
**SECTION F:
PROGRESS ON
THE STATEMENT
OF FINANCIAL
PERFORMANCE**

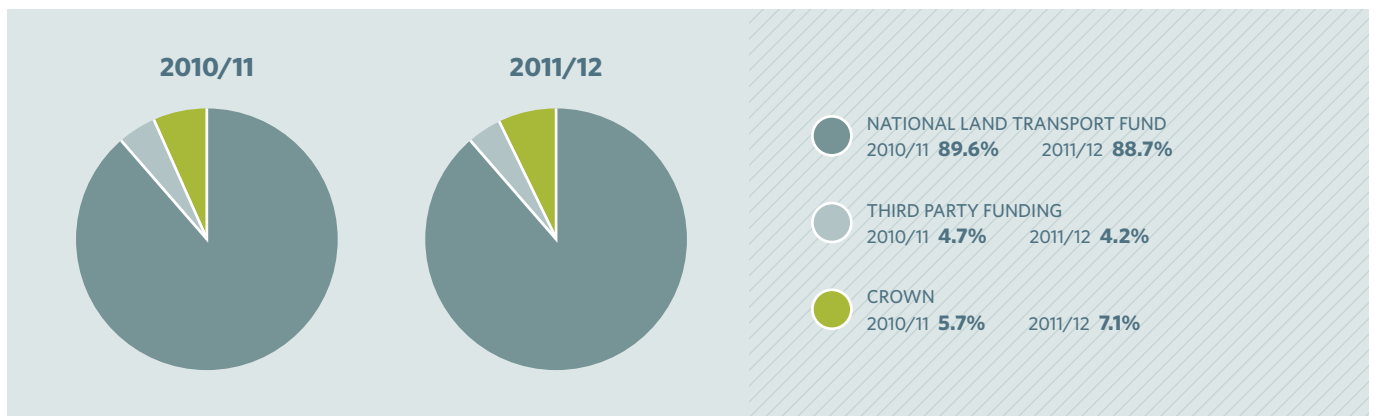


HIGHLIGHTS FROM OUR FINANCIAL STATEMENTS

\$2 billion TOTAL INCOME

The following charts show the various sources of our income. The largest contribution is from the National Land Transport Fund. We also receive revenue from the Crown to support our objectives and for specific projects such as the Canterbury rebuild and the SuperGold cardholders scheme. Third-party revenue comes mostly from our licensing activities, motor vehicle register and regulatory activities.

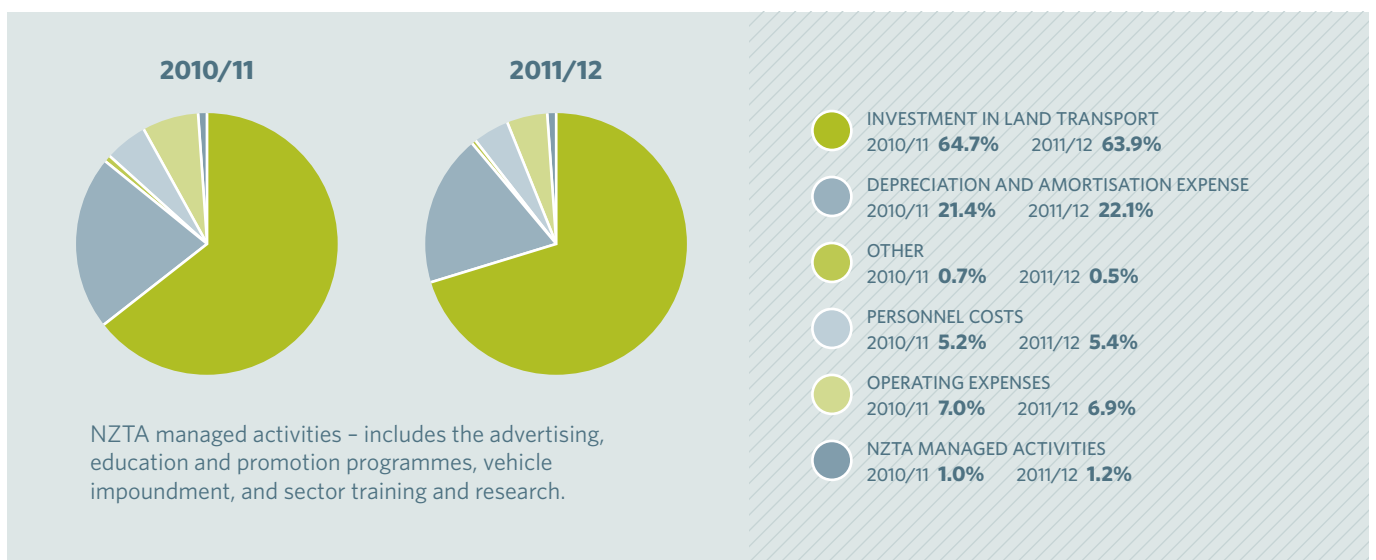
INCOME BY SOURCE



\$1.95 billion TOTAL EXPENDITURE

The following charts show the allocation of our expenditure by type. Our expenditure is guided by the priorities identified in our *Statement of intent*. The majority of our expenditure was directly related to maintaining and improving our land transport infrastructure. Depreciation and amortisation, reflecting the cost of asset ownership, contributed 22.1% of our annual expenditure.

EXPENSE BY TYPE



\$41.38 million NET SURPLUS

Our net surplus reflects the combined operations of the NZTA itself, our investment in land transport and specific projects completed on behalf of the Crown.

OPERATIONS		INVESTMENT IN LAND TRANSPORT		SPECIFIC PROJECTS FUNDED BY THE CROWN		TOTAL
Income \$228.702m	+	Income \$1,693.645m	+	Income \$73.339m	=	Total income \$1,995.687m
-		-		-		-
Expenditure \$231.561m	+	Expenditure \$1,658.048m	+	Expenditure \$64.701m	=	Total expenditure \$1,954.310m
=		=		=		=
Net surplus/(deficit) \$(2.859)m	+	Net surplus/(deficit) \$35.597m	+	Net surplus/(deficit) \$8.638m	=	Total net surplus/(deficit) \$41.376m

OPERATIONS

Activities the NZTA is accountable for, and delivers in-house or contracts out.

This deficit compares favourably to the budgeted deficit of \$9.492 million due to:

- › higher revenue than expected from the implementation of the license reinstatement fee (introduced in May 2011)
- › higher revenue than expected in driver testing as the drop in numbers following the introduction of harder tests proved lower than anticipated
- › a lower-cost solution being found for alcohol interlock devices in the road user safety programme.

INVESTMENT IN LAND TRANSPORT

Funding for the maintenance and operation of the state highway network, and funding provided by the NZTA to approved organisations for the delivery of services.

This surplus when compared to the budgeted surplus of \$1.787 million was the result of two key decisions made early in the year to manage cash flows:

- › a moratorium on new approvals for improvement activities
- › a financial assistance rate (FAR) variation arrangement with Auckland Transport.

SPECIFIC PROJECTS FUNDED BY THE CROWN

This includes the Canterbury transport project, regional development transport funding, and SuperGold card public transport concessions.

This surplus when compared to the budgeted surplus of \$1.353 million was caused by the work on Canterbury roads reinstatement progressing at a slower pace than expected.

Supplementary information for each of these segments is provided on pages 129 to 136.

\$26.02 billion NET ASSETS

The statement of financial position shows what we own (our assets), what we owe (our liabilities) and our overall net worth (represented by our net assets/equity).

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
Total assets	26,501,719	28,222,458	25,756,805
Less total liabilities	480,575	619,735	491,314
NET ASSETS/EQUITY AT END OF YEAR	26,021,144	27,602,723	25,265,492

We continue to maintain a strong balance sheet, with \$26.502 billion of assets and a very low level of liabilities.

The state highway network accounts for 98% of our overall asset base. The asset base increased in value in 2011/12 by \$744.914 million. This is the net impact from investment of \$1.087 billion, a revaluation gain of \$140.671 million, depreciation of \$423.474 million and disposals and write-offs of \$87.045 million.

HOW WE HAVE INVESTED IN OUR ASSETS

We have spent \$1.095 billion in our capital expenditure programme, which has been invested in the following:

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
Investment in state highways	1,087,026	1,129,000	1,376,647
Investment in information technology	6,109	11,915	6,273
Investment in offices and equipment	1,718	2,650	3,068
TOTAL	1,094,853	1,143,565	1,385,988

Total capital expenditure was \$48.712 million (4%) lower than budgeted as a result of a reallocation of funding towards maintenance work to repair damage caused to the network by weather-related events - including the Manawatu Gorge landslip.

Investment in other assets was lower than budgeted due to the timing of projects, with the balance to be carried forward into 2012/13.

\$26.02 billion TOTAL EQUITY

Equity is represented by our net worth, which is the total value of our assets of \$26.502 billion minus total liabilities of \$480.575 million.

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
Crown's investment in the NZTA	5,198	5,198	5,198
Retained funds for operations	47,858	51,823	66,739
Deficit accumulated from third party activities	(6,568)	(9,415)	(6,088)
Crown's investment in the state highway network	25,974,656	27,555,117	25,199,643
TOTAL EQUITY	26,021,144	27,602,723	25,265,492

Total equity is \$1.582 billion lower than budgeted. This is mainly due to the state highway revaluation budget being impacted by \$1.13 billion, which was a flow-on effect from the 2010/11 revaluation adjustment.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME				
Revenue from the Crown	3	142,149	92,123	108,710
Revenue from the National Land Transport Fund	3	1,769,352	1,801,927	1,719,766
Revenue from third parties	4	84,185	81,594	90,474
Total income		1,995,686	1,975,644	1,918,950
EXPENDITURE				
Personnel costs	5	105,326	104,712	101,273
Operating expenses	6	158,214	157,349	155,524
Investment in land transport ^a		1,244,440	1,298,917	1,264,690
Interest on borrowing		5,326	3,600	98
Depreciation and amortisation expense	7	432,134	390,418	417,430
State highway asset write-off		8,870	27,000	14,627
Total expenditure		1,954,310	1,981,996	1,953,642
NET SURPLUS/(DEFICIT)		41,376	(6,352)	(34,692)
OTHER COMPREHENSIVE INCOME				
Gain/(loss) state highway network/bailey bridging revaluations		140,920	510,000	(642,063)
Total other comprehensive income		140,920	510,000	(642,063)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		182,296	503,648	(676,755)

a. Investment in land transport refers to National Land Transport Programme funding the NZ Transport Agency provides to approved organisations for the delivery of services, associated activities funded from the Crown, and the NZ Transport Agency's maintenance and operation of the state highway network.

Explanations of major variances against budget are provided in note 34.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	8	58,265	11,887	71,115
Debtor National Land Transport Fund and Crown	9	456,018	449,596	432,607
Debtors and other receivables	10	26,006	45,000	42,515
Property assets held for sale	11	57,772	0	0
Prepayments		2,256	820	462
Inventories		208	180	216
Total current assets		600,525	507,483	546,915
NON-CURRENT ASSETS				
Property, plant and equipment	12	18,518	20,742	19,536
State highway network	13	25,836,699	27,627,555	25,119,414
Bailey bridging	14	7,375	7,560	7,312
Intangible assets	15	37,747	28,976	34,793
Loans and advances	16	855	30,142	28,835
Total non-current assets		25,901,194	27,714,975	25,209,890
TOTAL ASSETS		26,501,719	28,222,458	25,756,805
LIABILITIES				
CURRENT LIABILITIES				
Creditors and other payables	17	330,450	354,780	362,033
Tolling funds held in trust		3,191	2,759	2,943
Employee entitlements	18	12,009	9,700	11,641
Borrowing	19	130,000	249,596	110,000
Total current liabilities		475,650	616,835	486,617
NON-CURRENT LIABILITIES				
Creditors and other payables	17	227	0	744
Employee entitlements	18	4,698	2,900	3,953
Total non-current liabilities		4,925	2,900	4,697
TOTAL LIABILITIES		480,575	619,735	491,314
NET ASSETS		26,021,144	27,602,723	25,265,492
EQUITY				
General funds		5,198	5,198	5,198
Retained funds	20	47,858	51,823	66,739
Memorandum account – third party fees and charges	21	(6,568)	(9,415)	(6,088)
State highway network ^a	22	25,974,656	27,555,117	25,199,643
TOTAL EQUITY		26,021,144	27,602,723	25,265,492

a. The state highway network includes the state highway investment (including bailey bridging) and revaluation reserves. Explanations of major variances against budget are provided in note 34.

