unit that provides objective assurance and advisory services. Independence is a critical element in AT's systematic and disciplined approach, so while Risk and Audit is responsible administratively to the Chief Executive, it reports directly to the governing Finance and Risk Committee of the Board.

Risk and Audit activities play an active role in promoting and maintaining a culture of accountability and integrity. They facilitate the integration of risk management into day-to-day business activities and processes, and promote a culture of control and cost consciousness, self-assessment and adherence to high ethical standards. The business unit applies best practice consistently, to ensure all Risk and Audit-related activities are captured, recorded and reported correctly.

Risk management

Risk arises in all aspects of the organisation's operations and can affect the ability to operate effectively. Risk management is a process of identifying, prioritising, mitigating or eliminating the most important of a variety of risks. The Risk and Audit team has embedded a range of protocols to ensure a consistent and effective approach is taken by all of AT's business units.

Internal audit

Internal audits are regularly scheduled to provide senior management with analyses, appraisals, recommendations and pertinent comments on the activities reviewed. This process aims to promote efficiency, economy and effectiveness as well as reliability and accuracy of operations. It complements the organisation's risk management strategies, as the regular programme includes those risks deemed to be significant, e.g. contract and project reviews because of their high value.

Internal audits conducted this year included reviewing the:

- Release of contract retentions
- Use of project contingency sums
- Application of transit and bus lane infringements and waivers
- Organisation's health and safety framework
- Procurements made through master service agreements
- Staff internet usage.

Probity audit

Risk and Audit also manages the organisation's probity audits. Probity audits ensure all participants involved with significant procurement contracts with AT are treated fairly and with transparency. For all procurement over \$5m an independent probity auditor is assigned to monitor and review the procurement processes followed. Probity auditors are also assigned to procurements if they are deemed to be high risk.

Special investigations

Auckland residents are rightly vigilant about how their rates and taxes are spent. AT's policy is that fraud, corruption or misuse of resources is not tolerated and, where suspected, is investigated. Relevant outcomes are reported to the Office of the Auditor General through Audit New Zealand, and may also be referred to New Zealand Police or the Serious Fraud Office (SFO).

Special investigations may be activated through AT's confidential hotline which is operated by an external, independent agency.

AUCKLAND TRANSPORT'S ASSETS

ASSET CLASS	2014	2015	2016	CHANGE FROM 2015	EXPLANATION
Local and arterial roads (km)	7,277	7,560	7,565	5	Changes to network and asset quantities arise from the network growth, from projects and subdivisions as well as from an ongoing programme by AT to improve the quality and completeness of its asset register
Bridges and major culverts	1,021	1,245	1,234	-11	
Footpaths (km)	6,879	6,956	7,287	331	
Street lights	104,718	106,691	108,122	1,431	
Road signs	137,614	140,843	135,994	-4,849	
Bus shelters	1,797	2,342	2,342	0	
Dedicated bus stations (7) and busway stations (5)	12	12	12	0	
Wharves and ferry facilities	21	21	21	0	
Rail stations in service on five lines	42	42	42	0	
Electric trains	18	54	57	3	
Multi-storey car park buildings	13	13	13	0	
Pay-and-display machines	851	895	895	0	



03 FINANCIALS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

for the year ended 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
REVENUE				
Operational funding from Auckland Council	2	249,755	249,755	235,583
Capital funding from Auckland Council	2	403,025	439,314	134,501
Grant from Auckland Council for electric trains project	2	-	-	38,000
Operational funding from NZ Transport Agency	2	231,967	238,008	227,947
Capital funding from NZ Transport Agency	2	140,188	170,967	131,077
Other revenue	2	342,993	281,416	332,602
Finance revenue	3	351	249	1,754
Total revenue		1,368,279	1,379,709	1,101,464
EXPENDITURE				
Personnel costs	4	106,124	101,998	97,598
Depreciation and amortisation expense	12,13	318,954	310,932	289,624
Finance costs	3	29,264	30,742	38,590
Other expenses	5	529,215	531,371	521,217
Total expenditure		983,557	975,043	947,029
SURPLUS/(DEFICIT) BEFORE TAX				
Income tax	6	(1,116)	-	(1,446)
Total surplus/(deficit) after tax		383,606	404,666	152,989
OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Revaluation gain on property, plant and equipment	18	81,834	-	78,150
Deferred tax on revaluation	6	1,356	-	669
Cash flow hedges	18	(597)	-	41,952
Other comprehensive revenue and expense for the period		82,593	-	120,771
Total comprehensive revenue and expense for the period		466,199	404,666	273,760

Dr Lester Levy, Chairman
August 2016

Paul Lockey, Deputy Chariman
August 2016

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
ASSETS				
Current assets				
Cash and cash equivalents	7	3,006	-	7,496
Receivables	8	268,372	140,430	237,573
Inventories	9	9,747	5,160	7,788
Other assets	10	1,629	1,174	2,003
Non-current assets held for sale	11	6,000	-	4,400
Derivative financial instruments	16	-	-	585
Total current assets		288,754	146,764	259,845
Non-current assets				
Property, plant and equipment	12	16,899,594	16,582,241	16,460,692
Intangible assets	13	127,315	30,841	113,488
Derivative financial instruments	16	-	-	12
Receivables	8	-	57,874	-
Total non-current assets		17,026,909	16,670,956	16,574,192
Total assets		17,315,663	16,817,720	16,834,037
LIABILITIES				
Current liabilities				
Payables	14	191,784	145,124	186,884
Employee entitlements	15	13,582	7,831	11,911
Derivative financial instruments	16	242	3,800	-
Borrowings	17	5,234	5,566	4,697
Total current liabilities		210,842	162,321	203,492
Non-current liabilities				
Payables	14	19,924	-	20,684
Deferred tax	6	11,425	11,020	11,665
Employee entitlements	15	624	900	675
Derivative financial instruments	16	3,578	50,663	3,596
Borrowings	17	490,708	484,374	479,033
Total non-current liabilities		526,259	546,957	515,653
Total liabilities		737,101	709,278	719,145
Net assets		16,578,562	16,108,442	16,114,892
EQUITY				
Contributed capital		13,463,871	13,861,303	13,482,059
Accumulated surplus/(deficit)		997,233	624,603	591,058
Other reserves		2,117,458	1,622,536	2,041,775
Total equity	18	16,578,562	16,108,442	16,114,892

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
Balance at 1 July as originally reported		16,114,892	15,703,776	15,591,138
Adjustment to revaluation reserve	30			(28,032)
Balance at 1 July as restated		16,114,892	15,703,776	15,563,106
Total comprehensive revenue and expense		466,199	404,666	273,760
Capital contribution from Auckland Council		(18,188)	-	259,026
Found asset		15,659	-	19,000
Balance at 30 June	18	16,578,562	16,108,442	16,114,892

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	Note	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash provided from:				
Revenue from activities		204,420	181,416	162,666
Operating funding from Auckland Council		249,755	249,755	235,583
Operational funding from NZ Transport Agency		232,372	238,008	227,715
Grant from Auckland Council for electric trains project		-	-	90,000
Capital funding from Auckland Council		382,245	439,314	134,501
Capital funding from NZ Transport Agency		125,464	170,967	140,199
Interest received		333	-	386
Goods and services tax (net)		2,419	-	1,782
Total cash provided		1,197,008	1,279,460	992,832
Cash applied to:				
Payments to suppliers and employees		618,168	633,746	615,919
Interest paid		26,687	30,742	24,596
Total cash applied		644,855	664,488	640,515
Net cash from operating activities	19	552,153	614,972	352,317
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash provided from:				
Sale of property, plant and equipment		1,012	-	1,006
Cash applied to:				
Purchase of property, plant and equipment and intangibles		569,868	620,281	723,842
Net cash applied to investing activities		(568,856)	(620,281)	(722,836)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash provided from:				
Capital contribution from Auckland Council		-	-	247,316
Loan from Auckland Council		17,000	10,000	182,000
Total cash provided		17,000	10,000	429,316
Cash applied to:				
Repayment of loan from Auckland Council		4,764	4,691	56,322
Payment of finance leases		23	-	59
Total cash applied		4,787	4,691	56,381
Net cash from financing activities		12,213	5,309	372,935
Net increase/(decrease) in cash and cash equivalents		(4,490)	-	2,416
Opening cash and cash equivalents		7,496	-	5,080
Closing cash and cash equivalents	7	3,006	-	7,496

