

SECTION C STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2014



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2013/14 \$m	Budget 2013/14 \$m	Actual 2012/13 \$m
INCOME INFLOWS^a				
Land transport revenue	3	2,994	2,927	2,758
Government contribution to land transport revenue		3	0	3
Management of Crown land and interest		99	91	95
Total income flows		3,096	3,018	2,856
OUTFLOWS				
National Land Transport Programme		2,771	2,693	2,519
Road Policing Programme		307	307	280
Fuel Excise Duty/Road User Charges administration		5	0	0
Forecasting and strategy		1	0	0
Total outflows		3,084	3,000	2,799
NET SURPLUS		12	18	57

a. This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003. Explanations of major variances against budget are provided in note 17.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Actual 2013/14 \$m	Budget 2013/14 \$m	Actual 2012/13 \$m
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	136	17	114
Debtors	5	229	206	214
Total assets		365	223	328
LIABILITIES				
CURRENT LIABILITIES				
Creditors and other payables	6	468	398	443
Total liabilities		468	398	443
NET ASSETS		(103)	(175)	(115)
General funds		(103)	(175)	(115)
GENERAL FUNDS CLOSING BALANCE ^a	7	(103)	(175)	(115)

a. This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

Explanations of major variances against budget are provided in note 17.

STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2013/14 \$m	Budget 2013/14 \$m	Actual 2012/13 \$m
GENERAL FUNDS OPENING BALANCE				
General funds		(115)	(193)	(172)
Total general funds opening balance		(115)	(193)	(172)
CHANGES IN GENERAL FUNDS BALANCE				
Net surplus		12	18	57
Total changes in general funds balance		12	18	57
GENERAL FUNDS CLOSING BALANCE				
General funds		(103)	(175)	(115)
TOTAL GENERAL FUNDS CLOSING BALANCE^a		(103)	(175)	(115)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2013/14 \$m	Budget 2013/14 \$m	Actual 2012/13 \$m
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from land transport revenue		3,081	3,004	2,839
Payments to suppliers		(3,059)	(3,025)	(2,769)
Net cash from operating activities	8	22	(21)	70
Net (decrease)/increase in amounts held by the Crown		22	(21)	70
Amounts held by the Crown at the beginning of the year		114	38	44
AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR^b		136	17	114

a. This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

b. The National Land Transport Fund is a notional account only. There are no actual cash and cash equivalents as funds are held by the Crown. However, this statement has been provided to meet the requirements of section 11 of the Land Transport Management Act 2003.

Explanations of major variances against budget are provided in note 17.

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2014

REPORTING ENTITY

The Land Transport Management Act 2003 includes a requirement for the NZ Transport Agency to prepare at the end of the financial year an annual report on the National Land Transport Fund.

All revenue from fuel excise duty, road user charges, motor vehicle registration and licensing fees, revenues from Crown appropriations and management of Crown land, and interest are accounted for in the National Land Transport Fund. The National Land Transport Fund is used to manage:

- › the funding of the NZ Police road policing programme
- › the funding of the National Land Transport Programme for:
 - activities delivered by an approved organisation
 - state highway activities
 - research
 - other NZ Transport Agency activities, such as transport planning.

The National Land Transport Fund cash funds are held as part of the total Crown funds. The Ministry of Transport is responsible for authorising any payments from the National Land Transport Fund and administration of appropriations.

The financial statements of the National Land Transport Fund are for the year ended 30 June 2014 and were approved by the Board on 20 October 2014.

BASIS OF PREPARATION

Statement of compliance

The financial statements of the National Land Transport Fund 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 (NZGAAP).

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.

Function and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest million dollars (\$m). The functional currency of the National Land Transport Fund is New Zealand dollars (NZ\$).

Changes in accounting policies

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

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

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 National Land Transport Fund is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). The effective date for the new standards for public sector entities is 1 July 2014. This means the National Land Transport Fund will transition to the new standards in preparing its 30 June 2015 financial statements. The National Land Transport Fund has assessed the implications of the new Accounting Standards Framework, will meet the new standards for its 30 June 2015 financial statements, and does not expect any material impact.

SIGNIFICANT ACCOUNTING POLICIES

Income inflows

Income comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the National Land Transport Fund's business. Revenue is shown net of goods and services tax (GST).

Income is recognised when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the National Land Transport Fund activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activity giving rise to the revenue have been resolved.

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.

Assets

The National Land Transport Fund account being a notional account does not hold physical assets.

Outflows

The National Land Transport Fund accounts for the flow for funds to:

- › The NZ Transport Agency - for the funding of the National Land Transport Programme, and Fuel Excise Duty/Road User Charges administration
- › The Police - who provide the Roothing Policing Programme
- › Ministry of Transport - for forecasting and strategy.