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
EQUITY - OPENING BALANCES				
General funds		5,198	5,198	5,198
Retained funds		66,739	52,294	65,168
Memorandum account - third party fees and charges		(6,088)	(3,447)	(2,647)
State highway network		25,199,643	26,341,257	24,887,386
Total equity - opening balance		25,265,492	26,395,302	24,955,105
CHANGES IN EQUITY				
Equity movements				
Retained funds		(634,093)	(703,860)	(954,320)
State highway network		634,093	703,860	954,320
		0	0	0
Comprehensive income				
Retained funds		41,856	(384)	(31,251)
Memorandum account - third party fees and charges		(480)	(5,968)	(3,441)
State highways network - gain/(loss) on revaluations		140,920	510,000	(642,063)
		182,296	503,648	(676,755)
Owner transactions				
Capital contribution - National Land Transport Programme		573,356	703,773	987,142
Total changes in equity		755,652	1,207,421	310,387
EQUITY - CLOSING BALANCE				
General funds		5,198	5,198	5,198
Retained funds		47,858	51,823	66,739
Memorandum account - third party fees and charges		(6,568)	(9,415)	(6,088)
State highway network		25,974,656	27,555,117	25,199,643
TOTAL EQUITY - CLOSING BALANCES		26,021,144	27,602,723	25,265,492

Explanations of major variances against budget are provided in note 34.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Crown revenue		142,149	92,123	108,710
Receipts from National Land Transport Fund revenue		1,765,941	1,800,227	1,694,868
Receipts from third party revenue		100,451	81,221	100,281
Interest received		243	373	255
Payments to suppliers		(1,391,241)	(1,375,652)	(1,280,427)
Payments to employees		(104,213)	(104,712)	(98,958)
Payments for capital charge		0	0	(390)
Goods & services tax (net)		43,305	28,000	674
Net cash from operating activities	24	556,635	521,580	525,013
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from sale of property, plant and equipment		3,453	0	1,371
Receipts from sale of intangible assets		0	0	51
Receipts from sale of state highway held properties		20,403	16,000	26,624
Payments to suppliers		(88,357)	(101,075)	(128,235)
Purchase of property, plant and equipment		(6,381)	(5,336)	(6,349)
Purchase of intangible assets		(7,587)	(8,288)	(17,962)
State highway network		(1,107,026)	(1,123,054)	(1,376,647)
Loan to local authority		27,980	0	(2,380)
Net cash from investing activities		(1,157,515)	(1,221,753)	(1,503,527)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution from the National Land Transport Fund	23	573,356	685,316	877,142
Borrowing		170,000	18,457	110,000
Repayment of borrowing		(150,000)	0	0
Interest paid on borrowing		(5,326)	(3,600)	(98)
Net cash from financing activities		588,030	700,173	987,044
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(12,850)	0	8,530
Cash and cash equivalents at the beginning of the year		71,115	11,887	62,585
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	58,265	11,887	71,115

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.

Explanations of major variances against budget are provided in note 34.

NOTES TO THE FINANCIAL STATEMENTS

1 NEW ZEALAND TRANSPORT TICKETING LIMITED

New Zealand Transport Ticketing Ltd has been established as a Crown Entity Subsidiary, under the governance of the NZTA, to execute the operational plan for supporting a national integrated transport ticketing system and managing information services generated from such a system.

New Zealand Transport Ticketing Ltd was incorporated on 14 November 2011.

The NZTA has not consolidated its wholly owned subsidiary, as New Zealand Transport Ticketing Ltd has not traded during the year and has no assets or liabilities as at 30 June 2012.

The NZTA is in the course of developing a New Zealand-wide public transport automated fare collection system.

2 STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The NZTA is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. As such, the NZTA's ultimate parent is the New Zealand Crown.

The NZTA's primary objective is to provide services to the New Zealand public, as opposed to making a financial return. Accordingly, the NZTA has designated itself a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for the NZTA are for the year ended 30 June 2012, and were approved by the Board on 24 October 2012.

Basis of preparation

Statement of compliance

The financial statements of the NZTA have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with NZ IFRS.

Measurement base

The financial statements have been prepared on a historical cost basis, except where modified by the revaluation of the state highway network and Bailey bridging stock. The measurement of financial assets and financial liabilities is at amortised cost.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the NZTA is New Zealand dollars (NZ\$).

Changes in accounting policies

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

The NZTA has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- › Amendments to NZ IAS 1 Presentation of Financial Statements – The amendments introduce a requirement to present, in either the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. The NZTA has decided to present this analysis in note 22.
- › FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments on the NZTA is that certain information about property valuations is no longer required to be disclosed.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted and which are relevant to the NZTA are:

- › NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the NZTA is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the NZTA expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the NZTA is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope. The NZTA is still to assess the impact of the changes as they are only exposure drafts at this stage.

Significant accounting policies

REVENUE

Revenue is measured at the fair value of consideration received or receivable.

Revenue from the Crown and the National Land Transport Fund

The NZTA is primarily funded through revenue received from the Crown and the National Land Transport Fund, which is restricted in its use for the purpose of the NZTA meeting its objectives as specified in the *Statement of intent*.

Revenue from the Crown and the National Land Transport Fund is recognised as revenue when earned and is reported in the financial period to which it relates.

Interest

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

Rental income

Lease receipts under an operating sublease are recognised as revenue on a straight-line basis over the lease term.

BORROWING COSTS

The NZTA has elected to defer adoption of the revised NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with the transitional provisions of NZ IAS 23 that are applicable to public benefit entities. Consequently, all borrowing costs are recognised as an expense in the financial year in which they are incurred.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into NZ\$ (the functional currency) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

DEBTORS AND OTHER RECEIVABLES

Short-term debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the NZTA will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

INVENTORIES

Inventories held for distribution in the provision of services that are not supplied on a commercial basis are measured at the lower of cost (calculated using the weighted average method), adjusted, when applicable, for any loss of service potential. Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventory held for use in the provision of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average cost method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

PROPERTY ASSETS HELD FOR SALE

Property 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. Property 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 property assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following asset classes: leasehold improvements, furniture and fittings, plant and office equipment, and motor vehicles.

Property, plant and equipment are measured at cost or valuation, less any accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potentially associated with the item will flow to the NZTA and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the NZTA and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

VALUATION OF STATE HIGHWAY NETWORK AND BAILEY BRIDGING

State highways are valued at depreciated replacement cost based on the estimated present cost of constructing the existing assets by the most appropriate method of construction, reduced by factors for the age and condition of the asset. Land associated with the state highway is valued using an opportunity cost based on adjacent use, as an approximation to fair value. Borrowing costs have not been capitalised.

Bailey bridging is valued at optimised depreciated replacement cost based on the optimum size of asset holding by the unit cost for each category of asset.

A cyclical basis is used so that each region is revalued at an interval not exceeding 3.5 years. Those regions that are not subject to full revaluation in a particular year will be subject to a valuation update through the use of price indices.

Increases in the carrying amount arising on revaluation of the state highway are credited to the asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against the asset revaluation reserve. All other decreases are charged to the statement of comprehensive income. Each year the depreciation, based on the revalued carrying amount of the asset, is charged to the statement of comprehensive income. The gain or loss on the asset revaluation reserve is also charged to the statement of comprehensive income.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the NZTA and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income. When revalued assets are sold, the amounts included in the assets revaluation reserve in respect of those assets are transferred to general funds.

Land, held properties, formation and the sub-base component of pavement (base) are not depreciated as the service potential of these components is considered not to reduce over time.

Brownfield costs have been accounted for where they can be reliably measured.

DEPRECIATION

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, held properties, formation and the sub-base component of pavement (base), at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

ASSETS	USEFUL LIFE (YEARS)	DEPRECIATION RATE (%)
State highways – pavement (base)	50	2.0
State highways – pavement (surface)	7	14.3
State highways – drainage	60	1.7

ASSETS	USEFUL LIFE (YEARS)	DEPRECIATION RATE (%)
State highways – traffic facilities	15	6.7
State highways – bridges	90-100	1.0-1.1
State highways – culverts & subways	50-75	1.3-2.0
State highways – other structures	100	1.0
Bailey bridging – panels	70	1.42
Bailey bridging – transoms	103	0.57
Bailey bridging – stringers	100	0.67
Bailey bridging – chord reinforcing	69	1.45
Bailey bridging – other miscellaneous	76	1.0
Motor vehicles	4	25.0
Computer equipment	3	33.3
Plant	5-10	10.0-20.0
Equipment	5-8	12.5-20.0
Furniture & fittings	5-10	10.0-20.0
Office equipment	4-5	20.0-25.0
Leasehold improvements	Life of lease	7.7-33.0

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

INTANGIBLE ASSETS

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

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

Costs associated with development and maintenance of the NZTA's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

ASSETS	USEFUL LIFE (YEARS)	DEPRECIATION RATE (%)
Computer software	3-10	10-33.3

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Assets that have an indefinite useful life, such as land, are not subject to amortisation and are tested on a cyclical basis so that each region is reviewed at an interval not exceeding three and a half years for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that 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.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the NZTA would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For re-valued assets, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation reserve in equity for the class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a re-valued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a re-valued asset is credited to the other comprehensive income and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a re-valued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

FINANCIAL ASSETS

Financial assets are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in debtors and other receivables or cash and cash equivalents in the balance sheet.

Loan to local authority

Loans to the local authorities, made at the government bond rate, are initially recognised at present value of their future cash flows, discounted at the current market rate of return for a similar financial instrument. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the statement of comprehensive income.

CREDITORS AND OTHER PAYABLES

Short-term creditors and other payables are recorded at their face value.

BORROWING

Borrowing is initially recognised at their fair value plus transaction costs. After initial recognition, all borrowing is measured at amortised cost using the effective interest method.

EMPLOYEE ENTITLEMENTS

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised 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 it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- › likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information
- › the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

SUPERANNUATION SCHEMES

Defined contribution schemes

Obligations for contributions to the Government Superannuation Fund, KiwiSaver, National Superannuation Scheme, and Post Office Pension Fund are accounted for as defined contribution superannuation scheme and are recognised as an expense in the surplus or deficit as incurred.

PROVISIONS

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required 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. The increase in the provision due to the passage of time is recognised as an interest expense.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

JOINTLY CONTROLLED OPERATIONS

The NZTA has interests in jointly controlled operations. These include the Auckland Motorway Alliance and Marlborough Roads. It recognises in its financial statements:

- › the assets that it controls and the liabilities that it incurs
- › the expenses that it incurs from the operations of the jointly controlled operation.

EQUITY

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- › general funds
- › retained funds
- › memorandum account – third party fees and charges
- › state highway investment and revaluation reserve.

State highway revaluation reserve

This reserve relates to the revaluation of the state highway network and bailey bridging to fair value.

GOODS AND SERVICES TAX

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the Inland Revenue Department, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

INCOME TAX

The NZTA is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

BUDGET FIGURES

The budget figures are derived from the *Statement of intent* as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

COST ALLOCATION

The NZTA has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner, with a specific output.

Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity/usage information. The three types of indirect costs are:

1. **Corporate overheads** – costs arising from the Board, Chief Executive, Group Managers (Organisational Support, People & Capability, Strategy & Performance) and business support units such as Finance, Human Resources, Information Technology, Legal, Audit and others. These costs are allocated to output classes then to business activities using full-time equivalents responsible for delivering the output and their corresponding salaries as the cost drivers.
2. **Regional office costs** – costs relating to operating and maintaining a regional office such as office rent and building management. These costs are allocated to output classes then to business activities using the number of full time equivalents in each region as the cost driver.
3. **Operational cost centres' own shared costs** – costs incurred directly on account of more than one business activity within that operational cost centre. These shared costs are assigned to business activities based on the proportion of the estimated time spent on the affected business activities.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, the NZTA has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed over the page.