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 2016

	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000
NEW CAPITAL EXPENDITURE			
Roads	151,842	201,040	163,570
AT Metro	60,308	62,588	44,904
Parking	2,793	6,245	3,521
City Rail Link	107,130	113,808	92,456
Electric Trains	29,777	26,798	204,931
Other	11,236	11,828	25,043
Total new capital expenditure	363,086	422,307	534,425
RENEWAL CAPITAL EXPENDITURE			
Roads	185,667	189,825	189,947
AT Metro	4,848	5,915	3,441
Parking	1,566	2,234	1,684
Total renewal capital expenditure	192,081	197,974	195,072
VESTED ASSETS			
Roads	151,495	100,000	162,926
Total vested assets	151,495	100,000	162,926
Total capital expenditure	706,662	720,281	892,423
FUNDING			
NZ Transport Agency funding - new	76,763	101,427	52,194
NZ Transport Agency funding - renewal	63,425	69,540	78,883
Capital funding from Auckland Council	403,025	439,314	134,501
Grant from Auckland Council for electric trains project	-	-	22,931
Other capital grants	1,954	-	-
Loan funding from Auckland Council	10,000	10,000	182,000
Investment by Auckland Council	-	-	258,988
Vested assets	151,495	100,000	162,926
Total funding	706,662	720,281	892,423

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

1 STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Auckland Transport is a Council-Controlled Organisation of the Auckland Council ('the Council'), established under section 38 of the Local Government (Auckland Council) Act 2009 as a body corporate with perpetual succession, and is domiciled in New Zealand. The relevant legislation governing Auckland Transport's operation includes the Local Government (Auckland Council) Act 2009 and the Local Government Act 2002.

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.

Auckland Transport has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements are for the year ended 30 June 2016 and were authorised for issue by the board of Auckland Transport on 30 August 2016. Neither Auckland Council nor Auckland Transport Board has 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').

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE accounting standards.

Measurement base

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

- 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.

Going concern

Auckland Transport receives funding from Auckland Council in order to deliver the agreed annual operational and capital programmes within the Auckland Council's Long-Term Plan, including significant variations agreed with Auckland Council. Borrowings from Auckland Council are set out in Note 17 and are supported by schedules of repayments determined from the credit facility agreement between Auckland Transport and Auckland Council. Accordingly, the financial statements have been prepared on a going concern basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars (\$), which is Auckland Transport's functional currency, and have been rounded to the nearest thousand unless otherwise stated.

Budget figures

The budget figures are those included in Auckland Transport's Statement of Intent 2015-2018, adopted by Auckland Transport's Board on 2 July 2015.

Cost allocation

Cost of service for each activity was allocated as follows:

- 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Changes in accounting policies

During the year, a separate asset class 'properties held for roading purposes' has been created. These assets were previously included in operational land and buildings. The previous accounting policy stated that properties held for roading purposes were measured at fair value. The new policy is to measure them at cost. Impacts of the change are described in Note 30.

Standards issued and not yet effective and not yet adopted

In 2015, the External Reporting Board issued Disclosure Initiative (Amendments to PBE IPSAS 1), 2015 Omnibus Amendments to PBE Standards, and Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. Auckland Transport will apply these amendments in preparing its 30 June 2017 financial statements. Auckland Transport expects there will be no effect in applying these amendments.

(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 of monetary assets and liabilities denominated in foreign currencies, in the surplus or deficit.

(c) Revenue

Revenue is comprised of exchange and non-exchange transactions. Exchange transaction revenue arises when an entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value in exchange. Exchange revenue includes parking fees.

Non-exchange transaction revenue arises from transactions without an exchange of approximately equal value. Non-exchange revenue includes grants, vested assets and fares partially funded by rates.

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

Auckland Transport receives revenue from the following main sources:

Auckland Council grants (non-exchange revenue)

Auckland Transport is funded by its parent, Auckland Council, in order to deliver the agreed annual operational and capital programmes. This funding is recognised in accordance with the approved Auckland Transport Annual Plan and Statement of Intent (SOI) as agreed between Auckland Transport and Auckland Council.

NZ Transport Agency grants (non-exchange revenue)

Auckland Transport receives Government grants from the NZ Transport Agency, which funds operational and capital expenditure. Grant distributions from the NZ Transport Agency are recognised as income when the expenditure they cover is incurred i.e. on an accrual basis. There are no unfulfilled conditions or other contingencies attached to these grants.

Fare revenue (non-exchange 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 and/or travel actually occurs.

Enforcement revenue (non-exchange)

Revenue and receivables are recognised when an infringement notice is issued. Infringement notices that are 63 days past due, are lodged with a collection agency. If still outstanding at 150 days past due they are transferred from the collection agency to the courts for collection.

Vested assets (non-exchange revenue)

For assets received for no or nominal consideration, the asset is recognised at its fair value when Auckland Transport obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Auckland Transport accounts for revenue for the following activities:

- Parking revenue (exchange) – when parking notice is issued
- Licenses and permits revenue – on application
- Rental revenue – recognised on a straight-line basis over the lease term
- Interest revenue – on a time proportion basis using the effective interest method
- Contra transactions – measured at the fair value of the asset received or the fair value of the goods given up
- Other grants and subsidies – when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant or subsidies are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

(d) 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.

(e) Inventories

Inventories held for distribution (e.g. rolling stock spare parts) are stated at cost (using weighted average cost), adjusted, when applicable, for any loss of service potential.

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

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

(f) Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increase in fair value (less cost to sell) is recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

(g) Property, plant and equipment

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Property, plant and equipment consist of:

(i) Operational assets

These include land, properties held for roading purposes, buildings, rolling stock, motor vehicles, boats and engines, computer hardware, furniture and fittings, plant and equipment, wharves, bus stations and shelters and train stations.

Land (operational)

Land (operational) includes land held for rail purposes, land under carparks, land under park and ride, land under wharves and land under train stations.

Properties held for roading purposes

Properties held for roading purposes include land and buildings.

Buildings

Buildings include buildings held for rail purposes, car park buildings, and other operational buildings.

Rolling stock

Rolling stock includes locomotive, passenger cars and electric multiple units (EMU).

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.).

(ii) Infrastructure assets

These include the land infrastructure, roading infrastructure and street gardens.

Land infrastructure

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

Roading infrastructure

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

Valuation of assets

Auckland Transport accounts for revaluations on a class of assets basis. Details of the latest revaluation are found in Property, Plant and Equipment (Note 12).

Operational land and buildings, train stations, wharves, bus stations and shelters, roading and rolling stock are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other assets are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Depreciation

Land and properties held for roading purposes 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)
Operational assets	
Buildings	7-100
Rolling stock	2-35
Motor vehicles	5
Computer hardware	3-8
Furniture and fittings	5-15
Plant and equipment	5-25
Wharves	50-100
Bus stations and shelters	10-99
Train stations	5-99
Boats and engines	3-15
Infrastructure assets	
Roading	10-120
Street gardens	10-30

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

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 accumulated surplus/deficit.

Capital works under construction

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

(h) 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.

Access rights – operating leases

The access rights – operating leases on land are long term land leases on which stations have been built. They are recognised in the accounts at cost and amortised over the life of the underlying asset. This includes the costs transferred to Auckland Transport on establishment and Auckland Transport's contribution to the costs of constructing railway tracks. This is owned by KiwiRail, but Auckland Transport has the rights to use the assets under the agreement with KiwiRail.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

(i) Impairment of property, plant and equipment and intangible assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment and intangible assets that are subsequently measured at cost 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 for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using either a depreciation replacement cost approach, restoration cost approach, or a service unit approach. The most appropriate approach to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

(j) Financial assets

Auckland Transport classifies its financial assets in the following categories:

- Financial assets at fair value through surplus or deficit
- Loans and receivables.