Under section 9(1) of the Land Transport Management Act 2003, the National Land Transport Fund funds search and rescue activities, and recreational boating safety and safety awareness.

The various activities are outlined in the statements of service performance.

Employee entitlements

The National Land Transport Fund has no employees.

Commitments

The National Land Transport Fund is the major funder of the National Land Transport Programme. The commitments outlined in the notes reflect the funding commitments documented in the National Land Transport Programme 2012-2015.

Goods and services tax

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The National Land Transport Fund 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 have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the NZ Transport Agency in preparing their financial statements.

2 STATEMENT OF INFLOWS, OUTFLOWS, AND CAPITAL EXPENDITURE FOR THE PREVIOUS TWO FINANCIAL YEARS

	Actual 2013/14 \$m	Actual 2012/13 \$m	Actual 2011/12 \$m
INCOME INFLOWS			
Land transport revenue	2,994	2,758	2,686
Government contribution to land transport revenue	3	3	1
Management of Crown land and interest	99	95	48
Total income flows	3,096	2,856	2,735
OUTFLOWS			
National Land Transport Programme	2,771	2,519	2,363
Roothing Policing Programme	307	280	297
Fuel Excise Duty/Road User Charges administration	5	0	0
Forecasting and strategy	1	0	0
Total outflows	3,084	2,799	2,660
NET SURPLUS	12	57	75

This statement of inflows, outflows, and capital expenditure for the previous two financial years is provided under the requirements of the Land Transport Management Act 2003.

Separate disclosure of the Management of Crown land and interest is required under the Land Transport Management Act 2003.

3 LAND TRANSPORT REVENUE

	Actual 2013/14 \$m	Actual 2012/13 \$m
REVENUE		
Fuel excise duty	1,650	1,564
Road user charges	1,247	1,119
Motor vehicle registration fees	188	174
	3,084	2,857
LESS REFUNDS		
Fuel excise duty	46	41
Road user charges	42	53
Motor vehicle registration fees	1	0
	88	94
Less bad debt write-off	2	5
TOTAL LAND TRANSPORT REVENUE	2,994	2,758

As per the Land Transport Management Act 2003, a payment is made for maritime search and rescue activities from fuel excise duty prior to the duty becoming land transport revenue. This payment was \$7m (2013: \$6m).

4 CASH AND CASH EQUIVALENTS

The National Land Transport Fund is a notional account only. The cash and cash equivalents reported in these statements are held by the Crown in the consolidated fund.

5 DEBTORS

	Actual 2013/14 \$m	Actual 2012/13 \$m
Debtors - fuel excise duty	199	196
Debtors - motor vehicle register/road user charges	30	18
TOTAL DEBTORS	229	214

6 CREDITORS AND OTHER PAYABLES

	Actual 2013/14 \$m	Actual 2012/13 \$m
Transport Agency (for the National Land Transport Programme)	468	443
TOTAL CREDITORS AND OTHER PAYABLES	468	443

Creditors and other payables are non-interest bearing and are normally settled by the end of the month following date of supply, therefore the carrying value of creditors and other payables approximates their fair value.

7 GENERAL FUNDS CLOSING BALANCE

Although the National Land Transport Fund has a negative equity, the Fund will continue to meet all its obligations over the next 12 months, with fund inflows forecast to be higher than outflows over time.

8 RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	Actual 2013/14 \$m	Actual 2012/13 \$m
NET SURPLUS/(DEFICIT) AFTER TAX	12	57
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
(Increase)/decrease in debtors	(15)	(23)
Increase/(decrease) in creditors and other payables	25	36
Net movements in working capital items	10	13
NET CASH FROM OPERATING ACTIVITIES	22	70

9 CAPITAL COMMITMENTS AND OPERATING ROADING COMMITMENTS

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

	Actual 2013/14 \$m	Actual 2012/13 \$m
Not later than one year	2,940	2,781
Later than one year and not later than five years	1,247	3,076
Later than five years	696	249
TOTAL FUNDING COMMITMENTS	4,883	6,106

10 CONTINGENCIES

Contingent liabilities

The National Land Transport Fund has no contingent liabilities (2013: Nil).

Contingent assets

The National Land Transport Fund has no contingent assets (2013: Nil).

11 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

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

The National Land Transport Fund is a wholly owned notional fund of the Crown.

Significant transactions with government-related entities

The National Land Transport Fund has been provided with funding of \$3.096 billion (2013: \$2.862 billion) for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations.

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

The National Land Transport Fund 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 2014 totalled \$3.084 billion (2013: \$2.805 billion). These purchases included the funding of the Road Policing Programme, and the National Land Transport Programme.

Key management personnel compensation

Under the definition of NZIAS 24, the National Land Transport Fund has no key management personnel.