Property, plant and equipment useful lives and residual value

At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by the NZTA, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. The NZTA minimises the risk of this estimation uncertainty by:

- › physical inspection and condition monitoring of assets
- › asset management planning
- › asset replacement programmes.

The NZTA has not made significant changes to past assumptions concerning useful lives and residual values.

Retirement and long service leave

Note 18 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying accounting policies:

State highway network and Bailey bridging

State highways are valued at depreciated replacement cost based on the estimated present cost of constructing the existing assets by the most appropriate method of construction, reduced by factors for the age and condition of the asset. Land associated with the state highway is valued using an opportunity cost based on adjacent use, as an approximation to fair value.

Bailey bridging is valued at optimised depreciated replacement cost based on the optimum size of asset holding by the unit cost for each category of asset.

Critical judgements relate to:

- › estimating the replacement cost of existing assets, including the impact of cost allocation and whether a cost should be capitalised or expensed. The NZTA incurs expenditure on maintaining state highways and on new and improved infrastructure for state highways. Professional judgement and engineering assessments are used to determine whether costs incurred on state highways should be capitalised or expensed
- › the age, condition and remaining economic life of existing assets, including the impact of maintenance thereon
- › determining the optimum level of Bailey bridging stock.

Brownfield construction costs are included in the valuation where they can be reliably measured. Brownfield construction costs include:

- › temporary traffic management
- › demolition and removal of displaced assets
- › restoration of damaged/severed utility infrastructure
- › re-establishment of the interface between the new and existing development (landscaping, footpaths, roads, fences, driveways etc)
- › environment compliance
- › work restrictions (noise, hours, limitations on available site area for contractors, storage/plant/offices, etc).

Further work is currently being carried out to determine a reliable measure of Brownfield costs not included in the state highway assets.

Leases classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the NZTA.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant, and equipment, whereas for an operating lease no such asset is recognised.

The NZTA has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

3 REVENUE FROM THE CROWN AND NATIONAL LAND TRANSPORT FUND

The NZTA has been provided with funding from the Crown and the National Land Transport Fund for the specific purposes of the NZTA as set out in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government or National Land Transport Fund funding.

4 REVENUE FROM THIRD PARTIES

	Note	Actual 2011/12 \$000	Actual 2010/11 \$000
Border inspection fees		1,691	1,590
Certification review fees		7,674	7,521
Driver licensing fees		28,381	27,859
Driver testing fees		15,385	17,662
Overdimension and overweight permits		441	389
Rail licensing fees		656	1,093
Standards development fee and certification levies		5,971	5,814
Tolling fees and contributions		5,539	4,905
Transport licensing fees		8,319	7,461
Total fees and charges		74,057	74,294
Administration fee from Accident Compensation Corporation		5,300	13,498
Business units	a	1,166	1,095
Crash analysis system support		257	311
Personalised plates		584	0
Road Safety Trust administration		85	92
Interest income		243	255
Net gain on disposal of assets		723	59
KiwiSaver		970	818
Recovery of damages to state highway furniture		459	0
Miscellaneous revenue		341	52
TOTAL REVENUE FROM THIRD PARTIES		84,185	90,474

a. These are activities the NZTA has undertaken, which are not funded from the National Land Transport Programme, but where operating costs are covered by the income generated from these activities.

	Bailey bridging \$000	CAPTIF \$000	Training & education \$000	Total \$000
Revenue earned in 2011/12	74	521	571	1,166
Revenue earned in 2010/11	158	519	418	1,095

CAPTIF - Canterbury Accelerated Pavement Testing Indoor Facility

5 PERSONNEL COSTS

	Note	Actual 2011/12 \$000	Actual 2010/11 \$000
Salaries and wages	a	101,064	96,542
Defined contribution plan employer contributions		1,264	1,077
Other personnel costs		2,998	3,654
TOTAL PERSONNEL COSTS		105,326	101,273

a. An additional \$11.535 million (2011: \$11.563 million) was incurred for staff who are employed to manage state highway capital projects, which is more cost effective than employing contractors. These project management staff are charged directly to the projects and capitalised.

6 OPERATING EXPENSES

	Actual 2011/12 \$000	Actual 2010/11 \$000
Fees to principal auditors		
- audit fees for financial statement audit	320	320
Operating lease expense	9,437	9,406
Impairment of receivables	248	380
Commissions	45,378	46,535
Transaction costs	17,526	18,560
Professional services	20,564	21,580
Road user safety advertising	14,388	11,471
Publications and promotions	2,308	1,853
Information technology	30,145	25,062
Meetings and conferences	773	573
Staff travel	5,968	5,524
Phones	1,877	2,097
Office management	2,832	3,561
Building management	2,364	2,259
Fees for Board members	305	306
Courses, training & professional subscriptions	2,802	3,178
Other	272	85
Expenses relating to the merger	708	2,383
Capital charge	0	390
TOTAL OPERATING EXPENSES	158,214	155,524

7 DEPRECIATION AND AMORTISATION EXPENSE

	Actual 2011/12 \$000	Actual 2010/11 \$000
Depreciation (note 12)	4,013	4,431
Depreciation on state highway network (note 13)	423,474	407,521
Depreciation on bailey bridging (note 14)	186	179
Amortisation (note 15)	4,461	5,299
TOTAL DEPRECIATION AND AMORTISATION EXPENSE	432,134	417,430

8 CASH AND CASH EQUIVALENTS

	Actual 2011/12 \$000	Actual 2010/11 \$000
Cash at bank and on hand	53,481	67,218
Cash at bank and on hand (for Tolling Accounts)	4,784	3,897
TOTAL CASH AND CASH EQUIVALENTS	58,265	71,115

The carrying value of cash at bank approximates their fair value.

9 DEBTOR NATIONAL LAND TRANSPORT FUND AND CROWN

	Actual 2011/12 \$000	Actual 2010/11 \$000
Debtor National Land Transport Fund	407,453	386,225
Debtor Crown	48,565	46,382
TOTAL DEBTOR NATIONAL LAND TRANSPORT FUND AND CROWN	456,018	432,607

The Debtor National Land Transport Fund represents amounts owed by the National Land Transport Fund to the NZTA. This is for activities completed by the NZTA where the National Land Transport Fund is the source of the funding. The Debtor Crown represents amounts owed by the Crown to the NZTA. This is for activities completed by the NZTA where the Crown directly sources the funding.

10 DEBTORS AND OTHER RECEIVABLES

	Actual 2011/12 \$000	Actual 2010/11 \$000
Debtors and other receivables	28,355	48,183
Less: Provision for impairment	2,349	5,668
TOTAL DEBTORS AND OTHER RECEIVABLES	26,006	42,515

Fair value

The carrying value of receivables approximates their fair value.

Impairment

The ageing profile of receivables at year end is detailed below:

	Gross \$000	2011/12 Impairment \$000	Net \$000	Gross \$000	2010/11 Impairment \$000	Net \$000
Not past due date	20,727	0	20,727	39,181	0	39,181
Past due plus 1-30 days	1,824	0	1,824	717	0	717
Past due plus 31-60 days	359	0	359	221	0	221
Past due plus 61-90 days	2,462	0	2,462	1,096	0	1,096
Past due plus over 90 days	2,983	(2,349)	634	6,968	(5,668)	1,300
TOTAL	28,355	(2,349)	26,006	48,183	(5,668)	42,515

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

Impairment is determined by review of individual overdue debts.

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

	Actual 2011/12 \$000	Actual 2010/11 \$000
Balance at 1 July	5,668	4,921
Operating provisions made during the year	248	380
Additional provisions made during the year (NLTP)	654	367
Receivables written off during the year	(4,221)	0
BALANCE AT 30 JUNE	2,349	5,668

11 PROPERTY ASSETS HELD FOR SALE

The NZTA owns 238 surplus properties valued at \$57.772 million which have been classified as held for sale. It is expected that these properties will be sold by 30 June 2013.

12 PROPERTY, PLANT AND EQUIPMENT

Movements for each class of property, plant and equipment are as follows:

	Motor vehicles \$000	Computer equipment \$000	Furniture fittings \$000	Leasehold improvements \$000	Office, plant & equipment \$000	Total \$000
COST OR VALUATION						
Balance at 1 July 2010	444	8,474	4,001	12,445	1,475	26,839
Additions	0	1,223	751	583	26	2,583
Reclassification	(69)	(675)	63	17	181	(483)
Work in progress	0	0	0	2,896	0	2,896
Disposals	(153)	(1,102)	(55)	(3)	(58)	(1,371)
Balance at 30 June 2011	222	7,920	4,760	15,938	1,624	30,464
Balance at 1 July 2011	222	7,920	4,760	15,938	1,624	30,464
Additions	0	2,159	807	2,545	109	5,620
Reclassification	0	453	(36)	(56)	(363)	(2)
Work in progress	0	0	0	(2,308)	0	(2,308)
Disposals	(164)	(2,272)	(635)	(327)	(55)	(3,453)
Balance at 30 June 2012	58	8,260	4,896	15,792	1,315	30,321
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2010	278	3,683	1,031	1,472	840	7,304
Depreciation expense	63	2,026	590	1,194	558	4,431
Reclassification	(75)	24	84	287	(348)	(28)
Impairment losses	1	170	68	57	6	302
Elimination on disposal	(80)	(939)	(1)	(3)	(58)	(1,081)
Balance at 30 June 2011	187	4,964	1,772	3,007	998	10,928
Balance at 1 July 2011	187	4,964	1,772	3,007	998	10,928
Depreciation expense	22	1,801	594	1,310	286	4,013
Reclassification	0	296	23	(15)	(305)	(1)
Impairment losses	0	(129)	(62)	(57)	(6)	(254)
Elimination on disposal	(151)	(2,081)	(455)	(151)	(45)	(2,883)
Balance at 30 June 2012	58	4,851	1,872	4,094	928	11,803
CARRYING AMOUNTS						
At 30 June 2011	35	2,956	2,988	12,931	626	19,536
At 30 June 2012	0	3,409	3,024	11,698	387	18,518

13 STATE HIGHWAY NETWORK

Movements for the state highway network are as follows:

	Actual 2011/12 \$000	Actual 2010/11 \$000
COST OR VALUATION		
Balance at 1 July	25,119,414	24,833,709
Additions - capital expenditure	1,087,026	1,376,647
Revaluation gains/(losses)	140,671	(642,170)
Depreciation expense	(423,474)	(407,521)
Disposals	(20,403)	(26,624)
Asset write-off	(8,870)	(14,627)
Non-current assets held for sale	(57,772)	0
Tolling system assets	107	0
BALANCE AT 30 JUNE	25,836,699	25,119,414

The most recent valuation of the state highway network and Bailey bridging was performed by a registered independent valuer, J Vessey, BE (Civil), BA (Economics), FIPENZ (Civil), CPEng, of Opus International Consultants Ltd. The total fair value amounted to \$25.837 billion (2011: \$25.119 billion) and this valuation is effective as at 30 June 2012.

Depreciated replacement cost is used to value these assets and is calculated by deducting an allowance for accumulated depreciation from the replacement cost, using a number of significant assumptions. These significant assumptions include:

- › the valuation methodology detailed in significant accounting policies
- › the remaining useful life of assets is estimated
- › straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

	Replacement cost \$000	Accumulated depreciation \$000	Valuation 2011/12 \$000	Replacement cost \$000	Accumulated depreciation \$000	Valuation 2010/11 \$000
State highway corridor land	7,393,681	0	7,393,681	7,412,815	0	7,412,815
Held properties	901,388	0	901,388	911,485	0	911,485
Formation	7,232,840	0	7,232,840	7,056,150	1,620	7,054,530
Pavement (other)	4,175,530	1,005,500	3,170,030	3,968,250	908,030	3,060,220
Pavement (surface)	1,171,180	575,020	596,160	1,151,370	544,730	606,640
Drainage	1,170,170	530,250	639,920	1,116,270	494,280	621,990
Traffic facilities	1,634,560	691,480	943,080	1,474,710	613,770	860,940
Bridges	6,105,680	2,605,820	3,499,860	5,986,570	2,451,296	3,535,274
Culverts & subways	470,620	191,480	279,140	493,070	190,190	302,880
Other structures	1,548,420	367,820	1,180,600	1,092,620	339,980	752,640
TOTAL	31,804,069	5,967,370	25,836,699	30,663,310	5,543,896	25,119,414

Other structures include retaining walls, minor structures, sea and river protection, tunnels, and rock fall netting.