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 transaction 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.

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. 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.

Derivatives are the only items under this category.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

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.

Receivables and cash and cash equivalents are classified under this category.

(k) Derivative financial instruments

Auckland Transport uses derivative financial instruments to hedge exposure to foreign exchange and interest rate risks. 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.

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 in the surplus or deficit 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.

Auckland Transport does not have any fair value hedge instruments.

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.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

(m) Receivables

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

Auckland Transport reviews the collection of 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.

(n) 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.

(o) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(p) 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.

(q) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

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.

(r) 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. Payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(s) 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.

(t) Employee entitlements

Short-term employee entitlements

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. The discount rates used in the valuation are risk-free discount rates advised by the New Zealand Treasury.

(u) 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 capital, accumulated surplus/(deficit), and other reserves (asset revaluation reserve and cash flow hedge reserve).

Asset revaluation reserve

This reserve relates to the revaluation of property, plant and equipment to fair value.

Cash flow hedge reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of derivatives designated as cash flow hedges.

(v) 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 Property, plant and equipment (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

2 REVENUE

Funding from Auckland Council and NZ Transport Agency are classified as non-exchange revenue.

Auckland Council has changed its capital funding to be all grant funded as opposed to a portion equity funded. See capital expenditure funding breakdown (page 43).

	Actual 2016 \$000	Actual 2015 \$000
Other revenue		
Revenue from non-exchange transactions:		
Public transport revenue	83,256	67,000
Enforcement revenue	29,480	31,782
Other operating grants and subsidies	9,982	10,088
Other capital grants	1,954	-
Vested asset revenue	151,495	162,926
Revaluation gain	-	731
Other revenue	22,139	17,809
Total other revenue from non-exchange transactions	298,306	290,336
Revenue from exchange transactions:		
Parking revenue	44,687	42,266
Total other revenue	342,993	332,602

3 FINANCE REVENUE AND FINANCE COSTS

Finance revenue

Interest revenue	333	386
Unrealised interest rate swaps - not hedge accounted	18	1,368
Total finance revenue	351	1,754

Finance costs

Interest expense	26,717	23,880
Realised interest rate swaps - not hedge accounted	2,305	14,710
Unrealised forward foreign exchange contracts - not hedge accounted	242	-
Total finance costs	29,264	38,590

4 PERSONNEL COSTS

Salaries and wages	136,055	123,623
Less salaries and wages capitalised to property, plant and equipment, and intangibles	(34,642)	(30,841)
Defined contribution plan employer contributions	3,091	2,752
Increase in employee benefit liabilities	1,620	2,064
Total personnel costs	106,124	97,598

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Actual 2016 \$000	Actual 2015 \$000
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5 OTHER EXPENSES

Fees to principal auditor:		
Audit fees for financial statement audit	561	549
Fees for other services	44	44
Fees to Office of the Auditor-General	-	55
Minimum lease payments under operating leases	4,990	5,241
Impairment of receivables	1,513	933
Directors' fees (refer note 23)	509	507
Revaluation decrement	1,414	-
Non-current asset held for sale impairment	1,088	-
Public transport operations	334,673	333,465
Road network	100,170	98,531
Loss on disposal of property, plant and equipment	10,092	15,335
Write-down of inventory	-	1,500
Other operating expenses	74,161	65,057
Total other expenses	529,215	521,217

Fees paid to the principal auditor for other services were for the review engagement for interim financial reporting.

Fees paid to the Office of the Auditor-General were for a review of service performance as required under Section 104 of the Local Government (Auckland Council) Act 2009.

6 INCOME TAX

Components of income tax expense

Current tax	-	-
Deferred tax	1,116	1,446
Income tax expense (benefit)	1,116	1,446

Relationship between tax income expense and accounting profit

Surplus/(deficit) before tax	384,722	154,435
Tax at 28 per cent	107,722	43,242
<i>Plus/(less) tax effects of:</i>		
Non-taxable revenue	(107,493)	(43,722)
Non-deductible expenditure	-	-
Tax losses not recognised	-	-
Group loss offset	(229)	480
Deferred tax adjustment	1,116	1,446
Income tax (benefit)	1,116	1,446

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Property, plant and equipment \$000	Other provisions \$000	Tax losses \$000	Total \$000
6 INCOME TAX (CONTINUED)				
Deferred tax liability				
Balance at 1 July 2015	(11,665)	-	-	(11,665)
Debited to profit and loss	(1,116)	-	-	(1,116)
Charged to equity	1,356	-	-	1,356
Balance at 30 June 2016	(11,425)	-	-	(11,425)
Balance at 1 July 2014	(10,888)	-	-	(10,888)
Debited to profit and loss	(1,446)	-	-	(1,446)
Charged to equity	669	-	-	669
Balance at 30 June 2015	(11,665)	-	-	(11,665)

Auckland Transport incurred tax profit of \$818,883 during the year to 30 June 2016 and this will be offset by losses available from other members of the tax consolidated Auckland Council group which have not been recognised as deferred tax (2015: \$1,714,018).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Actual 2016 \$000	Actual 2015 \$000
7 CASH AND CASH EQUIVALENTS		
Cash at bank	2,711	7,222
Till floats	295	274
Total cash and cash equivalents	3,006	7,496

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

The weighted average effective interest rate for cash and cash equivalents is 2.25% (2015: 3.25%).

8 RECEIVABLES

Receivables from non-exchange transactions:

Current portion

Trade debtors	2,336	5,187
Infringements receivable	32,092	30,813
Amounts due from related parties	205,509	189,712
Accrued revenue	42,053	25,865
Goods and services tax	-	114
	281,990	251,691
Less provision for impairment of receivables	(13,618)	(14,118)
Total current debtors and other receivables	268,372	237,573

Non-current portion

Amounts due from related parties	-	-
Total non-current debtors and other receivables	-	-

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

There is a concentration of credit risk from Auckland Council that is considered low risk. There is no concentration of credit risk with respect to other 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 2016

8 RECEIVABLES (CONTINUED)

The ageing profile of debtors and other receivables at 30 June is detailed below:

	Gross \$000	Impaired \$000	Net \$000
2016			
Not past due	251,107	-	251,107
Past due 1 - 30 days	1,981	-	1,981
Past due 31 - 60 days	1,315	-	1,315
Past due 61 - 90 days	1,101	-	1,101
Past due > 90 days	26,486	(13,618)	12,868
	281,990	(13,618)	268,372
2015			
Not past due	220,971	-	220,971
Past due 1 - 30 days	1,740	-	1,740
Past due 31 - 60 days	1,496	-	1,496
Past due 61 - 90 days	1,158	-	1,158
Past due > 90 days	26,326	(14,118)	12,208
	251,691	(14,118)	237,573

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.

Movements in the provision for impairment of receivables are as follows:

	Actual 2016 \$000	Actual 2015 \$000
Balance at 1 July	14,118	13,389
Additional provisions made	1,513	933
Provisions reversed	(238)	(116)
Provisions relating to receivables written-off	(1,775)	(88)
Balance at 30 June	13,618	14,118

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

9 INVENTORIES

	Actual 2016 \$000	Actual 2015 \$000
Spare parts for diesel rolling stock	2,741	2,552
Spare parts for electric trains	7,006	5,236
Total inventories	9,747	7,788

The carrying amount of spare parts is measured at the lower of cost or net realisable value.

No inventories are pledged as security for liabilities.

The write-down of inventories amounted to \$nil (2015 - \$1.5m). There have been no reversals of write-downs.