12 EVENTS AFTER THE BALANCE SHEET DATE

On 29 July 2014 the Transport Agency signed the Transmission Gully Public Private Partnership contract where the Wellington Gateway Partnership will design, construct, finance, operate and maintain the new Transmission Gully highway for the 25 years that follow the expected five-year construction. Transmission Gully should be open for traffic by 2020. Funding will be provided from the National Land Transport Fund, with commitments in relation to this contract being \$3.843 billion over 25 years.

13 FINANCIAL INSTRUMENT CATEGORIES

The carrying amounts of financial assets and liabilities are categorised as follows:

	Actual 2013/14 \$m	Actual 2012/13 \$m
LOANS AND RECEIVABLES		
Cash and cash equivalents	136	114
Debtors	229	214
TOTAL LOANS AND RECEIVABLES	365	328
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Creditors and other payables	468	443
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	468	443

14 FINANCIAL INSTRUMENT RISKS

The National Land Transport Fund's activities do not expose it to any financial instrument risks, such as market risk, credit risk, or liquidity risk.

15 CAPITAL MANAGEMENT

The National Land Transport Fund's capital is its general funds. General funds are represented by net assets.

The National Land Transport Fund is subject to the financial management and accountability provisions of the Public Finance Act 1989, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The Transport Agency manages the National Land Transport Fund general funds as a by-product of prudent management of revenues, expenses, liabilities, and general financial dealings, to ensure the National Land Transport Fund effectively achieves the requirements set out in the Land Transport Management Act 2003.

16 COMMITMENTS TO REGIONS REPORTING

The Land Transport Management Amendment Act 2008 requires disclosure of expenditure incurred from the 2008/09 financial year to date, in fulfilling the Crown's commitment as per the Act.

	LTMA Commitment \$m	Due by	Actual to date \$m
Auckland land transport	130	2012/13	130
Bay of Plenty	135	2015/16	130
Waikato land transport	188	2017/18	188
Wellington land transport *	92	2015/16	74
Wellington land transport (Western corridor) *	625	2016/17	245
TOTAL	1,170		767

Auckland land transport commitment was met in 2010/11.

Waikato land transport commitment was met in 2012/13.

* Changes were made to the Land Transport Management Act 2008 Amendment in 2013.

Wellington land transport commitment changed from \$163 million to \$92 million.

Wellington land transport (Western corridor) commitment changed from \$640 million to \$625 million.

17 EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanations for significant variations from the National Land Transport Fund's budgeted figures are as follows:

Statement of comprehensive income

INCOME INFLOWS

Land transport revenue was higher than budgeted by \$67 million. Increased RUC sales are the main driver being \$42 million above budget.

OUTFLOWS

National Land Transport Programme was higher than budgeted by \$78 million, but this was largely due to acceleration of state highway expenditure into the current year.

STATEMENT OF SERVICE PERFORMANCE FINANCIALS

	Actual 2013/14 \$m	Budget 2013/14 \$m	Actual 2012/13 \$m
Management of the funding allocation system	30	30	29
Transport planning	14	16	13
Sector research	4	6	3
Public transport	272	316	288
Road safety	31	32	28
New and improved infrastructure for local roads	125	160	153
Renewal of local roads	233	246	204
Maintenance and operation of local roads	303	289	279
Walking and cycling	18	20	8
New and improved infrastructure for state highways	1,215	1,044	997
Renewal of state highways	161	222	175
Maintenance and operation of state highways	365	312	342
TOTAL OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY	2,771	2,693	2,519

INDEPENDENT AUDITOR'S REPORT



TO THE READERS OF THE NATIONAL LAND TRANSPORT FUND'S FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2014

The Auditor-General is the auditor of the National Land Transport Fund (the "NLTF"). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out the audit of the financial statements and non-financial performance information of the NLTF on her behalf.

We have audited:

- the financial statements of the NLTF on pages 243 to 252, that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in general funds balance 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 statement of service performance of the NLTF on pages 236 to 241.

OPINION

In our opinion:

- the financial statements of the NLTF on pages 243 to 252:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the NLTF's:
 - › financial position as at 30 June 2014; and
 - › financial performance and cash flows for the year ended on that date.
- the statement of service performance of the NLTF on pages 236 to 241:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the NLTF's service performance achievements and expenses measured against the performance targets and budgets adopted for the year ended 30 June 2014.

Our audit was completed on 20 October 2014. 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, in our judgement, are likely to influence readers' 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 NLTF'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 NLTF'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 adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

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

RESPONSIBILITIES OF THE BOARD

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

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

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

The Board's responsibilities arise from the Land Transport Management Act 2003.

RESPONSIBILITIES OF THE AUDITOR

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

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



Brent Manning

KPMG Wellington

On behalf of the Auditor-General

Wellington, New Zealand



If you have further queries, call our contact centre on 0800 699 000 or write to us:

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This publication is also available on NZ Transport Agency's website at www.nzta.govt.nz