Work in progress

The total amount of the state highway network in the course of construction is \$797.050 million (2011: \$1.147 billion).

14 BAILEY BRIDGING

Movements for Bailey bridging are as follows:

	Actual 2011/12 \$000	Actual 2010/11 \$000
COST OR VALUATION		
Balance at 1 July	7,312	7,384
Revaluation gains/(losses)	249	107
Depreciation expense	(186)	(179)
BALANCE AT 30 JUNE	7,375	7,312

Note 13 has commentary on the valuation which is also relevant to Bailey bridging.

	Replacement cost \$000	Accumulated depreciation \$000	Valuation 2011/12 \$000	Replacement cost \$000	Accumulated depreciation \$000	Valuation 2010/11 \$000
Panels	5,363	3,236	2,127	5,455	3,319	2,136
Transoms	1,718	667	1,051	1,661	633	1,028
Stringers	1,952	872	1,080	1,888	828	1,060
Chord reinforcing	3,054	1,659	1,395	2,953	1,561	1,392
Other miscellaneous	3,573	1,851	1,722	3,454	1,758	1,696
TOTAL	15,660	8,285	7,375	15,411	8,099	7,312

15 INTANGIBLE ASSETS

Movements within acquired software assets are as follows:

	Actual 2011/12 \$000	Actual 2010/11 \$000
COST		
Balance at 1 July	54,304	36,393
Additions	11,758	4,255
Reclassification	2	0
Work in progress movements	(4,171)	13,707
Disposals	(1,448)	(51)
Balance at 30 June	60,445	54,304
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES		
Balance at 1 July	19,511	14,263
Amortisation expense	4,461	5,299
Disposals	(1,274)	(51)
Balance at 30 June	22,698	19,511
CARRYING AMOUNTS		
At 30 June 2011	34,793	22,130
At 30 June 2012	37,747	34,793

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

Work in progress

The total amount of intangible assets in the course of development is \$20.198 million (2011: \$24.369 million). This includes \$17.418 million for a New Zealand-wide public transport automated fare collection system.

16 LOANS AND ADVANCES

Loan to local authority

On 31 August 2011, Auckland Council repaid the loan and interest of \$28.340 million that funded the upgrade of Auckland's rail carriages.

Statutory advances

Under the Public Works Act 1981, the NZTA has provided statutory advances of \$0.855 million (2011: \$0.495 million).

17 CREDITORS AND OTHER PAYABLES

	Actual 2011/12 \$000	Actual 2010/11 \$000
CURRENT PORTION		
Creditors	307,846	292,099
Income in advance	3,148	2,308
Income in advance (for tolling)	2,110	1,692
Accrued expenses	17,228	64,696
Lease make-good provision	70	531
Onerous contracts	48	707
Total current portion	330,450	362,033
NON-CURRENT PORTION		
Onerous contracts	227	744
Total non-current portion	227	744
TOTAL CREDITORS AND OTHER PAYABLES	330,677	362,777

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

Lease make-good provision

In respect of a number of its leased premises, the NZTA is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by the NZTA. In many cases, the NZTA has the option to renew these leases, which affects the timing of expected cash outflows to make-good the premises. Information about the NZTA's leasing arrangements is disclosed in note 25.

Onerous contracts provision

The NZTA has non-cancellable leases for office space that is no longer used by the NZTA due to restructuring.

A provision has been recognised for the future rental payments.

18 EMPLOYEE ENTITLEMENTS

	Actual 2011/12 \$000	Actual 2010/11 \$000
CURRENT PORTION		
Accrued salaries and wages	3,129	3,084
Annual leave	7,950	7,651
Sick leave	479	472
Long service leave	451	434
Total current portion	12,009	11,641
NON-CURRENT PORTION		
Retirement and long service leave	4,698	3,953
Total non-current portion	4,698	3,953
TOTAL EMPLOYEE ENTITLEMENTS	16,707	15,594

An actuarial valuation as at 30 June 2012 was performed by Eriksen & Associates Ltd. The valuer is J Eriksen, Fellow of the NZ Society of Actuaries.

The measurement of the retirement and long service leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

The discount rate of 2.63% (2011: 2.84%) is based on New Zealand Government bond data as at 30 June 2012 and specified by the Treasury. The salary inflation factor has been determined after considering the expected rate of inflation, again specified by the Treasury, historical salary inflation patterns and after obtaining advice from an independent actuary.

If the discount rate were to increase by 1% from that used, with all other factors held constant, the carrying amount of the liability would be an estimated \$235,000 lower.

If the salary inflation factor were to increase by 1% from that used, with all other factors held constant, the carrying amount of the liability would be an estimated \$256,000 higher.

19 BORROWING

The Estimates of Appropriations includes a borrowing facility for short-term advances to the NZTA from the Crown, to manage variations between cash outlays from and flows of hypothecated revenue into the National Land Transport Fund. The maximum amount of such advances at any one time shall not exceed \$250 million.

The NZTA has been advanced \$130 million as at 30 June 2012 (2011: \$110 million).

The fair value of the borrowing is \$130.116 million (2011: \$110.099 million), based on cash flows discounted using Treasury determined coupon rate of 3.25% (2011: 3.25%).

20 RETAINED FUNDS

	Note	Actual 2011/12 \$000	Actual 2010/11 \$000
RETAINED FUNDS – NZTA OPERATIONS			
Balance at 1 July		24,469	22,971
Surplus/(deficit) from Operations		(3,452)	1,498
Balance at 30 June		21,017	24,469
RETAINED FUNDS – NATIONAL LAND TRANSPORT PROGRAMME			
Balance at 1 July		0	14,181
Capital contribution from the National Land Transport Fund		573,356	987,142
Surplus/(deficit) from Operations		1,073	2,086
Surplus/(deficit) from Investment in land transport		35,597	(33,563)
Transfer to state highway investment	a	(634,093)	(954,320)
Funds provided to local authority		24,068	(15,526)
Balance at 30 June		0	0
RETAINED FUNDS – SPECIFIC PROJECTS FUNDED BY THE CROWN			
Balance at 1 July		784	2,056
Surplus/(deficit)		8,638	(1,272)
Balance at 30 June		9,422	784
NLTP FUNDS PROVIDED TO LOCAL AUTHORITY			
Balance at 1 July		41,486	25,960
Funds from the National Land Transport Programme		(24,068)	15,526
Balance at 30 June		17,418	41,486
TOTAL RETAINED FUNDS		47,858	66,739

a. Below is a breakdown of the movement of the National Land Transport Programme funds to state highways.

	Actual 2011/12 \$000	Actual 2010/11 \$000
Capitalised expenditure	1,087,026	1,376,647
State highway depreciation and asset write-off	(432,530)	(422,327)
State highway disposals to the National Land Transport Programme	(20,403)	0
TRANSFER TO STATE HIGHWAY INVESTMENT	634,093	954,320

21 MEMORANDUM ACCOUNT - THIRD PARTY FEES AND CHARGES

	Actual 2011/12 \$000	Actual 2010/11 \$000
Balance at 1 July	(6,088)	(2,647)
Surplus/(deficit) from Operations	(480)	(3,441)
TOTAL MEMORANDUM ACCOUNT - THIRD PARTY FEES AND CHARGES	(6,568)	(6,088)

a. Below is a breakdown of the memorandum account by funding source.

	Actual 2011/12 \$000	Actual 2010/11 \$000
BORDER INSPECTIONS		
Revenue	1,691	1,590
Expenditure	1,233	1,382
Net surplus/(deficit)	458	208
Closing balance	736	278
CERTIFICATION REVIEWS		
Revenue	7,596	7,521
Expenditure	8,526	6,711
Net surplus/(deficit)	(930)	810
Closing balance	(1,925)	(995)
DRIVER LICENSING		
Revenue (including Crown driver test subsidy)	29,784	29,304
Expenditure	29,397	31,912
Net surplus/(deficit)	387	(2,608)
Closing balance	(2,221)	(2,608)
DRIVER TESTING		
Revenue	15,989	17,662
Expenditure	15,529	16,908
Net surplus/(deficit)	460	754
Closing balance	1,214	754
OVERDIMENSION AND OVERWEIGHT PERMITS		
Revenue	442	389
Expenditure	231	129
Net surplus/(deficit)	211	260
Closing balance	574	363
RAIL LICENSING		
Revenue	662	1,093
Expenditure	1,312	901
Net surplus/(deficit)	(650)	192
Closing balance	(2,439)	(1,789)
STANDARDS DEVELOPMENT AND CERTIFICATION		
Revenue	6,171	5,814
Expenditure	8,317	9,243
Net surplus/(deficit)	(2,146)	(3,429)
Closing balance	674	2,820

	Actual 2011/12 \$000	Actual 2010/11 \$000
TRANSPORT LICENSING		
Revenue	8,453	7,461
Expenditure	6,879	7,104
Net surplus/(deficit)	1,574	357
Closing balance	(3,208)	(4,782)
TOLLING		
Revenue	5,544	4,905
Expenditure	5,388	4,890
Net surplus/(deficit)	156	15
Closing balance	27	(129)
TOTAL MEMORANDUM ACCOUNT – THIRD PARTY FEES AND CHARGES	(6,568)	(6,088)

22 STATE HIGHWAY NETWORK

	Note	Actual 2011/12 \$000	Actual 2010/11 \$000
STATE HIGHWAY INVESTMENT			
Balance at 1 July		17,134,081	16,179,761
Transfer from the National Land Transport Programme	20	634,093	954,320
Balance at 30 June		17,768,174	17,134,081
STATE HIGHWAY REVALUATION RESERVE			
Balance at 1 July		8,065,562	8,707,625
Revaluation gains/(losses) – state highway network		140,671	(642,170)
Revaluation gains/(losses) – Bailey bridging		249	107
Balance at 30 June		8,206,482	8,065,562
TOTAL STATE HIGHWAY NETWORK		25,974,656	25,199,643

23 CAPITAL CONTRIBUTION – NATIONAL LAND TRANSPORT PROGRAMME

	Actual 2011/12 \$000	Actual 2010/11 \$000
Accelerated state highway construction	0	33,700
New and improved infrastructure for state highways	373,625	638,330
Renewal of state highways	199,731	205,112
TOTAL CAPITAL CONTRIBUTION – NATIONAL LAND TRANSPORT PROGRAMME	573,356	877,142

24 RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	Actual 2011/12 \$000	Actual 2010/11 \$000
NET SURPLUS/(DEFICIT)	41,376	(34,692)
ADD/(LESS) NON-CASH ITEMS:		
Depreciation and amortisation expense	432,134	417,430
State highway asset write-off	8,870	14,627
Increase/(decrease) in employee entitlements	745	1,161
Total non-cash items	441,749	433,218
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCIAL ACTIVITIES:		
Payments to suppliers	88,357	128,235
Borrowing	170,000	110,000
Repayment of borrowing	(150,000)	0
Interest on borrowing	5,326	98
Total items classified as investing or financing activities	113,683	238,333
ADD/(LESS) MOVEMENTS IN STATEMENT OF FINANCIAL POSITION ITEMS:		
(Increase)/decrease in debtor National Land Transport Fund	(23,411)	(134,898)
(Increase)/decrease in debtors and other receivables	16,509	10,062
(Increase)/decrease in prepayments and inventories	(1,786)	(78)
Increase/(decrease) in creditors and other payables	(32,100)	10,491
Increase/(decrease) in tolling funds held in trust for Ministry of Transport	248	1,423
Increase/(decrease) in employee entitlements	368	1,154
Net movements in working capital items	(40,172)	(111,846)
NET CASH FROM OPERATING ACTIVITIES	556,636	525,013

25 CAPITAL COMMITMENTS AND OPERATING LEASES

National Land Transport Programme funding commitments

The future aggregate funding commitments for the National Land Transport Programme are as follows:

	Actual 2011/12 \$000	Actual 2010/11 \$000
Not later than one year	1,175,795	2,697,395
Later than one year and not later than five years	1,683,963	2,071,429
Later than five years	132,171	373,800
TOTAL FUNDING COMMITMENTS	2,991,929	5,142,624

Capital commitments

The future aggregate construction contract commitments for the state highway network are as follows:

	Actual 2011/12 \$000	Actual 2010/11 \$000
Not later than one year	745,587	888,064
Later than one year and not later than five years	1,703,923	1,956,537
Later than five years	150,244	0
TOTAL CAPITAL COMMITMENTS	2,599,754	2,844,601

Construction of the state highway network is a component of the National Land Transport Programme. These capital commitments are also included under the National Land Transport Programme funding commitments.