10 OTHER ASSETS

Pre-payments	1,629	2,003
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11 NON-CURRENT ASSETS HELD FOR SALE

Rolling stock	6,000	4,400
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A key component of development plans for the Auckland rail network is the electrification upgrade in order to accommodate a fleet of new Electric Multiple Units which are scheduled for progressive commissioning between 2014 and 2016. As a consequence of the transition to this new fleet of trains, the majority of Auckland Transport's current diesel fleet will no longer be required for operational service. Auckland Transport has signed the Heads of Agreement and is now waiting for the Letter of Credit to confirm sale.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Cost/ revaluation 1 July 2015	Accumulated depreciation and impairment charges 1 July 2015	Carrying amount 1 July 2015	Current year additions	Current year disposals	Current year transfers	Current year impairment charges	Current year depreciation	Revaluation surplus/ (loss)	Cost/ revaluation 30 June 2016	Accumulated depreciation and impairment charges 30 June 2016	Carrying amount 30 June 2016
2016	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
12 PROPERTY, PLANT AND EQUIPMENT												
<i>Operational assets</i>												
<i>Cost or valuation</i>												
Land	551,057	-	551,057	16,031	(10,633)	18,509	-	-	84,520	659,484	-	659,484
Land - finance lease	19,140	-	19,140	-	-	-	-	-	-	19,140	-	19,140
Properties held for roading purposes	287,323	-	287,323	7,716	(32,626)	12,525	-	-	-	274,949	-	274,949
Buildings	191,595	(1,488)	190,107	-	-	(15,501)	-	(6,726)	(4,104)	166,537	(2,760)	163,777
Rolling stock	434,099	(21,646)	412,453	-	(1,770)	54,274	-	(17,744)	-	486,603	(39,390)	447,213
Motor vehicles	3,766	(1,575)	2,191	-	(12)	107	-	(609)	-	3,540	(1,862)	1,678
Boats and engines	849	(11)	838	(18)	(17)	61	-	(126)	-	866	(128)	738
Computer hardware	20,685	(6,652)	14,033	-	-	5,684	-	(5,502)	-	25,222	(11,008)	14,214
Furniture and fittings	3,136	(428)	2,708	-	-	220	-	(326)	-	3,130	(529)	2,601
Plant and equipment	73,189	(20,125)	53,064	7	-	(11,045)	-	(7,675)	-	53,513	(19,162)	34,351
Wharves	44,189	-	44,189	-	(946)	21,496	-	(2,656)	-	65,084	(3,002)	62,082
Bus stations and shelters	50,581	(1,620)	48,961	-	-	13,239	-	(2,936)	-	67,926	(8,663)	59,263
Train stations	542,167	-	542,167	-	-	5,594	-	(21,669)	-	548,977	(22,884)	526,093
Computer hardware - finance leases	173	(151)	22	-	-	-	-	(22)	-	173	(173)	-
	2,221,949	(53,696)	2,168,253	23,736	(46,004)	105,163	-	(65,991)	80,416	2,375,144	(109,561)	2,265,583
<i>Infrastructural assets</i>												
<i>Cost or valuation</i>												
Land	5,900,523	-	5,900,523	2,995	(5,268)	134,061	-	-	-	6,032,311	-	6,032,311
Roading	8,157,454	(220,648)	7,936,806	8,840	-	300,022	-	(234,241)	-	8,466,395	(454,968)	8,011,427
Street gardens	22,908	(2,888)	20,020	292	-	2,579	-	(1,575)	-	25,778	(4,462)	21,316
	14,080,885	(223,536)	13,857,349	12,127	(5,268)	436,662	-	(235,816)	-	14,524,484	(459,430)	14,065,054
Works under construction	435,090	-	435,090	675,692	-	(541,825)	-	-	-	568,957	-	568,957
Total property, plant and equipment	16,737,924	(277,232)	16,460,692	711,555	(51,272)	-	-	(301,807)	80,416	17,468,585	(568,991)	16,899,594

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016



	Cost/ revaluation 1 July 2014	Accumulated depreciation and impairment charges 1 July 2014	Carrying amount 1 July 2014	Current year additions	Current year disposals	Current year transfers	Current year impairment charges	Current year depreciation	Revaluation surplus/ (loss)	Cost/ revaluation 30 June 2015	Accumulated depreciation and impairment charges 30 June 2015	Carrying amount 30 June 2015
2015	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
12 PROPERTY, PLANT AND EQUIPMENT												
<i>Operational assets</i>												
<i>Cost or valuation</i>												
Land	461,842	-	461,842	2,741	(482)	43,320	-	-	43,635	551,057	-	551,057
Land - finance lease	17,094	-	17,094	-	-	-	-	-	2,046	19,140	-	19,140
Properties held for roading purposes	272,643	(9)	272,634	28,464	(4,156)	(9,618)	-	-	-	287,323	-	287,323
Buildings	205,772	(655)	205,117	55	(9,956)	20,023	-	(7,094)	(18,038)	191,595	(1,488)	190,107
Rolling stock	146,242	(9,659)	136,583	-	-	287,857	-	(11,987)	-	434,099	(21,646)	412,453
Locomotive improvements	10,646	(4,366)	6,280	-	(5,089)	-	-	(1,191)	-	-	-	-
Motor vehicles	2,905	(1,564)	1,341	184	(21)	1,204	-	(517)	-	3,766	(1,575)	2,191
Boats and engines	-	-	-	849	-	-	-	(11)	-	849	(11)	838
Computer hardware	9,933	(2,727)	7,206	-	(11)	10,966	-	(4,128)	-	20,685	(6,652)	14,033
Furniture and fittings	988	(295)	693	-	-	2,223	-	(209)	-	3,136	(428)	2,708
Plant and equipment	72,025	(12,190)	59,835	369	-	1,567	-	(8,707)	-	73,189	(20,125)	53,064
Wharves	39,587	-	39,587	-	-	5,519	-	(1,648)	731	44,189	-	44,189
Bus stations and shelters	46,391	-	46,391	-	-	4,190	-	(1,620)	-	50,581	(1,620)	48,961
Train stations	484,367	(26,030)	458,337	-	-	48,547	-	(15,224)	50,507	542,167	-	542,167
Computer hardware - finance leases	173	(93)	80	-	-	-	-	(58)	-	173	(151)	22
	1,770,608	(57,588)	1,713,020	32,662	(19,715)	415,798	-	(52,394)	78,881	2,221,949	(53,696)	2,168,253
<i>Infrastructural assets</i>												
<i>Cost or valuation</i>												
Land	5,751,981	-	5,751,981	2,813	(15,910)	161,640	-	-	-	5,900,523	-	5,900,523
Roading	7,704,398	(317)	7,704,081	7,614	(2,541)	447,983	-	(220,331)	-	8,157,454	(220,648)	7,936,806
Street gardens	15,285	(1,724)	13,561	478	-	7,145	-	(1,164)	-	22,908	(2,888)	20,020
	13,471,664	(2,041)	13,469,623	10,905	(18,451)	616,768	-	(221,495)	-	14,080,885	(223,536)	13,857,349
Works under construction	600,854	-	600,854	876,419	(9,617)	(1,032,566)	-	-	-	435,090	-	435,090
Total property, plant and equipment	15,843,126	(59,629)	15,783,497	919,986	(47,783)	-	-	(273,889)	78,881	16,737,924	(277,232)	16,460,692

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

No property, plant and equipment are pledged as security for liabilities.