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows::

	Actual 2011/12 \$000	Actual 2010/11 \$000
Not later than one year	19,818	24,506
Later than one year and not later than five years	60,099	71,255
Later than five years	37,798	46,226
TOTAL NON-CANCELLABLE OPERATING LEASES	117,715	141,987

26 CONTINGENCIES

Contingent liabilities

Contract and land settlements

There are claims of \$10.9 million (2011: \$15.4 million) relating to a range of roading and property contract disputes.

Contingent assets

The NZTA has contingent assets of \$0.581 million (2011: nil) relating to claims for legal costs.

27 RELATED PARTY TRANSACTIONS

All related party transactions have been entered into on an arms-length basis.

The NZTA is a wholly owned entity of the Crown.

Significant transactions with government-related entities

The NZTA has been provided with funding from the Crown and National Land Transport Fund of \$1.912 billion (2011: \$1.828 billion) for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations. The Crown has also made available to the NZTA a borrowing facility of \$250 million for short-term advances.

Collectively, but not individually, significant transactions with government-related entities

In conducting its activities, the NZTA is required to pay various taxes and levies (such as GST, fringe benefit tax (FBT), pay as you earn (PAYE) and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The NZTA is exempt from paying income tax.

The NZTA also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2012 totalled \$51.478 million (2011: \$44.136 million). These government-related entities include New Zealand Post Ltd (\$25.412 million), New Zealand Railways Corporation (\$7.265 million) and Housing New Zealand Ltd (\$6.021 million). These purchases also include the purchase of electricity from Genesis Energy and Meridian Energy, and air travel from Air New Zealand.

The NZTA receives funding from the Road Safety Trust for providing administrative support. The Chief Executive or his nominee is a representative on the Road Safety Trust as a trustee.

During the 2011/12 financial year Board members and staff of the NZTA were involved in minor transactions with the motor vehicle register and driver licence systems when re-registering their vehicle or driver licences.

Key management personnel – director transactions

The following material transactions were entered into during the year with entities the directors have a relationship with.

In the majority of the relationships the directors are in a governance role and in only a few is there a financial interest.

All transactions were at arm's length and under normal commercial terms.

Board member/entity	Relationship	Transaction ^a	Transaction value		Balance outstanding	
			2011/12 \$000	2010/11 \$000	2011/12 \$000	2010/11 \$000
CHRIS MOLLER						
Meridian Energy Ltd	Chair	Energy costs	377	176	38	0
Westpac NZ Ltd	Director	Income from interest received	2,190	0	0	0
		Fees for banking services	3,117	983	100	0
Opus International Consultants	Minor shareholding ^b	Income from staff training	64	57	1	3
		Fees for professional services	77,911	80,156	10,054	4,904
PATSY REDDY						
Fletcher Building Ltd	Minor shareholding via Trust ^b	Fees for state highway services	80,994	0	0	0
Opus International Consultants	Minor shareholding via Trust ^b	Income from staff training	64	57	1	3
		Fees for professional services	77,911	80,156	10,054	4,904
BRYAN JACKSON						
NZ Railways Corporation	Director ^c	Income from rail licensing fees	0	1,207	0	226
		Investment in land transport	0	1,764	0	325
Vehicle Testing Group	Chair ^c	Income from certification fees	255	229	0	21
		Agent commissions	5,591	5,360	440	436
TONY LANIGAN						
Watercare Services Ltd	Director	Income for services	55	15,887	54	1,638
		Fees for monitoring services	143	334	1	0
JERRY RICKMAN						
PricewaterhouseCoopers	Consultant/ Wife partner ^d	Fees for professional services	695	1,879	0	8
ALICK SHAW						
Azimuth Consulting Ltd	Associate	Fees for professional services	133	0	47	0
ADRIENNE YOUNG-COOPER						
Housing New Zealand Corporation	Deputy Chair	Property purchases	6,021	0	0	0
GILL COX						
Mainpower NZ Ltd	Chair	Fees for state highway services	74	0	6	0

a. Transactions are expenditure items unless stated as income.

b. Shareholdings are part of portfolios managed via third parties.

c. Bryan Jackson was Chair of the Vehicle Testing Group until December 2011, and a Director of the New Zealand Railways Corporation until April 2011.

d. Jerry Rickman was a consultant to, and his wife a partner in, PricewaterhouseCoopers until December 2011.

There are no close family members of key management personnel employed by the NZTA.

Key management personnel compensation

	Actual 2011/12 \$000	Actual 2010/11 \$000
Salaries and other short-term employee benefits	4,127	3,962
Post-employment benefits	0	0
Other long-term benefits	0	0
Termination benefits	57	23
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	4,184	3,985

Key management personnel includes all Board members, the Chief Executive and the 10 (2011: 10) members of the Senior Leadership Team.

Funds held in trust

The following funds are held in trust while awaiting roading work to be completed. When the requirements of the agreement with the depositor are met, the funds are paid over to the NZTA.

	Actual 2011/12 \$000	Actual 2010/11 \$000
Chapman Tripp	5,670	133
Public Trust	805	1,106
TOTAL FUNDS HELD IN TRUST	6,475	1,239

28 BOARD MEMBER REMUNERATION

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

		Actual 2011/12 \$000	Actual 2010/11 \$000
Chris Moller (Chair)		68	68
Patsy Reddy		42	25
Bryan Jackson		34	36
Tony Lanigan		34	28
Jerry Rickman		34	31
Alick Shaw		34	34
Adrienne Young-Cooper	Appointed August 2011	31	0
Gill Cox	Appointed September 2011	28	0
Garry Moore	Stepped down in June 2011	0	42
Christine Caughey	Stepped down in June 2011	0	34
Paul Fitzharris	Stepped down in July 2010	0	4
Grahame Hall	Stepped down in July 2010	0	4
TOTAL BOARD MEMBER REMUNERATION		305	306

There have been no payments made to committee members appointed by the Board who were not Board members during the financial year. The NZTA has effected Directors and Officers Liability and Professional Indemnity Insurance cover during the financial year in respect of the liability or costs of Board members and employees. The Board has also taken insurance cover covering personal accident and travel risk for Board members and employees where injury or loss occurs while on NZTA business.

No Board members received compensation or other benefits in relation to cessation (2011: nil).

29 EMPLOYEE REMUNERATION

Total remuneration paid or payable	No. of staff 2011/12	No. of staff 2010/11
100,000-109,999	69	59
110,000-119,999	55	57
120,000-129,999	40	32
130,000-139,999	33	25
140,000-149,999	21	18
150,000-159,999	15	14
160,000-169,999	14	17
170,000-179,999	8	9
180,000-189,999	6	7
190,000-199,999	6	3
200,000-209,999	7	4
210,000-219,999	3	2
220,000-229,999	1	3
230,000-239,999	2	0
240,000-249,999	1	2
250,000-259,999	1	2
260,000-269,999	3	2
280,000-289,999	0	1
300,000-309,999	1	2
310,000-319,999	1	1
320,000-329,999	1	1
330,000-339,999	1	0
340,000-349,999	1	1
360,000-369,999	1	0
370,000-379,999	0	1
380,000-389,999	1	0
390,000-399,999	1	0
580,000-589,999	0	*1
600,000-609,999	*1	0
TOTAL EMPLOYEES	294	264

* Chief Executive Officer

During the year ended 30 June 2012, 15 (2011: 28) employees received compensation and other benefits in relation to cessation totalling \$0.787 million (2011: \$1.235 million).

30 EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

31 FINANCIAL INSTRUMENT CATEGORIES

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

	Actual 2011/12 \$000	Actual 2010/11 \$000
LOANS AND RECEIVABLES		
Cash and cash equivalents	58,265	71,115
Crown receivable	456,018	432,607
Debtors and other receivables	26,006	42,515
Loans and advances	855	28,835
TOTAL LOANS AND RECEIVABLES	541,144	575,072
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Creditors and other payables (current and non-current)	330,677	362,777
Borrowing	130,000	110,000
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	460,677	472,777

32 FINANCIAL INSTRUMENT RISKS

The NZTA's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk.

The NZTA 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

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The NZTA's exposure to fair value interest rate risk is limited to its bank deposits which are held at fixed rates of interest. The NZTA does not actively manage its exposure to fair value interest rate risk.

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. Investments and borrowing issued at variable interest rates expose the NZTA to cash flow interest rate risk.

The NZTA's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. The NZTA currently has no variable interest rate investments.

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. The NZTA purchases goods and services overseas which require it to enter into transactions denominated in foreign currencies.

Credit risk

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

Due to the timing of its cash inflows and outflows, the NZTA invests surplus cash with registered banks.

The NZTA has processes in place to review the credit quality of customers prior to the granting of credit.

In the normal course of business, the NZTA is exposed to credit risk from cash and term deposits with banks, 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.

The NZTA limits the amount of credit exposure to any one financial institution for term deposits to no more than \$40 million. The NZTA invests funds only with registered banks that have a Standard and Poor's credit rating of at least A-1 for short term and for long term investments. The NZTA has experienced no defaults of interest or principal payments for term deposits.

The NZTA holds no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

The NZTA's maximum credit risk exposure for each class of financial instrument is as follows:

	Actual 2011/12 \$000	Actual 2010/11 \$000
Cash and cash equivalents	58,265	71,115
National Land Transport Fund and Crown receivable	456,018	432,607
Debtors and other receivables	26,006	42,515
Loans and advances	855	28,835
TOTAL CREDIT RISK	541,144	575,072

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 and Poor's credit ratings.

	Actual 2011/12 \$000	Actual 2010/11 \$000
CASH AND CASH EQUIVALENTS		
AA	58,265	71,115
TOTAL CASH AND CASH EQUIVALENTS	58,265	71,115

Liquidity risk*Management of liquidity risk*

Liquidity risk is the risk that the NZTA will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash.

The NZTA mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Contractual maturity analysis of financial liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

	2011/12			2010/11		
	Less than 6 months \$000	6-12 months \$000	Later than 1 year \$000	Less than 6 months \$000	6-12 months \$000	Later than 1 year \$000
Creditors and other payables	330,332	118	227	360,795	1,238	744
Borrowings	0	130,000	0	0	110,000	0

Contractual maturity analysis of financial assets

The table below analyses financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

	2011/12		2010/11	
	Less than 6 months \$000	Later than 1 year \$000	Less than 6 months \$000	Later than 1 year \$000
Cash and cash equivalents	58,265	0	71,115	0
National Land Transport Fund and Crown receivable	456,018	0	432,607	0
Debtors and other receivables	26,006	0	42,515	0
Loans and advances	0	855	0	28,835

Borrowing

The NZTA's borrowing facility from the Crown is the result of the acceleration of our investment in state highways, which is to cover seasonal variations in cash flows where state highway works progress ahead of funding available from the National Land Transport Fund. The NZTA is addressing this risk through prudent management of expenditure on state highways and cash flows from the National Land Transport Fund.

Sensitivity analysis

Interest rate risk

The table below illustrates the potential effect on the surplus or deficit for reasonably possible market movements, with all other variables held constant, based on the NZTA's financial instrument exposure at balance date.

	2011/12		2010/09	
	Effect on surplus or deficit		Effect on surplus or deficit	
	+1% \$000	-1% \$000	+1% \$000	-1% \$000
Cash and cash equivalents	534	(534)	688	(688)
Loans and advances	0	0	375	(375)

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a 1% change in interest rates.

	2011/12		2010/09	
	Effect on surplus or deficit		Effect on surplus or deficit	
	+0.5% \$000	-0.5% \$000	+0.5% \$000	-0.5% \$000
Borrowing	1,331	(1,331)	24	(24)

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a 0.5% change in the Treasury determined coupon rate.

33 CAPITAL MANAGEMENT

The NZTA's capital is its equity, which comprises general funds, accumulated funds and revaluation reserves.