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. Operational land and buildings – includes land and buildings for future rail purposes (City Rail Link project), parking and wharf buildings.
2. Roads – includes land under roads, shaping, formation, foundation, surface, kerb and channelling, shoulders, drainage under roads, footpaths, lighting, signage, bridges, crossings, islands, minor structures (including railings and retaining walls), traffic facilities and traffic signals.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Revaluation

Asset class	Date of revaluation	Valuation amount \$000	Basis of revaluation	Independent Valuer Company	Valuer name
Rolling stock	30 June 2013	59,808	Depreciated replacement cost	Halcrow Pacific Pty (Australia)	Giles Dallaway
Land	30 June 2016	626,884	Fair Value with the approaches being Market and Income	Bayleys Valuations Limited Quotable Value Limited Beca Carter Hollings & Ferner Limited	Jessica McKenzie Lynda McNamara Ceri Bain
Land - finance lease	30 June 2015	19,140	Fair Value with the approaches being Market and Income	Telfer Young (Auckland) Limited	Evan Gamby
Buildings	30 June 2016	159,297	Fair Value with the approaches being Market and Income	Bayleys Valuations Limited Quotable Value Limited Beca Carter Hollings & Ferner Limited	Jessica McKenzie Lynda McNamara Ceri Bain
Train stations	30 June 2015	542,167	Depreciated replacement cost	Opus International Consultants Limited	Richard Taylor
Wharves	30 June 2015	44,189	Depreciated replacement cost	Opus International Consultants Limited	Richard Taylor
Roads and parking (excluding land and buildings)	30 June 2014	7,673,559	Depreciated replacement cost	ANA Group Limited	Amar Singh
Bus stations and shelters	30 June 2014	46,391	Depreciated replacement cost	ANA Group Limited	Amar Singh

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

12 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 for the delivery of Auckland Transport's services. Depreciated replacement cost for these types of assets is based on the '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. 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
- Wharf 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 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 the fleet of electric trains. A new fleet of three-car electric trains commenced operation in the 2014/15 financial year
- 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 revenue and expense. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Actual	Actual
2016	2015
\$000	\$000

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Work in progress is made up of the following asset classes:

Property, plant and equipment

Operational assets

Land	31,022	34,948
Rolling stock	2,701	27,280
Wharves	3,502	2,200
Bus stations and shelters	12,666	2,582
Train stations		
- City Rail Link	157,990	88,038
- Other stations	16,414	14,310

Infrastructural assets

Roading	344,662	265,732
Total work in progress	568,957	435,090

The majority of the land in work in progress is for the City Rail Link project.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016



	Cost 1 July 2015	Accumulated amortisation and impairment charges 1 July 2015	Carrying amount 1 July 2015	Current year additions
2016	\$000	\$000	\$000	\$000

13 INTANGIBLE ASSETS

Software	92,015	(31,839)	60,176	-
Access rights - operating leases	34,745	(1,800)	32,945	-
	126,760	(33,639)	93,121	-
Works under development - software	20,367	-	20,367	30,974
Total intangible assets	147,127	(33,639)	113,488	30,974

	Cost 1 July 2014	Accumulated amortisation and impairment charges 1 July 2014	Carrying amount 1 July 2014	Current year additions
2015	\$000	\$000	\$000	\$000

INTANGIBLE ASSETS

Software	82,783	(16,600)	66,183	-
Access rights - operating leases	34,756	(1,304)	33,452	-
	117,539	(17,904)	99,635	-
Works under development - software	13,583	-	13,583	16,005
Total intangible assets	131,122	(17,904)	113,218	16,005

Intangible software includes Auckland Integrated Fares System (AIFS) software.

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

The access rights - operating leases are for the land at each of the railway station sites along the Auckland passenger rail network utilised by Auckland Transport. They include the costs transferred to Auckland Transport on establishment that are being amortised over the remaining portion of the 63-year life of the underlying lease, and Auckland Transport's contribution to the costs of constructing railway tracks. The leases are valued at cost.

Current year disposals	Current year transfers	Current year impairment charges	Current year amortisation	Cost 30 June 2016	Accumulated amortisation and impairment charges 30 June 2016	Carrying amount 30 June 2016
\$000	\$000	\$000	\$000	\$000	\$000	\$000

-	21,113	-	(16,650)	113,128	(48,489)	64,639
-	-	-	(497)	34,745	(2,297)	32,448
-	21,113	-	(17,147)	147,873	(50,786)	97,087
-	(21,113)	-	-	30,228	-	30,228
-	-	-	(17,147)	178,101	(50,786)	127,315

Current year disposals	Current year transfers	Current year impairment charges	Current year amortisation	Cost 30 June 2015	Accumulated amortisation and impairment charges 30 June 2015	Carrying amount 30 June 2015
\$000	\$000	\$000	\$000	\$000	\$000	\$000

-	9,232	-	(15,239)	92,015	(31,839)	60,176
-	(11)	-	(496)	34,745	(1,800)	32,945
-	9,221	-	(15,735)	126,760	(33,639)	93,121
-	(9,221)	-	-	20,367	-	20,367
-	-	-	(15,735)	147,127	(33,639)	113,488

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Actual 2016 \$000	Actual 2015 \$000
14 PAYABLES		
<i>Current portion</i>		
Payables under exchange transactions:		
Creditors	33,816	28,647
Accrued expenses	139,196	143,732
Total payables under exchange transactions	173,012	172,379
Payables under non-exchange transactions:		
Amounts due to related parties	7,280	13,093
Revenue in advance	9,187	1,412
Goods and services tax	2,305	-
Total payables under non-exchange transactions	18,772	14,505
Total current payables	191,784	186,884
<i>Non-current portion</i>		
<i>Payables under non-exchange transactions</i>		
Amounts due to related parties	19,924	20,684
Total non-current payables	19,924	20,684
<p>Current 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.</p>		
15 EMPLOYEE ENTITLEMENTS		
<i>Current portion</i>		
Accrued salaries and wages	4,463	3,272
Annual leave	8,743	8,230
Sick leave	266	266
Long service leave	110	143
Total current portion	13,582	11,911
<i>Non-current portion</i>		
Retirement gratuities	383	383
Long service leave	241	292
Total non-current portion	624	675
Total employee entitlements	14,206	12,586

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Actual 2016 \$000	Actual 2015 \$000
16 DERIVATIVE FINANCIAL INSTRUMENTS		
<i>Current asset portion</i>		
Forward foreign exchange contracts - hedge accounted	-	585
<i>Non-current asset portion</i>		
Forward foreign exchange contracts - hedge accounted	-	12
<i>Current liability portion</i>		
Forward foreign exchange contracts - not hedge accounted	242	-
<i>Non-current liability portion</i>		
Interest rate swaps - not hedge accounted	3,578	3,596
Forward foreign exchange contracts		
<p>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.</p>		
<i>Forward foreign exchange contracts - not hedge accounted</i>		
<p>The notional principal amount of outstanding forward foreign exchange contract cash flow hedges was NZD \$5.5m (2015: NZD \$31.2m). The foreign currency principal amount was USD 3.7m (2015: USD 21.6m). During the year, these cash flow hedges have been accounted for as ineffective, therefore the gain or loss is recorded in the surplus or deficit. The USD mid rate at 30 June 2016 was 0.709 (2015: 0.681).</p>		
Interest rate swaps		
<p>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.</p>		
<p>The notional principal amount of the outstanding interest rate swap contracts was \$18.0m (2015: \$35.0m). At 30 June 2016 the fixed interest rates of cash flow hedge interest rate swaps varied from 5.58% to 5.96% (2015: 5.35% to 5.41%). The gain on their revaluation of \$0.02m (2015: \$1.4m gain) has been recorded in the net surplus/(deficit) for the year.</p>		

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Actual 2016 \$000	Actual 2015 \$000
17 BORROWINGS		
<i>Current portion</i>		
Finance leases	-	23
Loans from Auckland Council	5,234	4,674
Total current	5,234	4,697
<i>Non-current portion</i>		
Finance leases	-	-
Loans from Auckland Council	490,708	479,033
Total non-current	490,708	479,033
Total borrowings	495,942	483,730
Weighted average cost of funds on total borrowings	6.01%	6.00%

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

Loans from Auckland Council

Auckland Transport's loans from Auckland Council of \$496.0m (2015: \$483.7m) are issued at fixed rates of interest ranging from 5.55% to 6.22% (2015: 5.55% to 6.22%).

Two loan facilities have been drawn down and will be repaid against a schedule of repayments. The first loan of \$407.0m (2015: \$394.7m) has a final payment date of 21 November 2046 and the second loan of \$88.6m (2015: \$89.0m) has a final repayment date of 27 March 2062.

The fair value of these loans is \$556.0m (2015: \$577.0m). The fair value is based on cash flows discounted using a rate based on the borrowing rate of 3.31% (2015: 4.55%).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Actual 2016 \$000	Actual 2015 \$000
17 BORROWINGS (CONTINUED)		
<i>Analysis of finance leases</i>		
<i>Total minimum lease payments payable:</i>		
Not later than one year	-	23
Later than one year and not later than five years	-	-
Total minimum lease payments	-	23
Future finance charges	-	-
Present value of minimum lease payments	-	23
<i>Present value of minimum lease payments payable:</i>		
Not later than one year	-	23
Later than one year and not later than five years	-	-
Total present value of minimum lease payments	-	23
<i>Represented by:</i>		
Current	-	23
Non-current	-	-
Total finance leases	-	23

Description of material leasing arrangements

Auckland Transport has entered into finance leases for various items of equipment. The net carrying amount of the leased items at 30 June 2016 was \$ nil (2015: \$0.02m).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Actual 2016 \$000	Actual 2015 \$000
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18 EQUITY

Contributed capital

Balance at 1 July	13,482,059	13,223,033
Contributed capital from Auckland Council during the period	(18,188)	259,026
Balance at 30 June	13,463,871	13,482,059

The \$18,188 relates to land and building returned to Auckland Council in 2016 as they are no longer required.

Accumulated surplus/(deficit)

Balance at 1 July	591,058	412,342
Transfer from asset revaluation reserve on disposal of property	6,910	6,727
Found asset (not correctly identified in legacy councils)	15,659	19,000
Surplus/(deficit) for the period	383,606	152,989
Balance at 30 June	997,233	591,058

Asset revaluation reserve

Balance at 1 July	2,041,178	1,969,086
Valuation gains taken to equity	81,834	78,150
Transfer to accumulated surplus/(deficit) on disposal of property	(6,910)	(6,727)
Deferred tax on revaluation	1,356	669
Balance at 30 June	2,117,458	2,041,178

Asset revaluation reserves for each asset class consist of:

Operational assets

Land	254,517	171,831
Land - finance lease	6,609	6,609
Buildings	-	7,762
Wharves	-	(1,356)
Bus stations and shelters	10,028	10,028
Train stations	211,116	211,116

Infrastructural assets

Roading	1,635,188	1,635,188
Balance at 30 June	2,117,458	2,041,178

Cash flow hedge reserve

Balance at 1 July	597	(41,355)
Fair value gains/(losses) in the year	(597)	27,050
Transfers to the carrying amount of property, plant and equipment	-	14,902
Balance at 30 June	-	597

Total other reserves	2,117,458	2,041,775
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Total equity	16,578,562	16,114,892
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Actual 2016 \$000	Actual 2015 \$000
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19 RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

Surplus/(deficit) after tax	383,606	152,989
<i>Add/(less) non-cash items:</i>		
Depreciation and amortisation expense	318,954	289,624
Vested assets	(151,495)	(162,926)
Loss on disposal of property, plant and equipment	10,092	15,335
Non-current asset held for sale impairment	1,088	-
Revaluation (gain)/decrement	1,414	(731)
Foreign exchange loss	242	-
Gain on interest rate swaps	(18)	(1,368)
Income tax	1,116	1,446
Write-down of inventory	-	1,500
<i>Add/(less) movements in balance sheet items:</i>		
Receivables	(30,799)	55,788
Inventories	(1,959)	(5,088)
Payables	19,518	4,693
Employee benefits payable	1,620	2,064
Non-current asset held for sale	(1,600)	-
Other assets	374	(1,009)
Net cash from operating activities	552,153	352,317

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Actual 2016 \$000	Actual 2015 \$000
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20 CAPITAL COMMITMENTS AND OPERATING LEASES

Capital commitments

Operational assets

Land	2,256	475
Rolling stock	14,729	43,953
Wharves	1,025	126
Bus stations and shelters	12,175	1,999
Train stations (including City Rail Link)	187,391	18,435
Computer hardware	2,125	-
Building	233	-
Furniture	138	-

Infrastructural assets

Roading	404,387	471,100
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Intangible assets

Software	22,919	12,768
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Total capital commitments	647,378	548,856
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Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

Capital commitments at 30 June 2016 included \$185.3m (2015: \$3.6m) of commitments for the City Rail Link project.

Operating leases as lessee

Auckland Transport leases property, plant and equipment in the normal course of its business. These leases have a term of between 12 and 144 months. The future aggregate minimum lease payments payable under leases are as follows:

Not later than one year	5,125	4,109
Later than one year and not later than five years	10,033	12,232
Later than five years	2,748	634
Total operating leases	17,906	16,975

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 2016

	Actual 2016 \$000	Actual 2015 \$000
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20 CAPITAL COMMITMENTS AND OPERATING LEASES (CONTINUED)

Operating leases as lessor

Auckland Transport leases property under operating leases. These leases have a term of between 1 and 72 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

Not later than one year	9,208	5,060
Later than one year and not later than five years	11,586	5,499
Later than five years	476	71
Total operating leases	21,270	10,630

21 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.

Auckland Transport has been advised of a potential claim by Snapper Services Limited against Auckland Transport in relation to the Auckland Integrated Fares System. Auckland Transport has prepared a claim against Snapper. Legal proceedings have not been issued by either party.

Both of these contingent liabilities were also noted at 30 June 2015.

Contingent assets

There are no contingent assets as at 30 June 2016 (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

22 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.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect Auckland Transport would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other council organisations are not disclosed as related party transactions when they are consistent with the normal operating arrangements between Council organisations and undertaken on the normal terms and conditions for such transactions in the same circumstances.

	Actual 2016 \$	Actual 2015 \$
Key management personnel compensation		
<i>Board members</i>		
Remuneration	509,015	506,573
Full-time equivalent members	1.6	1.6
<i>Leadership team</i>		
Remuneration	3,781,144	3,118,048
Full-time equivalent members	10.4	8.9
Total key management personnel compensation	4,290,159	3,624,621
Total full-time equivalent personnel	12.0	10.5

The full-time equivalent for Board members has been determined based on the frequency and length of Board meetings and the estimated time for Board members to prepare for meetings.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

23 BOARD MEMBER REMUNERATION

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

	Actual 2016 \$	Actual 2015 \$
Dr Lester Levy (Chairman)	106,600	106,600
Paul Lockey (Deputy Chairman)	66,625	66,625
Geoff Dangerfield (to 15 December 2015)	-	-
Christine Fletcher	53,300	53,300
Mark Gilbert	61,295	63,294
Michael Lee	53,300	53,300
Dr Ian Parton	61,295	61,295
Rabin Rabindran	53,300	53,300
Paula Rebstock (from 1 December 2014)	53,300	31,092
Ernst Zöllner (from 21 March 2016)	-	-
Mike Williams (to 31 October 2014)	-	17,767
Total Board member remuneration	509,015	506,573

Geoff Dangerfield was an NZ Transport Agency appointee on the Board of Auckland Transport until his retirement in December 2015. Ernst Zöllner became the NZ Transport Agency appointee from March 2016. Under the terms of establishment legislation the NZ Transport Agency appointee does not receive any remuneration.