Equity is represented by net assets.

The NZTA is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowing, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

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

34 EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variances from the NZTA's budgeted figures in the *Statement of intent* are as follows:

Statement of comprehensive income

INCOME

Revenue from the Crown was higher than budgeted by \$50 million due to the Crown investing an extra \$45 million in the reinstatement of local roads in Canterbury.

Revenue from National Land Transport Fund was lower than budgeted by \$32.6 million as a result of two key decisions made early in the year to manage the National Land Transport Fund: (a) a moratorium on new approvals for improvement activities and (b) a financial assistance rate (FAR) variation arrangement with Auckland Transport.

EXPENDITURE

Investment in land transport was lower than budgeted by \$54.5 million. In addition to the decisions made to manage the National Land Transport Fund (see above), the Christchurch bus exchange project has been postponed, following the earthquakes, and has been included in the 2012-15 National Land Transport Programme.

Depreciation and amortisation expense, which predominately relates to state highways, was higher than budgeted by \$41.7 million as the budget did not fully take into account the impact of proportionately higher spending on state highways in the earlier part of the 2009-12 National Land Transport Programme.

Statement of financial position

CURRENT ASSETS

Cash and cash equivalents were higher than budgeted by \$46.378 million. The NZTA aims to manage cash as tightly as possible and set itself an ambitious goal for 2011/12.

Debtors and other receivables were lower than budgeted by \$18.994 million. The budget was set at a consistent level to 2010/11 actuals, which included a number significant debtors that have now been settled, including 1 property debtor of \$12 million.

Non-current assets held for sale the variance of \$57.772 million is the result of a project carried out this year to identify properties that are surplus to requirements. This is an exercise that we now intend to carry out annually.

NON-CURRENT ASSETS

Property, plant and equipment was lower than budgeted by \$2.224 million. The budget was set based on the expected 2011/12 capital programme. The most significant capital addition that is behind expectations is due to delays in leasehold improvements on the testing facility in Christchurch (\$1.3 million).

State highway network was lower than budgeted by \$1.791 billion. The 2011/12 budget was set prior to the finalisation of the 2010/11 state highway valuation, and was estimated using the draft 2010/11 state highway valuation as the opening balance as at 1 July 2011 with an annual increase consistent with previous years valuation increases. The 2010/11 state highway valuation was adjusted downwards by \$1.4 billion for capital leakage and Brownfields costs to projects which has created the variance between budget and actual values for the state highway network asset.

Intangible assets were higher than budgeted by \$8.771 million. The variance to budget was largely created by the late inclusion of the integrated ticketing asset in the 2010/11 financial statements. This asset (\$13.1 million as at 30 June 2011) was incorporated into the 2010/11 financial statements after the finalisation of the 2011/12 budgets. This was partly offset by significant resource applied to operational programmes for road user charges and BCP (Business Continuity Plan), which have not, therefore, been available for capital projects.

Loans and advances was lower than budgeted by \$29.287 million. The Auckland Council loan was repaid in full in August 2011 (\$28.4 million), and when the budget was set this was not expected to be settled until the 2012/13 financial year.

LIABILITIES

Creditors and other payables were lower than budgeted by \$24.330 million. The reduction in creditors reflects the reduction in National Land Transport Programme expenditure for the 2011/12 year compared to budget. Given the reduction in the National Land Transport Programme expenditure in 2011/12, a decrease in creditors of this magnitude is expected.

Employee entitlements were higher than budgeted by \$2.309 million. The long service leave and sick leave entitlement both were re-estimated by the actuaries, resulting in a combined revaluation. The annual leave entitlement increased significantly in 2011/12 due to (1) a higher proportion of staff being entitled to 5 weeks leave, and (2) the impact of internal restructuring leading staff to take less leave than the usual pattern.

Borrowing was lower than budgeted by \$119.596 million. Claims from approved organisations settled in July rather than June resulted in a better-than-expected debt position as at 30 June 2012.

SUPPLEMENTARY INFORMATION

This supplementary information section contains additional disclosure and guidance material to the financial statements and has been provided to give a better understanding of the NZTA's business.

In this section you will find the following:

- › detailed performance by segment of the business
- › National Land Transport Programme
- › land transport management (road tolling scheme).

This information is consistent with, and should be read in conjunction with, the financial highlights on pages 95 to 97 and the audited financial statements on pages 98 to 101.

DETAILED PERFORMANCE BY SEGMENT OF THE BUSINESS

The following tables further detail financial performance information for each of these segments.

OPERATIONS			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
REVENUE FROM THE CROWN			
Regulatory implementation and enforcement	1,396	1,348	1,356
Licensing activities	2,475	2,475	2,250
Motor vehicle register	47,966	40,016	41,454
Road user charges collection, investigation and enforcement	16,485	17,855	17,349
Refund of fuel excise duty	441	429	431
Administration of the SuperGold cardholders scheme	46	95	35
	68,810	62,218	62,875
REVENUE FROM THE NATIONAL LAND TRANSPORT FUND			
Management of the funding allocation system	29,371	29,000	30,709
Transport planning	7,668	7,000	9,650
Sector training and research	5,000	6,000	3,400
Public transport infrastructure	2,551	4,000	2,841
Road user safety	20,390	22,400	17,393
Maintenance and operation of state highways	10,728	8,735	11,312
	75,707	77,135	75,305
REVENUE FROM THIRD PARTIES			
Regulatory implementation and enforcement	32,150	28,070	30,875
Licensing activities	44,767	39,100	44,981
Motor vehicle register	5,650	13,460	13,497
Sector training and research	2	0	8
New infrastructure for and renewal of state highways	450	0	18
Maintenance and operation of state highways	1,166	964	1,095
	84,185	81,594	90,474
TOTAL INCOME	228,702	220,947	228,654

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
EXPENDITURE			
OPERATING ACTIVITIES			
Regulatory implementation and enforcement	33,861	31,443	32,019
Licensing activities	45,570	45,475	49,794
Motor vehicle register	56,926	54,381	53,797
Road user charges collection, investigation and enforcement	16,897	18,829	14,887
Refund of fuel excise duty	501	429	496
Administration of the SuperGold cardholders scheme	46	95	63
	153,802	150,652	151,056
OPERATING ACTIVITIES (NATIONAL LAND TRANSPORT PROGRAMME)			
Management of the funding allocation system	29,891	29,000	31,233
Transport planning	7,668	7,000	9,755
Sector training and research	3,858	6,000	3,391
Public transport infrastructure	2,551	4,000	2,599
Road user safety	20,390	22,400	15,763
New and improved infrastructure for state highways	29,770	31,165	26,435
Renewal of state highways	10,728	8,735	11,581
Maintenance and operation of state highways	10,728	8,735	10,496
	115,583	117,035	111,253
OPERATING ACTIVITIES (BUSINESS UNITS)			
Maintenance and operation of state highways	1,202	865	1,243
Expenses relating to the delivery of outputs	270,587	268,552	263,552
Expenses relating to the merger	1,471	1,787	2,975
Total expenditure	272,058	270,339	266,527
STATE HIGHWAY NETWORK			
Less capitalised expenditure	(40,497)	(39,900)	(38,016)
Total expenditure	231,561	230,439	228,511
NET SURPLUS/(DEFICIT)	(2,859)	(9,492)	143

Movement of operations net surplus/(deficit) to equity

This table shows the net result of the NZTA's operations. The net surplus/(deficit) is separated into three retained funds based on the source of funding:

- › *Retained funds – NZTA operations* refers to Crown funded (excluding the driver test subsidy), contracted services, non-third party fees and charges activities, and expenses relating to the merger.
- › *Memorandum account – Third party fees and charges* refers to activities funded from third party fees and charges, including tolling.
- › *Retained funds – National Land Transport Programme* refers to activities that are funded from the National Land Transport Fund.

Movement of operations net surplus/(deficit) to equity	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Retained funds – NZTA Operations	76,212	75,934	77,592
Retained funds – National Land Transport Programme	76,158	77,135	75,323
Memorandum account – Third party fees and charges	76,332	67,878	75,739
	228,702	220,947	228,654
EXPENDITURE			
Retained funds – NZTA Operations	79,664	79,458	76,094
Retained funds – National Land Transport Programme	75,085	77,135	73,237
Memorandum account – Third party fees and charges	76,812	73,846	79,180
	231,561	230,439	228,511
NET SURPLUS/(DEFICIT)			
Retained funds – NZTA Operations	(3,452)	(3,524)	1,498
Retained funds – National Land Transport Programme	1,073	0	2,086
Memorandum account – Third party fees and charges	(480)	(5,968)	(3,441)
NET SURPLUS/(DEFICIT)	(2,859)	(9,492)	143

INVESTMENT IN LAND TRANSPORT

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
REVENUE FROM THE NATIONAL LAND TRANSPORT FUND			
Transport planning	17,420	19,000	13,609
Public transport infrastructure	32,468	51,000	41,826
Public transport services	233,000	228,000	194,630
Road user safety	20,451	20,600	15,608
New and improved infrastructure for local roads	137,000	165,000	163,142
Renewal of local roads	185,000	235,000	205,500
Maintenance and operation of local roads	275,000	277,000	274,768
Walking and cycling facilities	7,000	12,000	12,300
New infrastructure for and renewal of state highways	432,875	410,927	405,913
Maintenance and operation of state highways	353,431	306,265	317,165
Total income	1,693,645	1,724,792	1,644,461

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
EXPENDITURE			
INVESTMENT IN LAND TRANSPORT			
Transport planning	14,946	19,000	13,440
Public transport infrastructure	15,519	51,000	28,920
Public transport services	231,328	228,000	194,630
Road user safety	20,708	20,600	16,527
New and improved infrastructure for local roads	110,132	165,000	163,142
Renewal of local roads	188,227	235,000	205,499
Maintenance and operation of local roads	292,639	277,000	304,182
Walking and cycling facilities	11,708	12,000	12,262
Rail and coastal freight	72	0	(121)
Accelerated state highway construction	0	0	33,700
New and improved infrastructure for state highways	858,526	889,235	1,111,354
Renewal of state highways	189,003	196,265	193,531
Maintenance and operation of state highways	333,914	306,265	317,262
Interest on borrowing	5,326	3,600	0
	2,272,047	2,402,965	2,594,328
STATE HIGHWAY NETWORK			
State highway depreciation	423,660	382,140	407,700
State highway asset write-off	8,870	27,000	14,627
Less capitalised expenditure	(1,046,529)	(1,089,100)	(1,338,631)
	(613,999)	(679,960)	(916,304)
Total expenditure	1,658,048	1,723,005	1,678,024
NET SURPLUS/(DEFICIT)	35,597	1,787	(33,563)

SPECIFIC PROJECTS FUNDED BY THE CROWN			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
REVENUE FROM THE CROWN			
Reinstatement of local roads in Canterbury	45,000	0	0
Canterbury transport project	5,000	5,000	14,000
Regional development transport funding	2,000	2,000	11,000
Enhanced public transport concessions for SuperGold cardholders	21,339	22,905	20,735
Administration of the SuperGold cardholders scheme	0	0	100
Total income	73,339	29,905	45,835
EXPENDITURE			
Reinstatement of local roads in Canterbury	36,106	0	0
Canterbury transport project	5,000	5,000	14,000
Regional development transport funding	2,256	647	12,299
Enhanced public transport concessions for SuperGold cardholders	21,339	22,905	20,735
Administration of the SuperGold cardholders scheme	0	0	73
Total expenditure	64,701	28,552	47,107
NET SURPLUS/(DEFICIT)	8,638	1,353	(1,272)

This supplementary information does not form part of the NZ Transport Agency's audited financial statements.

NATIONAL LAND TRANSPORT PROGRAMME

The National Land Transport Programme outlines a three-year programme of funding for land transport infrastructure and services throughout the country. The NZTA develops the National Land Transport Programme based on the policy direction in the Land Transport Management Act 2003 and the Government Policy Statement on Land Transport Funding (and regional priorities).

The following table shows the movements in the National Land Transport Programme balance for the third year of the programme.