Paul Lockey, Mark Gilbert and Dr Ian Parton were remunerated 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 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

24 EMPLOYEE REMUNERATION

The following section shows the pay bands of Auckland Transport employees as at 30 June:

	Number of employees 2016	Number of employees 2015
\$0 - \$59,999	531	555
\$60,000 - \$79,999	347	315
\$80,000 - \$99,999	268	245
\$100,000 - \$119,999	185	171
\$120,000 - \$139,999	117	93
\$140,000 - \$159,999	50	60
\$160,000 - \$179,999	28	22
\$180,000 - \$199,999	21	20
\$200,000 - \$219,999	9	7
\$220,000 - \$239,999	4	4
\$240,000 - \$259,999	2	5
\$260,000 - \$279,999	4	3
\$280,000 - \$299,999	3	4
\$300,000 - \$319,999	3	2
\$320,000 - \$339,999	1	1
\$340,000 - \$359,999	-	1
\$360,000 - \$379,999	1	-
\$380,000 - \$399,999	1	1
\$640,000 - \$659,999	-	-
\$660,000 - \$679,999	1	1
Number of employees on 30 June	1,576	1,510
Number of full-time employees on 30 June	1,453	1,367
Full-time equivalent number of all other employees on 30 June	56	57

25 SEVERANCE PAYMENTS

For the year ended 30 June 2016, Auckland Transport made three (2015: nil) severance payments to employees totalling \$20,581 (2015: nil). The value of each of the severance payments was \$10,224, \$6,886 and \$3,471.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Actual 2016 \$000	Actual 2015 \$000
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26 OTHER FINANCIAL INSTRUMENT DISCLOSURES

26a Categories of financial instruments

The carrying amounts of financial instruments in each of the PBE IPSAS 29 categories are as follows:

Financial assets

Loans and receivables

Cash and cash equivalents	3,006	7,496
Receivables	268,372	237,459
	271,378	244,955

Derivatives that are hedge accounted

Forward foreign exchange contracts - hedge accounted	-	597
	-	597

Derivatives that are not hedge accounted

Forward foreign exchange contracts - not hedge accounted	-	-
	-	-

Financial liabilities

Fair value through surplus or deficit

Interest rate swaps - not hedge accounted	3,578	3,596
Forward foreign exchange contracts - not hedge accounted	242	-
	3,820	3,596

Financial liabilities at amortised cost

Payables	211,708	207,568
Borrowings	495,942	483,730
	707,650	691,298

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

26 OTHER FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

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.

	Notional principal	Total	Valuation technique		
			Quoted market price	Observable inputs	Significant non-observable inputs
			1	2	3
2016	\$000	\$000	\$000	\$000	\$000
Financial assets					
Forward foreign exchange contracts - not hedge accounted	-	-	-	-	-
Financial liabilities					
Interest rate swaps - not hedge accounted	18,000	3,578	-	3,578	-
Forward foreign exchange contracts - not hedge accounted	5,531	242	-	242	-
2015					
Financial assets					
Forward foreign exchange contracts - hedge accounted	31,151	597	-	597	-
Financial liabilities					
Interest rate swaps - not hedge accounted	35,000	3,596	-	3,596	-

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

26 OTHER FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

26c Financial instrument risks (continued)

Sensitivity analysis

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

	-5% Surplus/ deficit NZ \$000	-5% Other equity NZ \$000	+5% Surplus/ deficit NZ \$000	+5% Other equity NZ \$000
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Foreign exchange risk

2016

Forward foreign exchange contracts - not hedge accounted

USD derivatives	284	-	(246)	-
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2015

Forward foreign exchange contracts - hedge accounted

USD derivatives	-	1,672	-	(1,512)
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	-100bps Surplus/ deficit NZ \$000	-100bps Other equity NZ \$000	+100bps Surplus/ deficit NZ \$000	+100bps Other equity NZ \$000
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Interest rate risk

2016

Interest rate swaps - not hedge accounted	(1,248)	-	1,163	-
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2015

Interest rate swaps - not hedge accounted	(2,450)	-	2,257	-
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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 100 bps is equivalent to a decrease in interest rates of 1.0%.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

26 OTHER FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

26c Financial instrument risks (continued)

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:

	Rating	Actual 2016 \$000	Actual 2015 \$000
Counterparties with credit ratings			
Cash at bank	AA-	2,711	7,222
Counterparties without credit ratings			
<i>Debtors and other receivables</i>			
Existing counterparty with no defaults in the past		268,372	237,573
Existing counterparty with defaults in the past		-	-
		268,372	237,573

Of the \$268,372, \$205,509 is due from related parties.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

26 OTHER FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

26c Financial instrument risks (continued)

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	Later than 1 year NZ\$000
2016					
Trade and other payables	211,708	211,708	211,708	-	-
Forward foreign exchange contracts					
- outflow	-	5,530	5,530	-	-
- inflow	-	3,747	3,747	-	-
Net settled derivative liabilities	3,578	3,934	59	260	3,615
2015					
Trade and other payables	207,568	207,568	207,568	-	-
Forward foreign exchange contracts					
- outflow	-	31,151	30,412	371	368
- inflow	-	31,681	30,941	370	370
Net settled derivative liabilities	3,596	4,018	3	235	3,780

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 interest payments.

	Carrying amount NZ \$000	Contractual cash flows NZ \$000	0-10 years NZ \$000	11-20 years NZ \$000	21-30 years NZ \$000	31-40 years NZ \$000	41-50 years NZ \$000
2016							
Borrowings	495,942	1,146,871	348,703	348,703	348,703	68,198	32,564
2015							
Borrowings	483,730	1,143,604	336,577	336,554	336,554	95,753	38,166

27 CAPITAL MANAGEMENT

Auckland Transport's capital is its equity, which comprises contributed capital, accumulated surplus or deficit and other 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Actual 2016 \$000	Budget 2016 \$000	Variance \$000
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28 MAJOR BUDGET VARIANCES

Explanation for major variances from Auckland Transport's Statement of Intent are as follows:

Statement of comprehensive revenue and expense

Revenue	1,368,279	1,379,709	(11,430)
Expenditure	983,557	975,043	(8,514)
Surplus before tax	384,722	404,666	(19,944)

Revenue

Capital funding from Auckland Council 403,025 439,314 (36,289)

Lower than budgeted capital expenditure has resulted in reduced capital funding from Auckland Council.

Capital funding from NZ Transport Agency 140,188 170,967 (30,779)

Lower than budgeted capital expenditure has resulted in reduced capital funding from NZ Transport Agency.

Vested asset revenue 151,495 100,000 51,495

Higher vested asset revenue received from Auckland Council.

Expenditure

Personnel costs 106,124 101,998 (4,126)

Higher personnel costs due to lower than budgeted capitalised personnel cost.

Depreciation and amortisation expense 318,954 310,932 (8,022)

Additional depreciation expense resulting from vested assets and prior year revaluation of assets.

Finance costs 29,264 30,742 1,478

Lower finance costs due to later drawdown of borrowings than budgeted

Statement of financial position

Receivables 268,372 198,304 70,068

Higher than budgeted receivables due from Auckland Council.

Property, plant and equipment 16,899,594 16,582,241 317,353

Higher than budgeted asset revaluation of \$80.4m and vested assets of \$51.5m and lower than budgeted opening balance for property, plant and equipment of \$353.2m, partly offset by lower than budgeted new and renewal capital expenditure of \$137.4m.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

	Actual 2016 \$000	Budget 2016 \$000	Variance \$000
28 MAJOR BUDGET VARIANCES (CONTINUED)			
Payables	211,708	145,124	66,584
Higher than budgeted level of payables to Auckland Council and accrued expenditure.			
Derivative financial instruments	3,820	54,463	(50,643)
Budgeted level of derivatives not required.			
Equity	16,578,562	16,108,442	470,120
Equity variance is mainly due to opening equity variance to budget of \$404.6m, higher than budgeted increase in the asset revaluation of \$82.6m, partly offset by surplus for the period being \$20.5m lower than budget.			
Capital expenditure	706,662	720,281	(13,619)
Lower than budgeted capital expenditure of \$65.1m mainly due to delays in project commencement due to the uncertain LTP funding between Basic and Auckland Plan networks, an absence of Auckland Council driven Special Housing Areas and delays in property purchases. This is partially offset by unbudgeted vested assets of \$51.5m.			

29 EVENTS SUBSEQUENT TO BALANCE DATE

There were no significant events after balance date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2016

30 ADJUSTMENTS TO THE COMPARATIVE YEAR FINANCIAL STATEMENTS

Auckland Transport has adjusted its comparative year financial statements for the year ended 30 June 2015 due to a change in accounting policy whereby a separate asset class 'properties held for roading purposes' has been created, rather than being included in operational land and buildings. The previous accounting policy stated that properties held for roading purposes were measured at fair value. The new policy is to measure them at cost. This provides more reliable and relevant information by excluding assets that do not require a revaluation and should be held at cost, from the operational land and buildings which do require a revaluation done to being held at fair value.

The adjustments are shown in the table below:

	Before Adjustment \$000	Reclassification Adjustment \$000	After Adjustment \$000
Statement of Comprehensive Revenue and Expense			
Depreciation and amortisation expense	292,759	(3,135)	289,624
Total surplus/(deficit) after tax	149,854	3,135	152,989
Revaluation gain on property, plant & equipment	124,395	(46,245)	78,150
Total comprehensive revenue and expense	316,870	(43,110)	273,760
Statement of Financial Position			
Revaluation gain on property, plant & equipment pre 1 July 2014		(28,032)	
1 July 2014 to 30 June 2015		(46,245)	
Depreciation 1 July 2014 to 30 June 2015		3,135	
Property, plant and equipment	16,531,834	(71,142)	16,460,692
Accumulated surplus/(deficit)	587,923	3,135	591,058
Other reserves	2,116,052	(74,277)	2,041,775
Total equity	16,186,034	(71,142)	16,114,892

31 AUCKLAND INTEGRATED FARES SYSTEM (AIFS) FUNDS

Auckland Transport operates a restricted bank account for Auckland Integrated Fares System (AIFS) with a balance of \$11.8m at 30 June (2015: \$9.2m). This account is used for the deposit of unused stored value on AT HOP cards. These funds are held in trust for the card holders and therefore this balance does not form part of the assets or liabilities of Auckland Transport and has not been recognised.

INDEPENDENT AUDITOR'S REPORT

To the readers of Auckland Transport's financial statements and performance information for the year ended 30 June 2016



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 performance information of Auckland Transport on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of Auckland Transport on pages 39 to 88, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity, statement of cash flows and summary of capital expenditure for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of Auckland Transport on pages 15 to 23.

In our opinion:

- the financial statements of Auckland Transport:
 - give a true and fair view of:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards; and
- the performance information of Auckland Transport gives a true and fair view of Auckland Transport's actual performance compared against the performance targets and other measures by which performance was judged in relation to Auckland Transport's objectives for the year ended 30 June 2016.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by Auckland Transport as far as appears from an examination of those records.

Our audit was completed on 30 August 2016. 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 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 the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. 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 in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, 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 performance

INDEPENDENT AUDITOR'S REPORT

information 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.

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 appropriateness of the reported performance information within Auckland Transport's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. 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 the preparation of financial statements for Auckland Transport that:

- comply with generally accepted accounting practice in New Zealand; and
- give a true and fair view of Auckland Transport's financial position, financial performance, and cash flows.

The Board is also responsible for preparation of the performance information for Auckland Transport.

The Board's responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

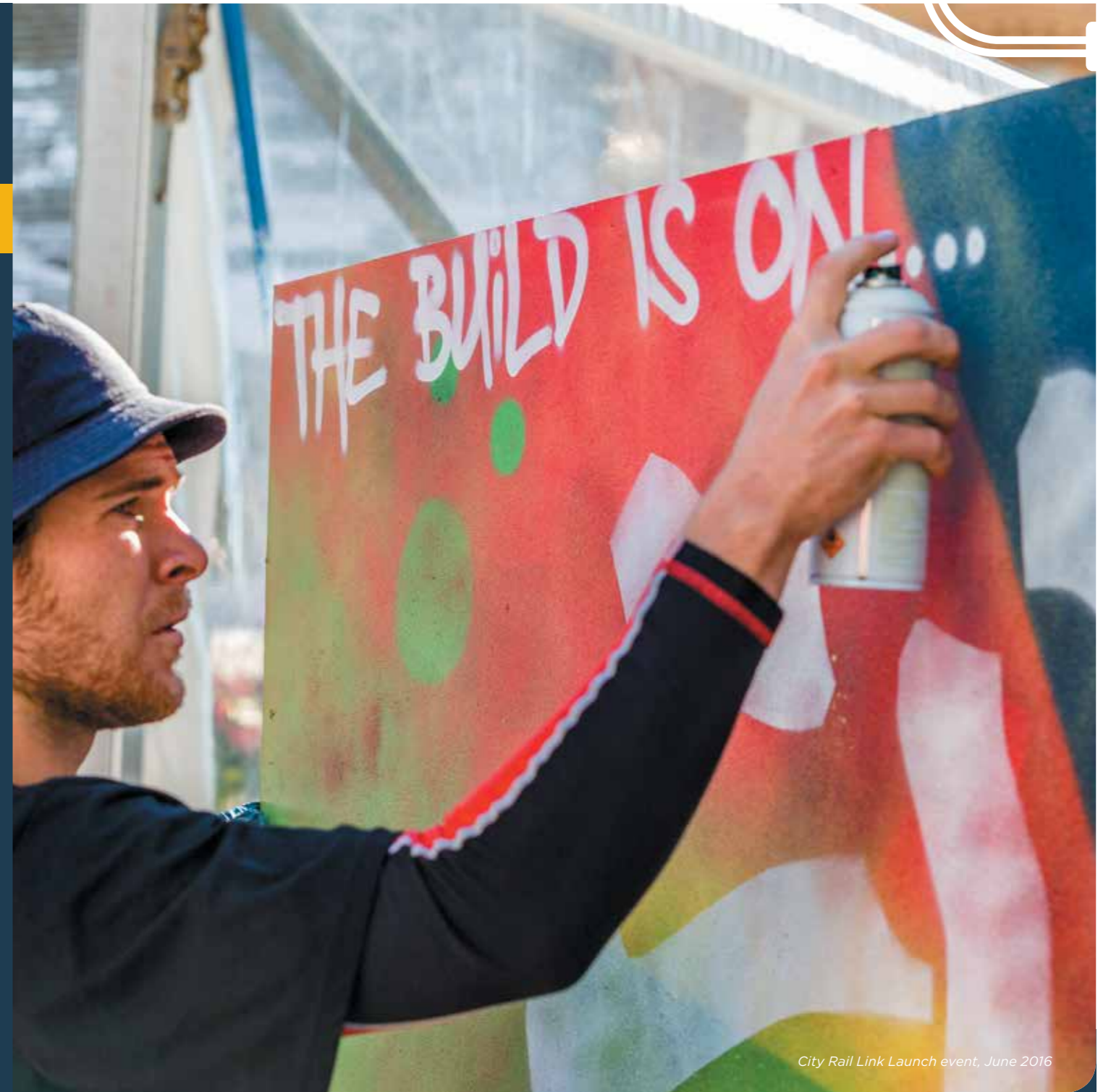
In addition to the audit, we have carried out a review engagement in respect of Auckland Transport's six monthly reporting as at 31 December 2015 to Auckland Council, which is compatible with those independence requirements.

Other than the audit and the review engagement, we have no relationship with or interests in Auckland Transport.

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

AWARDS AND RECOGNITION

- 'Happy Endings' Sober Driver campaign was a finalist in the prestigious New York Festivals Awards.
- "Oi! Mind on the road, not the phone" campaign in partnership with New Zealand Police won the Leadership in Road Safety Award at the 67th Annual TRAFINZ (New Zealand Local Authority Traffic Institute) Conference. The campaign was also a finalist in the 2015 Advertising Effectiveness Awards ('Effies').
- AT was granted 'Data Warrantee' status by the Marketing Association for our marketing databases, which recognises we are treating customer information with due care and attention and following Privacy Act guidelines.
- CTO Roger Jones received the Special Commendation for demonstrating innovation and success that reinforces the transformational role of the CIO in supporting AT's overall business strategy at the CIO Awards 2015.



City Rail Link Launch event, June 2016



AUCKLAND TRANSPORT
ANNUAL REPORT

2016

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**Auckland
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