NATIONAL LAND TRANSPORT PROGRAMME			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Capital contribution from National Land Transport Fund	573,356	703,773	987,142
Revenue from the National Land Transport Fund	1,744,477	1,779,000	1,697,853
Revenue from the National Land Transport Fund (rental and interest income)	24,875	22,927	21,913
Revenue from third parties	450	0	18
Total income for the National Land Transport Programme	2,343,158	2,505,700	2,706,926
EXPENDITURE			
New and improved infrastructure for state highways	888,295	1,036,200	1,171,489
Renewal of state highways	199,731	202,000	205,112
Maintenance and operation of state highways	344,642	300,000	327,758
New and improved infrastructure for local roads	110,132	136,000	163,142
Renewal of local roads	188,227	236,000	205,499
Maintenance and operation of local roads	292,639	251,000	304,182
Public transport services	231,328	220,000	194,630
Public transport infrastructure	18,070	57,000	31,519
Demand management and community programmes	41,097	38,000	32,290
Walking and cycling facilities	11,708	14,000	12,262
Sector training and research	3,858	6,000	3,391
Rail and sea freight	72	1,000	(121)
Transport planning	22,614	32,000	23,195
Management of the funding allocation system	29,891	32,400	31,233
Interest on borrowing	5,326	0	0
Total expenditure	2,387,629	2,561,600	2,705,581
CARRY OVER INTO NEXT YEAR			
Revenue from state highway disposals	20,403	16,000	0
Loan to local authority	28,340	(1,700)	(2,380)
Public transport infrastructure – automated fare collection system	(4,272)	0	(13,146)
Opening balance	0	0	14,181
CLOSING BALANCE AT THE END OF THE YEAR	0	(41,600)	0

This supplementary information does not form part of the NZ Transport Agency's audited financial statements.

LAND TRANSPORT MANAGEMENT (ROAD TOLLING SCHEME)

This supplementary information has been provided to fulfil section 17 of the Land Transport Management (Road Tolling Scheme for ALPUR T B2) Order 2005.

The Northern Gateway Toll Road was officially opened on 24 January 2009, bringing about a safer and more reliable journey between Auckland and Northland. In the year to 30 June 2012, 5.2 million trips were made on the toll road. In addition to this, another 2.1 million trips have been made via the now less congested alternative free route, State Highway 17.

Toll tariffs

Toll tariffs were increased on 1 March 2012, which is the first increase in toll tariffs since the road opened.

The toll tariffs are now set at \$2.20 for light vehicles (3.5 tonnes and under) and motorcycles, and \$4.40 for heavy vehicles (over 3.5 tonnes). There is no cost for towing a trailer or caravan.

Toll revenue

The toll tariff consists of three parts: revenue, transaction charge and GST. Toll revenue is the portion of the tariff used to repay the debt, while the transaction charge element provides funding towards the operation costs (of running tolling). For a \$2.20 toll this is \$1.21 and \$0.70 respectively. The remaining \$0.29 is GST. Over \$6.4 million of toll revenue has been paid to the Ministry of Transport for the period ended 30 June 2012, for debt repayment.

TRAFFIC VOLUMES FOR THE YEAR ENDED 30 JUNE 2012

Class of motor vehicle	Actual 2011/12 000	Budget 2011/12 000	Actual 2010/11 000
Light vehicle	4,773	4,824	4,693
Heavy vehicle	381	413	387
Exempt	19	21	19
Unidentifiable	11	21	24
Technical loss	14	11	5
TOTAL	5,198	5,290	5,128

TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT) FOR THE YEAR ENDED 30 JUNE 2012

	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
PAID TOLL			
Light vehicle	5,266	5,035	5,015
Heavy vehicle	1,105	1,152	1,091
Interest	43	39	45
TOTAL FUNDS AVAILABLE	6,414	6,226	6,151
OUTSTANDING DEBTOR BALANCE AS AT 30 JUNE 2012			
Unpaid toll revenue to be collected for the Ministry of Transport	142		178
Unpaid operating charge to be collected	79		94
Unpaid administration charges to be collected	329		163
GST to be collected	82		62
TOTAL OUTSTANDING DEBTOR BALANCE AS AT 30 JUNE 2012	632	0	497

USE OF TOLL ROAD AND ALTERNATIVE ROUTE(S) FOR THE YEAR ENDED 30 JUNE 2012

	Actual 2011/12 %	Budget 2011/12 %	Actual 2010/11 %
Northern Gateway Toll Road (State Highway 1)	71.4%	71.0%	71.4%
Free alternative route(s) (State Highways 16 or 17)	28.6%	29.0%	28.6%
TOTAL	100.0%	100.0%	100.0%

COMPLIANCE WITH TOLLING FOR THE YEAR ENDED 30 JUNE 2012				
	Volumes Actual 2011/12 000	Revenue Actual 2011/12 \$000	Volumes Actual 2010/11 000	Revenue Actual 2010/11 \$000
Total chargeable toll trips	5,154	11,423	5,080	10,934
Total administration charges	n/a	2,243	n/a	1,163
TOTAL TOLL REVENUE	5,154	13,666	5,080	12,097
Paid toll trips	4,981	11,051	4,880	10,519
Paid administration charges	n/a	1,681	n/a	861
PAID TOLL REVENUE	4,981	12,732	4,880	11,380
Unpaid toll trips	173	372	200	415
Unpaid administration charges	n/a	562	n/a	303
UNPAID TOLL REVENUE	173	934	200	718
Administration charge payment compliance	n/a	74.9%	n/a	74.0%
Toll payment compliance	96.6%	96.7%	96.1%	94.1%

Financial statements for tolling

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Toll fees	5,540	5,293	4,314
Additional funds received from the National Land Transport Programme	0	0	559
Total income	5,540	5,293	4,873
Expenditure	5,383	5,293	4,873
NET SURPLUS/(DEFICIT)	157	0	0

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
ASSETS			
Current assets	5,951	5,879	6,190
Non-current assets	3,298	3,299	3,920
TOTAL ASSETS	9,249	9,178	10,110
Liabilities	5,236	4,678	4,684
NET ASSETS/EQUITY	4,013	4,500	5,426

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
Net cash from operating activities	7,123	4,969	6,665
Net cash from financing activities	(6,237)	(6,188)	(6,139)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	886	(1,219)	526
Cash and cash equivalents at the beginning of the year	3,898	3,897	3,372
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4,784	2,678	3,898

This supplementary information does not form part of the NZ Transport Agency's audited financial statements.

OUTPUT CLASS INCOME AND EXPENDITURE

Planning and investing in land transport networks

MANAGEMENT OF THE FUNDING ALLOCATION SYSTEM			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the National Land Transport Fund (taxi enforcement)	1,408	2,084	2,085
Revenue from the National Land Transport Fund	27,963	26,916	28,624
Total income	29,371	29,000	30,709
EXPENDITURE			
NZ Transport Agency operating activities (taxi enforcement)	1,408	2,084	2,077
NZ Transport Agency operating activities	28,483	26,916	29,156
Total expenditure	29,891	29,000	31,233
NET SURPLUS/(DEFICIT)	(520)	0	(524)

TRANSPORT PLANNING			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the National Land Transport Fund	25,088	26,000	23,259
Total income	25,088	26,000	23,259
EXPENDITURE			
NZ Transport Agency operating activities	7,668	7,000	9,755
Funding to approved organisations	14,946	19,000	13,440
Total expenditure	22,614	26,000	23,195
NET SURPLUS/(DEFICIT)	2,474	0	64

SECTOR TRAINING AND RESEARCH			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the National Land Transport Fund	5,000	6,000	3,400
Revenue from third parties	2	0	8
Total income	5,002	6,000	3,408
EXPENDITURE			
NZ Transport Agency operating activities	3,858	6,000	3,391
Total expenditure	3,858	6,000	3,391
NET SURPLUS/(DEFICIT)	1,144	0	17

PUBLIC TRANSPORT INFRASTRUCTURE			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the National Land Transport Fund	35,019	55,000	44,667
Total income	35,019	55,000	44,667
EXPENDITURE			
NZ Transport Agency operating activities	2,551	4,000	2,599
Funding to approved organisations	15,519	51,000	28,920
Total expenditure	18,070	55,000	31,519
NET SURPLUS/(DEFICIT)	16,949	0	13,148

A further \$4.272 million has been invested in the public transport automated fare collection system asset. This capital expenditure is funded from this net surplus.

PUBLIC TRANSPORT SERVICES			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the National Land Transport Fund	233,000	228,000	194,630
Total income	233,000	228,000	194,630
EXPENDITURE			
Funding to approved organisations	231,328	228,000	194,630
Total expenditure	231,328	228,000	194,630
NET SURPLUS/(DEFICIT)	1,672	0	0

ROAD USER SAFETY			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the National Land Transport Fund	40,841	43,000	33,001
Total income	40,841	43,000	33,001
EXPENDITURE			
NZ Transport Agency operating activities (vehicle impoundment)	171	444	152
NZ Transport Agency operating activities	20,218	21,956	15,611
Funding to approved organisations	20,708	20,600	16,527
Total expenditure	41,097	43,000	32,290
NET SURPLUS/(DEFICIT)	(256)	0	711

NEW AND IMPROVED INFRASTRUCTURE FOR LOCAL ROADS			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the National Land Transport Fund	137,000	165,000	163,142
Total income	137,000	165,000	163,142
EXPENDITURE			
Funding to approved organisations	110,132	165,000	163,142
Total expenditure	110,132	165,000	163,142
NET SURPLUS/(DEFICIT)	26,868	0	0

RENEWAL OF LOCAL ROADS			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the National Land Transport Fund	185,000	235,000	205,500
Total income	185,000	235,000	205,500
EXPENDITURE			
Funding to approved organisations	188,227	235,000	205,499
Total expenditure	188,227	235,000	205,499
NET SURPLUS/(DEFICIT)	(3,227)	0	1

MAINTENANCE AND OPERATION OF LOCAL ROADS			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the National Land Transport Fund	275,000	277,000	274,768
Total income	275,000	277,000	274,768
EXPENDITURE			
Funding to approved organisations	292,639	277,000	304,182
Total expenditure	292,639	277,000	304,182
NET SURPLUS/(DEFICIT)	(17,639)	0	(29,414)

WALKING AND CYCLING FACILITIES			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the National Land Transport Fund	7,000	12,000	12,300
Total income	7,000	12,000	12,300
EXPENDITURE			
Funding to approved organisations	11,708	12,000	12,262
Total expenditure	11,708	12,000	12,262
NET SURPLUS/(DEFICIT)	(4,708)	0	38

RAIL AND COASTAL FREIGHT			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the National Land Transport Fund	0	0	0
Total income	0	0	0
EXPENDITURE			
Funding to approved organisations	72	0	(121)
Total expenditure	72	0	(121)
NET SURPLUS/(DEFICIT)	(72)	0	121

Providing access to and use of the land transport system

REGULATORY IMPLEMENTATION AND ENFORCEMENT			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the Crown	548	548	552
Revenue from the Crown (rules development)	848	800	804
Revenue from third parties (fees and charges)	30,120	27,333	29,312
Revenue from third parties (other)	2,030	737	1,563
Total income	33,546	29,418	32,231
EXPENDITURE			
Ministerial advice and official correspondence	701	878	713
Rules development	541	800	725
Fees and charges funded activities	32,302	29,401	30,191
Other	317	364	390
Total expenditure	33,861	31,443	32,019
NET SURPLUS/(DEFICIT)	(315)	(2,025)	212

LICENSING ACTIVITIES			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the Crown (drug and alcohol assessments)	1,030	1,030	805
Revenue from the Crown (driver test subsidy)	1,445	1,445	1,445
Revenue from third parties	44,767	39,100	44,981
Total income	47,242	41,575	47,231
EXPENDITURE			
Drug and alcohol assessments	1,060	1,030	805
Fees and charges funded activities	44,510	44,445	48,989
Total expenditure	45,570	45,475	49,794
NET SURPLUS/(DEFICIT)	1,672	(3,900)	(2,563)

MOTOR VEHICLE REGISTRY			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the Crown	47,966	40,016	41,454
Revenue from third parties	5,650	13,460	13,497
Total income	53,616	53,476	54,951
EXPENDITURE			
NZ Transport Agency operating activities	56,926	54,381	53,797
Total expenditure	56,926	54,381	53,797
NET SURPLUS/(DEFICIT)	(3,310)	(905)	1,154

ROAD USER CHARGES COLLECTION, IMPLEMENTATION AND ENFORCEMENT			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the Crown	16,485	17,855	17,349
Total income	16,485	17,855	17,349
EXPENDITURE			
NZ Transport Agency operating activities	16,897	18,829	14,887
Total expenditure	16,897	18,829	14,887
NET SURPLUS/(DEFICIT)	(412)	(974)	2,462

REFUND OF FUEL EXCISE DUTY			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the Crown	441	429	431
Total income	441	429	431
EXPENDITURE			
NZ Transport Agency operating activities	501	429	496
Total expenditure	501	429	496
NET SURPLUS/(DEFICIT)	(60)	0	(65)

Managing the state highway network

ACCELERATED STATE HIGHWAY CONSTRUCTION			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Capital contribution from the National Land Transport Fund	0	0	33,700
Total income	0	0	33,700
EXPENDITURE			
NZ Transport Agency investment in the state highway network	0	0	33,700
Total expenditure	0	0	33,700
NET SURPLUS/(DEFICIT)	0	0	0

NEW AND IMPROVED INFRASTRUCTURE FOR STATE HIGHWAYS			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Capital contribution from the National Land Transport Fund	373,625	498,773	748,330
Revenue from the National Land Transport Fund	24,875	22,927	21,913
Revenue from the National Land Transport Fund (renewals)	408,000	388,000	384,000
Revenue from third parties	450	0	18
Total income	806,950	909,700	1,154,261
EXPENDITURE			
NZ Transport Agency operating activities	29,770	31,165	26,435
NZ Transport Agency investment in the state highway network	858,526	892,835	1,111,354
Total expenditure	888,295	924,000	1,137,789
NET SURPLUS/(DEFICIT)	(81,345)	(14,300)	16,472

RENEWAL OF STATE HIGHWAYS			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Capital contribution from the National Land Transport Fund	199,731	205,000	205,112
Total income	199,731	205,000	205,112
EXPENDITURE			
NZ Transport Agency operating activities	10,728	8,735	11,581
NZ Transport Agency investment in the state highway network	189,003	196,265	193,531
Total expenditure	199,731	205,000	205,112
NET SURPLUS/(DEFICIT)	0	0	0

MAINTENANCE AND OPERATION OF STATE HIGHWAYS			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the National Land Transport Fund	364,159	315,000	328,477
Revenue from third parties (business units)	1,166	964	1,095
Total income	365,325	315,964	329,572
EXPENDITURE			
NZ Transport Agency operating activities	10,728	8,735	10,496
NZ Transport Agency operating activities (business units)	1,202	865	1,243
NZ Transport Agency investment in the state highway network	333,914	306,265	317,262
Total expenditure	345,844	315,865	329,001
NET SURPLUS/(DEFICIT)	19,481	99	571

Specific projects funded by the Crown

REINSTATEMENT OF LOCAL ROADS IN CANTERBURY			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the Crown	45,000	0	0
Total income	45,000	0	0
EXPENDITURE			
Funding to approved organisations	36,106	0	0
Total expenditure	36,106	0	0
NET SURPLUS/(DEFICIT)	8,894	0	0

CANTERBURY TRANSPORT PROJECT			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the Crown	5,000	5,000	14,000
Total income	5,000	5,000	14,000
EXPENDITURE			
Funding to approved organisations	5,000	5,000	14,000
Total expenditure	5,000	5,000	14,000
NET SURPLUS/(DEFICIT)	0	0	0

REGIONAL DEVELOPMENT TRANSPORT FUNDING			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the Crown	2,000	2,000	11,000
Total income	2,000	2,000	11,000
EXPENDITURE			
Funding to approved organisations	2,256	647	12,299
Total expenditure	2,256	647	12,299
NET SURPLUS/(DEFICIT)	(256)	1,353	(1,299)

ENHANCED PUBLIC TRANSPORT CONCESSIONS FOR SUPERGOLD CARDHOLDERS			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the Crown	21,339	22,905	20,735
Total income	21,339	22,905	20,735
EXPENDITURE			
Funding to approved organisations	21,339	22,905	20,735
Total expenditure	21,339	22,905	20,735
NET SURPLUS/(DEFICIT)	0	0	0

ADMINISTRATION OF THE SUPERGOLD CARDHOLDERS SCHEME			
	Actual 2011/12 \$000	Budget 2011/12 \$000	Actual 2010/11 \$000
INCOME			
Revenue from the Crown	46	95	135
Total income	46	95	135
EXPENDITURE			
NZ Transport Agency operating activities	46	95	63
Funding to approved organisations	0	0	73
Total expenditure	46	95	136
NET SURPLUS/(DEFICIT)	0	0	(1)

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

TO THE READERS OF NEW ZEALAND TRANSPORT AGENCY'S FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2012

The Auditor-General is the auditor of New Zealand Transport Agency (the NZTA). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non-financial performance information of the NZTA on her behalf.

We have audited:

- › the financial statements of the NZTA on pages 98 to 128, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- › the non financial performance information of the NZTA that comprises the statement of service performance on pages 61 to 93 and the report about impacts on pages 34 to 36.

OPINION

In our opinion:

- › the financial statements of the NZTA on pages 98 to 128:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the NZTA's:
 - financial position as at 30 June 2012; and
 - financial performance and cash flows for the year ended on that date.
- › the non-financial performance information of the NZTA on pages 61 to 93 and 34 to 36:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the NZTA's service performance and outcomes for the year ended 30 June 2012, including for each class of outputs:
 - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 24 October 2012. This is the date at which our opinion is expressed.

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

BASIS OF OPINION

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

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and non-financial 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 non financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the NZTA's financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the NZTA'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 non-financial performance information within the NZTA's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and non financial performance information; and
- the overall presentation of the financial statements and non-financial performance information.

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

RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing financial statements and non financial performance information that:

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

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from the Crown Entities Act 2004 and Land Transport Management Act 2003.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001, the Crown Entities Act 2004 and section 11(3) of the Land Transport Management Act 2003.

INDEPENDENCE

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

Other than the audit, we have no relationship with or interests in the NZTA.



John O'Connell

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION

This audit report relates to the financial statements and non-financial performance information of NZ Transport Agency for the year ended 30 June 2012 included on NZ Transport Agency's website. The NZ Transport Agency's Board is responsible for the maintenance and integrity of NZ Transport Agency's website. We have not been engaged to report on the integrity of NZ Transport Agency's website. We accept no responsibility for any changes that may have occurred to the financial statements and non-financial performance information since they were initially presented on the website.

The audit report refers only to the financial statements and non-financial performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and non-financial performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and non-financial performance information as well as the related audit report dated 24 October 2012 to confirm the information included in the audited financial statements and non-financial performance information presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

PUTTING THE SCRUTINY PRINCIPLE INTO PRACTICE

Report on the implementation of systems and procedures to give effect to the scrutiny principle for the period 1 July 2011 to 30 June 2012.

BACKGROUND

The Land Transport Management Act (LTMA) 2003 provides for an operating principle for the NZ Transport Agency (NZTA), namely, that it must:

...ensure that... it gives, when making decisions in respect of planning and funding under subpart 1 of Part 2, the same level of scrutiny to its own proposed activities and combinations of activities as it would to those proposed by approved organisations (section 96(1) d).

The NZTA is required to do a number of things in relation to this principle including developing systems and procedures to enable it to give effect to the scrutiny principle, and include a report on its implementation of the systems and procedures in its annual report.

SYSTEMS AND PROCEDURES

The NZTA has set up a number of systems and procedures to give effect to the scrutiny principle. Three sets of procedures have been developed to ensure compliance: operational procedures, to ensure individual decisions apply the appropriate level of scrutiny; managerial procedures, to oversee the application of the scrutiny principle; and monitoring/reporting procedures, to confirm the operational procedures are followed and the scrutiny principle has been properly applied.

The operational procedures enable employees and board members of the NZTA to know when and how to comply with the principle in relation to individual decisions, including:

- following the same procedure for similar types of activities
- applying equivalent evaluation criteria
- requiring an equivalent level of information
- applying the same level of rigour to the analysis
- applying the same level of tolerance to cost estimate rigour
- staff with equivalent seniority and experience involved with equivalent decisions.

IMPLEMENTATION

The NZTA has published its approach to giving effect to the scrutiny principle on its website page titled 'The scrutiny principle' (<http://www.nzta.govt.nz/planning/what-funding/scrutiny-principle.html>).

This page also lists the systems and procedures it has in place to apply the scrutiny principle and provides links to documentation – the procurement manuals and the Planning and Investment Knowledge Base where the systems and procedures are set out in detail. Monitoring of the webpage during 2012 indicates the page is accessed on average 15 times a month (2011: 18).

A further link on this page links to a webpage that lists all the funding decisions the NZTA has made since August 2008 (prescribed date in the legislation is 1 October 2008) <http://www.nzta.govt.nz/planning/what-funding/board-decisions/index.html>). The page is updated monthly once the previous month's decisions have been confirmed. Monitoring of the webpage during 2012 indicates the page is accessed on average 352 times a month (2011: 208).

The key system used by the NZTA was the web-based Transport Investment Online (TIO) system and is used to manage the National Land Transport Programme. It contains all the activities proposed for funding and sets out for all applicants, both approved organisations and the NZTA for its own activities, the information required for the assessment and evaluation of the activities for funding. The system also records the decisions made by the NZTA including any conditions applied to the funding. The system is transparent. Every approved organisation can see the details of their proposals, the NZTA's recommendations and decisions and those of any other approved organisation and the NZTA. This effectively provides assurance that the requirements placed on any one approved organisation can be compared against others.

A number of different monitoring procedures are in place to provide quality assurance to the NZTA Board that employees and members are complying with the principle. These include:

- management reviews and checking of assessments / decisions
- audits conducted on both NZTA and approved organisation projects by the investment monitoring team
- periodic, risk based review of the performance of procedures by the internal audit team. Results from this work are reported to the NZTA's Audit, Risk and Assurance committee. The Secretary for Transport is an advisor to this committee and attends the meetings
- Audit New Zealand review as required to verify this report.

INDEPENDENT REVIEW REPORT OF THE AUDITOR-GENERAL

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

TO THE READERS OF THE NEW ZEALAND TRANSPORT AGENCY'S REPORT ON THE IMPLEMENTATION OF SYSTEMS AND PROCEDURES TO GIVE EFFECT TO THE "SCRUTINY" PRINCIPLE

We have completed a review of the report by the New Zealand Transport Agency (NZTA) on the implementation of systems and procedures to give effect to the "scrutiny" principle, for the period 1 July 2011 to 30 June 2012.

The Auditor-General is the auditor of the NZTA. The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the review on her behalf.

CONCLUSION

- › Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the report by the New Zealand Transport Agency on the implementation of systems and procedures to give effect to the "scrutiny" principle, on pages 147, for the period 1 July 2011 to 30 June 2012 is not fairly stated.
- › Our review was completed on 24 October 2012, and is the date at which our conclusion is expressed.
- › The basis of our review conclusion is explained below. In addition, we outline the responsibilities of the Board of the NZTA and the Auditor, and explain our independence.

BASIS OF CONCLUSION

We carried out our review in accordance with International Standard on Assurance Engagements (New Zealand) 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Our review involved obtaining sufficient and appropriate evidence and explanations from Agency personnel to be able to conclude whether any matters have come to our attention to indicate that the information presented in the report has not been fairly stated.

Our review was limited primarily to enquiries of Agency personnel, and reading the report to assess whether the information therein was consistent with our understanding of the NZTA's systems and procedures, as obtained during our annual audit of the NZTA.

RESPONSIBILITIES OF THE BOARD OF THE NEW ZEALAND TRANSPORT AGENCY AND THE AUDITOR


The Board is responsible for preparing a report on the implementation of systems and procedures to give effect to the "scrutiny" principle, pursuant to section 96(2)(b) of the Land Transport Management Act 2003. The NZTA's report is required to be included in its annual report.

Section 96(3) of the Land Transport Management Act 2003 requires the Auditor-General to report on the NZTA's report on the implementation of the systems and procedures to give effect to the "scrutiny" principle.

INDEPENDENCE

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

Other than the audit we have no relationship with or interests in the NZTA.



John O'Connell

Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand