

SECTION F STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2014

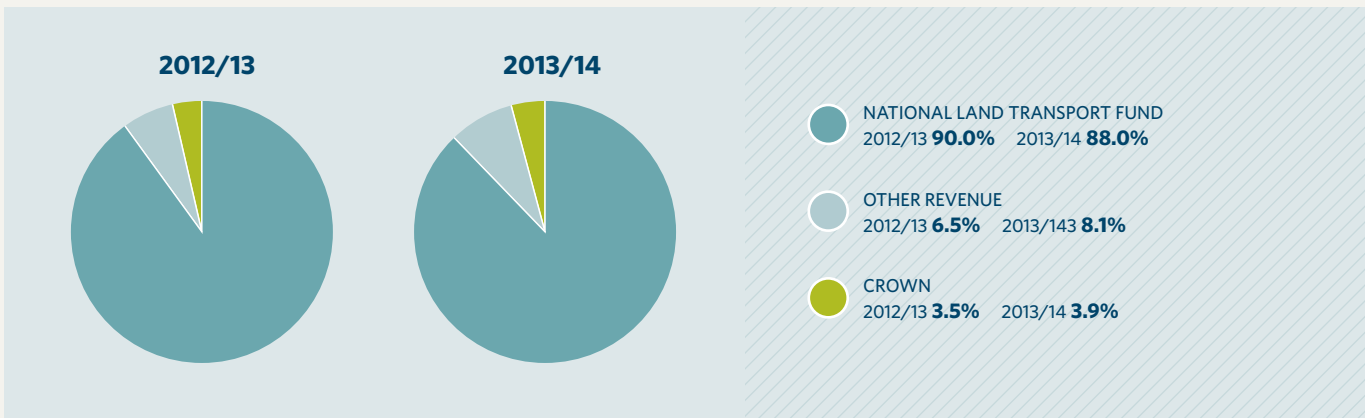


HIGHLIGHTS FROM OUR FINANCIAL STATEMENTS

\$2.2 billion TOTAL INCOME

The largest contribution to our income 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. Other revenue comes mostly from our licensing and regulatory activities.

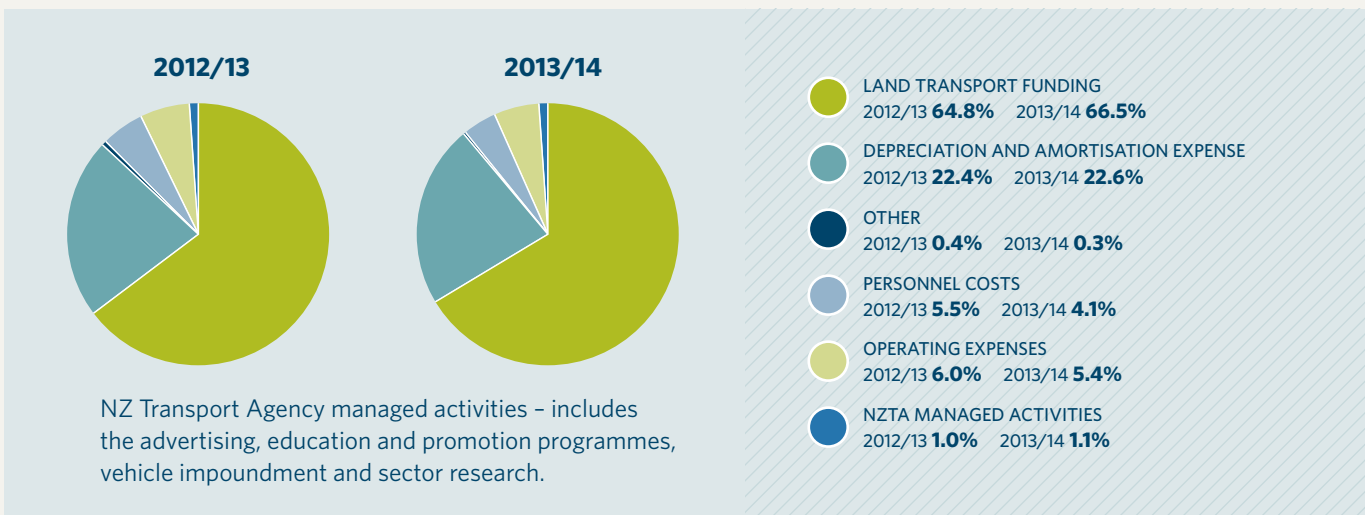
INCOME BY SOURCE



\$2.1 billion TOTAL EXPENDITURE

Our expenditure is guided by the Government Policy Statement on Land Transport Funding (GPS) and the priorities identified in our *Statement of intent*. The majority of our expenditure was directly related to land transport funding the Transport Agency provides to approved organisations for the delivery of services, associated activities funded from the Crown, and the Transport Agency's maintenance and operation of the state highway network (67%). Depreciation and amortisation, reflecting the cost of asset ownership, contributed 23% of our annual expenditure.

EXPENSE BY TYPE



\$78.7 million NET SURPLUS

Our net surplus reflects the combined operations of the Transport Agency itself, our funding of land transport and specific projects completed on behalf of the Crown.

OPERATIONS		LAND TRANSPORT FUNDING		SPECIFIC PROJECTS FUNDED BY THE CROWN		TOTAL
Income \$238.8m	+	Income \$1,880.1m	+	Income \$58.0m	=	Total income \$2,176.9m
	-		-		-	
Expenditure \$232.0m	+	Expenditure \$1,808.4m	+	Expenditure \$57.8m	=	Total expenditure \$2,098.2m
	=		=		=	
Net surplus \$6.8m	+	Net surplus \$71.7m	+	Net surplus \$0.2m	=	Total net surplus \$78.7m

OPERATIONS

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

This surplus compares favourably to budget:

- volume-driven licensing revenue is ahead of budget due to higher numbers of new drivers and higher volume of driver tests
- volumes for motor vehicle registrations are higher than forecast, which results in higher registration and licence plate revenue.

LAND TRANSPORT FUNDING

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

The net surplus represents funding that was planned to be applied to approved organisations for delivery of investment in local roads and public transport. The funds will now be used in future years.

SPECIFIC PROJECTS FUNDED BY THE CROWN

This includes the reinstatement of local roads in Canterbury, SuperGold card public transport concessions and the National War Memorial Park.

Supplementary information for each of these segments is provided on pages 170 to 183.

\$28.7 billion NET ASSETS/EQUITY

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 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
Total assets	29,241,724	28,872,106	26,844,828
Less total liabilities	514,603	671,402	558,273
NET ASSETS/EQUITY AT END OF YEAR	28,727,121	28,200,703	26,286,556

We continue to maintain a strong balance sheet, with \$29.2 billion of assets and very low levels of liabilities.

The state highway network accounts for 98% of our overall asset base.

HOW WE HAVE INVESTED IN OUR ASSETS

We have spent \$1.4 billion on our capital expenditure programme, which has been invested in the following:

	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
Investment in state highways	1,424,065	1,381,000	1,182,555
Investment in information technology	8,013	9,920	8,516
Investment in offices and equipment	1,878	880	710
TOTAL	1,433,956	1,391,800	1,191,781

Investment in state highways is ahead of budget due to the acceleration of capital projects in the state highway programme.

Investment in information technology was lower than budgeted due to the timing of projects, with the balance to be carried forward into 2014/15.

The investment in offices and equipment is \$1 million over budget. This was due to the completion and capitalisation of leasehold improvements in the Canterbury Accelerated Pavement Testing Indoor Facility (CAPTIF) occurring in 2013/14 that had originally been budgeted for 2012/13.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
INCOME				
Revenue from the Crown	2	84,202	91,242	71,773
Revenue from the National Land Transport Fund	2	1,915,502	1,864,290	1,853,425
Revenue from other activities	3	177,209	130,915	134,302
Total income		2,176,913	2,086,447	2,059,500
EXPENDITURE				
Personnel costs	4	85,455	88,240	80,728
Operating expenses	5	137,314	134,391	125,261
Land transport funding ^a		1,391,234	1,414,099	1,335,837
Interest on borrowing		3,335	5,200	4,098
Depreciation and amortisation expense	6	474,073	426,666	449,346
State highway asset write-off		6,759	10,500	7,480
Total expenditure		2,098,170	2,079,096	2,002,749
NET SURPLUS		78,743	7,351	56,751
OTHER COMPREHENSIVE INCOME				
Gain/(loss) state highway network revaluations		1,560,595	300,000	(411,820)
Total other comprehensive income		1,560,595	300,000	(411,820)
TOTAL COMPREHENSIVE INCOME FOR YEAR		1,639,338	307,351	(355,069)

Prior year comparative and budget figures have been adjusted to correspond with current year's presentation of personnel costs, operating expenses and land transport funding in the statement of comprehensive income.

a. Land transport funding 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 29.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		23,922	50,050	16,580
Debtor National Land Transport Fund		468,365	398,168	443,424
Debtor Crown		49,222	31,173	80,783
Other receivables	7	38,105	26,279	72,798
Property assets held for sale	8	58,825	50,000	83,813
Prepayments		4,787	2,200	7,015
Inventories		87	200	257
Total current assets		643,313	558,070	704,670
NON-CURRENT ASSETS				
Property, plant and equipment		17,662	15,743	18,702
State highway network	9	28,537,672	28,250,277	26,078,990
Intangible assets	10	42,221	47,116	41,611
Loans and advances	11	855	900	855
Total non-current assets		28,598,410	28,314,036	26,140,158
TOTAL ASSETS		29,241,724	28,872,106	26,844,828
LIABILITIES				
CURRENT LIABILITIES				
Creditors and other payables	12	394,775	281,287	439,296
Tolling funds held in trust		2,573	3,200	2,183
Employee entitlements	13	12,895	12,015	11,934
Borrowing	14	100,000	250,000	100,000
Total current liabilities		510,243	546,502	553,413
NON-CURRENT LIABILITIES				
Creditors and other payables	12	131	200	207
Employee entitlements	13	4,229	4,700	4,653
Borrowing (for toll roads)	14	0	120,000	0
Total non-current liabilities		4,360	124,900	4,860
TOTAL LIABILITIES		514,603	671,402	558,273
NET ASSETS		28,727,121	28,200,703	26,286,556
EQUITY				
General funds		5,606	5,806	5,606
Retained funds	15	46,278	45,221	44,318
Memorandum account - other fees and charges	16	6,254	300	1,018
State highway network ^a	17	28,668,982	28,149,376	26,235,614
TOTAL EQUITY		28,727,121	28,200,703	26,286,556

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 29.

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
EQUITY - OPENING BALANCES				
General funds		5,606	5,606	5,198
Retained funds		44,318	42,310	47,858
Memorandum account - other fees and charges		1,018	760	(6,568)
State highway network		26,235,614	26,945,876	25,974,656
Total equity - opening balance		26,286,556	26,994,552	26,021,144
CHANGES IN EQUITY				
Equity movements				
Retained funds		(872,773)	(883,500)	(672,751)
Memorandum account - tolling	16	0	0	(27)
State highway network	15a	872,773	883,500	672,778
		0	0	0
Total comprehensive income for the year				
Retained funds		73,506	7,811	49,138
Memorandum account - other fees and charges		5,236	(460)	7,613
Net surplus		78,743	7,351	56,751
State highways network - gain/(loss) on revaluations		1,560,595	300,000	(411,820)
		1,639,338	307,351	(355,069)
Capital funding				
General funds		0	200	408
National War Memorial Park		25,000	20,000	15,000
National Land Transport Programme	18	776,227	878,600	605,073
		801,227	898,800	620,481
Total changes in equity		2,440,565	1,206,151	265,412
EQUITY - CLOSING BALANCES				
General funds		5,606	5,806	5,606
Retained funds		46,278	45,221	44,318
Memorandum account - other fees and charges		6,254	300	1,018
State highway network		28,668,982	28,149,376	26,235,614
TOTAL EQUITY - CLOSING BALANCES		28,727,121	28,200,703	26,286,556

Explanations of major variances against budget are provided in note 29.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Crown		115,763	81,994	39,555
Receipts from National Land Transport Fund		1,890,561	2,010,610	1,787,454
Other receipts		211,613	130,136	130,492
Interest received		289	500	323
Payments to suppliers		(1,589,968)	(1,614,382)	(1,399,437)
Payments to employees		(84,918)	(88,225)	(80,847)
Goods & services tax (net)		19,611	600	(1,956)
Net cash from operating activities	19	562,950	521,233	475,584
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from sale of property, plant and equipment		3,068	0	804
Receipts from sale of state highway held properties		79,693	70,000	60,771
Purchase of property, plant and equipment		(6,149)	(2,880)	(4,671)
Purchase of intangible assets		(6,047)	(7,720)	(8,001)
Investment in the state highway network		(1,424,065)	(1,623,983)	(1,152,555)
Net cash from investing activities		(1,353,500)	(1,564,583)	(1,103,652)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution (crash analysis system)		0	0	408
Capital contribution from the Crown for the National War Memorial Park		25,000	20,000	15,000
Capital contribution from the National Land Transport Fund		776,227	758,600	605,073
Receipts from borrowing		60,000	370,000	160,000
Repayment of borrowing		(60,000)	(100,000)	(190,000)
Interest paid on borrowing		(3,335)	(5,200)	(4,098)
Net cash from financing activities		797,892	1,043,400	586,383
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		7,342	50	(41,685)
Cash and cash equivalents at the beginning of the year		16,580	50,000	58,265
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		23,922	50,050	16,580

Explanations of major variances against budget are provided in note 29.

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

The Transport Agency's primary objective is to provide services to the public, as opposed to making a financial return. Accordingly, the Transport Agency 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 Transport Agency are for the year ended 30 June 2014, and were approved by the Board on 20 October 2014.

NEW ZEALAND TRANSPORT TICKETING LIMITED

New Zealand Transport Ticketing Ltd has been established as a Crown entity subsidiary, under the governance of the Transport Agency, 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 Transport Agency has consolidated its wholly-owned subsidiary. However, New Zealand Transport Ticketing Ltd has not traded during the year and has no assets or liabilities as at 30 June 2014.

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

BASIS OF PREPARATION

Statement of compliance

The financial statements of the Transport Agency 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 Transport Agency 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 Transport Agency 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 Transport Agency will transition to the new standards in preparing its 30 June 2015 financial statements. The Transport Agency 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

Revenue

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

Revenue from the Crown and the National Land Transport Fund

The Transport Agency 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 Transport Agency meeting its objectives as specified in the *Statement of intent*.

Revenue from the Crown and operating revenue from 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

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 are classified as operating leases. 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 Transport Agency 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).

Property assets held for sale

Property assets 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 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, 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 potential associated with the item will flow to the Transport Agency 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.

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 Transport Agency 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 the state highway network

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.

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 state highway revaluation reserve. Decreases that offset previous increases of the same asset are charged against the state highway 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 state highway 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 Transport Agency 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.

Brownfield costs have been capitalised where they can be reliably measured. Brownfield cost is a generic term for the additional costs of constructing in a particular location because of the increased intensity of surrounding land use compared to the cost of constructing in a vacant Greenfield situation. A major component of brownfield costs are one-off costs necessary to make the land freely available to build the state highway, and are not part of the physical construction cost. They include capital works relating to relocation and refurbishment of assets owned by other parties, work to protect the privacy and environment of adjoining properties, and compensation to landowners.

Other components of brownfield cost result from the increased constraints or requirements imposed when constructing in an already developed location. Examples include increased traffic management and security, limitations on available contractor areas for storage, parking, buildings and general operations, noise and dust limitations, restricted hours of work etc.

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
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	69 – 103	0.97 – 1.4
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

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.

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. Costs associated with development and maintenance of the Transport Agency'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 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 Transport Agency 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 other comprehensive income and increases the asset revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a 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.

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.

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, and
- › 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.

Jointly controlled operations

The Transport Agency 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 – other fees and charges
- › state highway investment and revaluation reserve.

State highway revaluation reserve

This reserve relates to the revaluation of the state highway network.

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 (IRD) 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 Transport Agency 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.

Critical accounting estimates and assumptions

In preparing these financial statements, the Transport Agency 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 below:

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 Transport Agency, 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 Transport Agency minimises the risk of this estimation uncertainty by:

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

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

Retirement and long service leave

Note 13 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.

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 Transport Agency 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.

The asset base has been compiled over a number of years and has a degree of inaccuracy as some historic records are incomplete.

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 (see note 9).

2 REVENUE FROM THE CROWN AND NATIONAL LAND TRANSPORT FUND

The Transport Agency has been provided with funding from the Crown and the National Land Transport Fund for the specific purposes of the Transport Agency 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.

3 REVENUE FROM OTHER ACTIVITIES

	Note	Actual 2013/14 \$000	Actual 2012/13 \$000
Border inspection fees		947	1,794
Certification review fees		8,061	7,516
Driver licensing fees		31,567	29,090
Driver testing fees		19,781	16,478
Motor vehicle licensing fees		54,073	52,535
Over dimension and overweight permits		608	459
Rail licensing fees		1,066	1,230
Standards development fee and certification levies		5,642	6,106
Transport licensing fees		8,545	6,707
Total fees and charges		130,290	121,914
Administration fee from Accident Compensation Corporation		904	855
Business units	a	1,570	1,040
Crash analysis system support		38	39
Levy on personalised plates for community road safety initiatives		996	84
Road Safety Trust administration		0	106
Tolling fees and contributions		6,056	5,839
Interest income		289	323
Net loss on disposal of assets		(39)	0
Kiwisaver		0	158
Recoveries from NLTP activities	b	36,627	3,498
Miscellaneous revenue		478	444
TOTAL REVENUE FROM OTHER ACTIVITIES		177,209	134,302

a. These are activities the Transport Agency 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 2013/14	432	404	734	1,570
Revenue earned in 2012/13	0	372	668	1,040

CAPTIF - Canterbury Accelerated Pavement Testing Indoor Facility

b. Contributions for 2013/14 of \$21m for projects including the Wellington War Memorial and Tauranga Eastern Link have resulted in a higher recovery from NLTP activities. The revenue offsets the expenditure incurred which is included in the land transport funding line.

4 PERSONNEL COSTS

	Note	Actual 2013/14 \$000	Actual 2012/13 \$000
Salaries and wages	a	81,242	77,739
Defined contribution plan employer contributions		2,466	1,640
Other personnel costs		1,747	1,349
TOTAL PERSONNEL COSTS		85,455	80,728

a. An additional \$41.276 million (2013: \$40.629 million) was incurred for staff who are employed to manage state highway capital projects. These project management staff are charged directly to the projects and the costs capitalised.

5 SIGNIFICANT OPERATING EXPENSES

	Note	Actual 2013/14 \$000	Actual 2012/13 \$000
Fees to principal auditors:			
- for audit of financial statements		315	345
- for other services	a	7	10
Operating lease expense		18,116	17,472
Impairment of receivables		571	296
Commissions and transaction costs		67,483	61,227
Professional services		11,501	9,484
Road user safety advertising		15,320	13,277
Information technology		10,684	9,724
Meetings and conferences		656	513
Staff travel		3,588	3,197
Office and building management		3,952	4,580

a. Other fees are for technical and contractual advice.

6 DEPRECIATION AND AMORTISATION EXPENSE

	Actual 2013/14 \$000	Actual 2012/13 \$000
Depreciation on property, plant and equipment	3,795	3,668
Depreciation on state highway network	464,840	441,526
Amortisation	5,437	4,151
TOTAL DEPRECIATION AND AMORTISATION EXPENSE	474,073	449,346

7 OTHER RECEIVABLES

	Actual 2013/14 \$000	Actual 2012/13 \$000
Debtors and other receivables	40,364	76,137
Less : Provision for impairment	2,259	3,339
TOTAL DEBTORS AND OTHER RECEIVABLES	38,105	72,798

Fair value

The carrying value of receivables approximates their fair value.

Impairment

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

	2013/14			2012/13		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due date	25,499	0	25,499	71,252	0	71,252
Past due 1-30 days	10,865	0	10,865	1,035	0	1,035
Past due 31-60 days	269	0	269	556	(45)	511
Past due 61-90 days	390	0	390	663	(663)	0
Past due over 90 days	3,341	(2,259)	1,082	2,631	(2,631)	0
TOTAL	40,364	(2,259)	38,105	76,138	(3,339)	72,798

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

	Actual 2013/14 \$000	Actual 2012/13 \$000
Balance at 1 July	3,339	2,349
Operating provisions made during the year	571	296
Additional provisions made during the year	(1,044)	1,200
Receivables written-off during the year	(607)	(506)
BALANCE AS 30 JUNE	2,259	3,339

8 PROPERTY ASSETS HELD FOR SALE

The Transport Agency owns 112 properties valued at \$58.825 million (2013: 280 properties valued at \$83.813 million) which have been classified as held for sale. It is expected that these properties will be sold by 30 June 2015.

9 STATE HIGHWAY NETWORK

Movements for the state highway network are as follows:

	Actual 2013/14 \$000	Actual 2012/13 \$000
COST OR VALUATION		
Balance at 1 July	26,078,990	25,844,073
Additions - capital expenditure	1,424,065	1,182,555
Revaluation gains/(losses)	1,560,595	(411,820)
Depreciation expense	(464,840)	(441,526)
Disposals	(79,693)	(60,771)
Asset write-off	(6,433)	(7,480)
Change in assets held for sale	24,988	(26,041)
BALANCE AS 30 JUNE	28,537,672	26,078,990

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 \$28.538 billion (2013: \$26.079 billion) and this valuation is effective as at 30 June 2014.

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	Accum deprn \$000	Valuation 2013/14 \$000	Replacement cost \$000	Accum deprn \$000	Valuation 2012/13 \$000
State highway corridor land	7,487,292	0	7,487,292	6,930,313	0	6,930,313
Held properties	1,301,100	0	1,301,100	988,685	0	988,685
Formation	7,785,120	0	7,785,120	7,287,210	0	7,287,210
Pavement (other)	4,357,070	976,310	3,380,760	4,028,014	935,750	3,092,264
Pavement (surface)	1,302,690	640,900	661,790	1,202,600	598,470	604,130
Drainage	1,317,560	570,900	746,660	1,207,270	545,920	661,350
Traffic facilities	1,918,570	791,190	1,127,380	1,709,550	761,430	948,120
Bridges	6,945,290	2,638,640	4,306,650	6,473,360	2,580,470	3,892,890
Culverts & subways	544,140	203,120	341,020	490,710	191,520	299,190
Other structures ^a	1,777,640	377,740	1,399,900	1,764,590	389,752	1,374,838
TOTAL	34,736,472	6,198,800	28,537,672	32,082,302	6,003,312	26,078,990

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

There are some uncertainties about the values assigned to different components (land, formation, bridges, etc) of the state highway network. These uncertainties include whether the Agency's databases have accurate quantities, remaining life and complete capture for some cost components. Some uncertainties are inherent, but those for both the quantity and costs of components can be reduced by improvements in the accuracy of the underlying databases.

The Transport Agency has identified a few instances where some of the quantities have been understated and some actual costs have not been included in the underlying databases.

The valuer has valued the state highway on the basis of the information in the databases. In arriving at a value, the valuer has noted that the reported valuation is potentially understated due to the issues described above.

Brownfield costs are assessed as being the most significant part of the potential undervaluation with the remaining due to incomplete records.

The Transport Agency has commenced improving the accuracy of the asset databases and identify all costs able to be capitalised. This is reducing the understatement of the value of the state highway network.

Work in progress

The total amount of the state highway network in the course of construction is \$2.886 billion (2013: \$2.167 billion).

10 INTANGIBLE ASSETS

Movements for acquired software assets are as follows:

	Actual 2013/14 \$000	Actual 2012/13 \$000
COST		
Balance at 1 July	68,379	60,445
Additions	5,806	6,134
Reclassification	0	97
Work in progress movements	241	1,867
Disposals	0	(164)
Balance at 30 June	74,426	68,379
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES		
Balance at 1 July	26,767	22,698
Amortisation expense	5,437	4,151
Reclassification	1	34
Disposals	0	(116)
Balance at 30 June	32,205	26,767
CARRYING AMOUNTS		
At 30 June 2013	41,611	37,747
At 30 June 2014	42,221	41,611

There are no restrictions over the title of the Transport Agency'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 \$22.306 million (2013: \$22.065 million). This includes \$20 million for a New Zealand wide public transport automated fare collection system.

11 LOANS AND ADVANCES

Statutory advances

Under the Public Works Act, the Transport Agency has provided statutory advances of \$0.855 million (2013: \$0.855 million).

12 CREDITORS AND OTHER PAYABLES

	Actual 2013/14 \$000	Actual 2012/13 \$000
CURRENT PORTION		
Creditors	389,134	432,042
Income in advance	5,593	7,146
Lease make-good provision	0	70
Onerous contracts	48	38
Total current portion	394,775	439,296
NON-CURRENT PORTION		
Onerous contracts	131	207
Total non-current portion	131	207
TOTAL CREDITORS AND OTHER PAYABLES	394,906	439,503

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.

Onerous contracts provision

The Transport Agency has non-cancellable leases for office space that is no longer used by the Transport Agency due to restructuring. A provision has been recognised for the future rental payments.

13 EMPLOYEE ENTITLEMENTS

	Actual 2013/14 \$000	Actual 2012/13 \$000
CURRENT PORTION		
Accrued salaries and wages	3,858	3,141
Annual leave	8,082	8,010
Sick leave	509	424
Retirement and long service leave	446	359
Total current portion	12,895	11,934
NON-CURRENT PORTION		
Retirement and long service leave	4,229	4,653
Total non-current portion	4,229	4,653
TOTAL EMPLOYEE ENTITLEMENTS	17,124	16,587

The actuarial valuation as at 30 June 2014 was conducted in-house using prescribed Treasury guidance.

The sick, long service, and retirement leave valuations involve making future service projections for each employee. The probability of an employee leaving has been determined with reference to current public service leaving statistics. Additional economic assumptions were taken from Treasury guidance.

Sensitivity analysis has been performed to assess the financial impact of changes in the assumptions to the retirement and long service leave liabilities.

Using 50% of the assumed resignation rate, with all other factors held constant, the amount of expected liability would be \$420,000 higher. If the resignation rate is at 150% of the assumed rate, then the expected liability would be \$328,000 lower.

14 BORROWING

The Transport Agency has a borrowing facility for short-term advances to the Transport Agency from the Crown, to cover seasonal variations in cash flows where state highway works progress ahead of funding available from the National Land Transport Fund. The maximum amount of such advances at any one time shall not exceed \$250 million.

The Transport Agency also arranged an additional borrowing facility of \$100 million from the Crown which was not drawn upon during the year, and lapsed at 30 June 2014.

The Transport Agency has current borrowing of \$100 million as at 30 June 2014 (2013: \$100 million).

The fair value of the borrowing is \$100.338 million (2013: \$100.139 million), based on cash flows discounted using Treasury determined coupon rate of 4.0% (2013: 3.25%).

15 RETAINED FUNDS

	Note	Actual 2013/14 \$000	Actual 2012/13 \$000
RETAINED FUNDS - NZ TRANSPORT AGENCY OPERATIONS			
Balance at 1 July		23,323	21,018
Surplus from operations		1,716	2,278
Tolling balance from memorandum account		0	27
Balance at 30 June		25,039	23,323
RETAINED FUNDS - NATIONAL LAND TRANSPORT PROGRAMME			
Balance at 1 July		0	0
Capital contribution from the National Land Transport Fund		776,227	605,073
Deficit from operations		(142)	0
Surplus from land transport funding		71,687	55,286
Transfer to state highway investment	a	(847,773)	(657,778)
Funds provided for public transport automated fare collection system		0	(2,582)
Balance at 30 June		0	0
RETAINED FUNDS - SPECIFIC PROJECTS FUNDED BY THE CROWN			
Balance at 1 July		995	9,422
Capital contribution from the Crown		25,000	15,000
Surplus/(deficit)		244	(8,427)
Transfer to state highway investment	a	(25,000)	(15,000)
Balance at 30 June		1,239	995
FUNDS PROVIDED FOR PUBLIC TRANSPORT AUTOMATED FARE COLLECTION SYSTEM			
Balance at 1 July		20,000	17,418
Funds from the National Land Transport Programme		0	2,582
Balance at 30 June		20,000	20,000
TOTAL RETAINED FUNDS		46,278	44,318

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

	Note	Actual 2013/14 \$000	Actual 2012/13 \$000
Capitalised expenditure		1,399,065	1,167,555
State highway depreciation and asset write-off		(471,599)	(449,006)
State highway disposals to the National Land Transport Programme		(79,693)	(60,771)
Retained funds - National Land Transport Programme		847,773	657,778
Capitalised expenditure		25,000	15,000
Retained funds - specific projects funded by the Crown		25,000	15,000
TRANSFER TO STATE HIGHWAY INVESTMENT	17	872,773	672,778

16 MEMORANDUM ACCOUNT - OTHER FEES AND CHARGES

	Note	Actual 2013/14 \$000	Actual 2012/13 \$000
Balance at 1 July		1,018	(6,568)
Surplus from operations		5,236	7,613
Tolling balance to retained funds - NZ Transport Agency operations		0	(27)
TOTAL MEMORANDUM ACCOUNT - OTHER FEES AND CHARGES		6,254	1,018

Below are the closing balances of the memorandum accounts by funding activities.

	Actual 2013/14 \$000	Actual 2012/13 \$000
Customer licensing activities	3,188	(3,389)
Vehicle standards compliance activities	3,067	4,407
TOTAL MEMORANDUM ACCOUNT - OTHER FEES AND CHARGES	6,254	1,018

Customer licensing activities include driver licensing and testing, and rail and transport operator licensing.

Vehicle standards compliance activities include border inspections, certification reviews, motor vehicle licensing, overdimension permits, and standards development and certification.

17 STATE HIGHWAY NETWORK

	Note	Actual 2013/14 \$000	Actual 2012/13 \$000
STATE HIGHWAY INVESTMENT			
Balance at 1 July		18,440,952	17,768,174
Transfer from the National Land Transport Programme	15a	872,773	672,778
Balance at 30 June		19,313,725	18,440,952
STATE HIGHWAY REVALUATION RESERVE			
Balance at 1 July		7,794,662	8,206,482
Revaluation gains/(losses) - state highway network		1,560,595	(411,820)
Balance at 30 June		9,355,257	7,794,662
TOTAL STATE HIGHWAY NETWORK		28,668,982	26,235,614

18 CAPITAL FUNDING - NATIONAL LAND TRANSPORT PROGRAMME

	Actual 2013/14 \$000	Actual 2012/13 \$000
New and improved infrastructure for state highways	614,975	430,064
Renewal of state highways	161,252	175,009
TOTAL CAPITAL CONTRIBUTION - NATIONAL LAND TRANSPORT PROGRAMME	776,227	605,073

19 RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	Actual 2013/14 \$000	Actual 2012/13 \$000
NET SURPLUS	78,743	56,751
ADD NON-CASH ITEMS:		
Depreciation and amortisation expense	474,073	449,346
State highway asset write-off	6,759	7,480
Total non-cash items	480,832	456,826
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCIAL ACTIVITIES:		
Borrowing	60,000	160,000
Repayment of borrowing	(60,000)	(190,000)
Interest on borrowing	3,335	4,098
Total items classified as investing or financing activities	3,335	(25,902)
ADD/(LESS) MOVEMENTS IN STATEMENT OF FINANCIAL POSITION ITEMS:		
(Increase)/decrease in debtor National Land Transport Fund and Crown	6,620	(68,189)
(Increase)/decrease in other receivables	34,693	(3,487)
(Increase)/decrease in prepayments and inventories	2,398	(4,808)
Increase/(decrease) in creditors and other payables	(44,597)	65,521
Increase/(decrease) in tolling funds held in trust for Ministry of Transport	390	(1,008)
Increase/(decrease) in employee entitlements	537	(120)
Net movements in working capital items	40	(12,091)
NET CASH FROM OPERATING ACTIVITIES	562,950	475,584

20 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 2013/14 \$000	Actual 2012/13 \$000
Not later than one year	2,940,126	2,780,993
Later than one year and not later than five years	1,247,206	3,076,390
Later than five years	695,654	248,761
TOTAL FUNDING COMMITMENTS	4,882,986	6,106,144

Capital commitments

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

	Actual 2013/14 \$000	Actual 2012/13 \$000
Not later than one year	1,233,118	1,009,489
Later than one year and not later than five years	1,190,798	1,311,920
Later than five years	15,762	5,872
TOTAL CAPITAL COMMITMENTS	2,439,678	2,327,281

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 2013/14 \$000	Actual 2012/13 \$000
Not later than one year	17,770	18,554
Later than one year and not later than five years	36,084	50,749
Later than five years	17,747	30,187
TOTAL NON-CANCELLABLE OPERATING LEASES	71,601	99,490

Significant operating leases are limited to buildings for office accommodation and provision of registry systems.

21 CONTINGENCIES

Contingent liabilities

Contract and land settlements

There are claims of \$32.8 million (2013: \$4.5 million) relating to a range of roading and other contract disputes.

Contingent assets

The Transport Agency has contingent assets of \$0.581 million (2013: \$0.581 million) relating to claims for legal costs.

22 RELATED PARTY TRANSACTIONS

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

The Transport Agency is a wholly owned entity of the Crown.

Significant transactions with government-related entities

The Transport Agency has been provided with funding from the Crown and National Land Transport Fund of \$2.000 billion (2013: \$1.925 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 Transport Agency, a borrowing facility of \$350 million for short-term advances.

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

In conducting its activities, the Transport Agency is required to pay various taxes and levies (such as GST, FBT, 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 Transport Agency is exempt from paying income tax.

The Transport Agency 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 2014 totalled \$69.911 million (2013: \$57.275 million). These government-related entities include New Zealand Post Ltd of \$26.169 million, Transpower NZ Ltd of \$14.873 million, and Environmental Protection Authority of \$5.611 million. These purchases also include the purchase of electricity from Genesis Energy and Meridian Energy, and air travel from Air New Zealand.

During the 2013/14 financial year Board members and staff of the Transport Agency were involved in minor transactions with the motor vehicle registry and driver licensing 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. All transactions were conducted in the ordinary course of business:

Board member/entity	Relationship	Transaction ^a	Transaction value		Balance outstanding	
			2013/14 \$000	2012/13 \$000	2013/14 \$000	2012/13 \$000
CHRIS MOLLER						
Meridian Energy Ltd	Chair	Energy costs	639	380	31	0
Westpac NZ Ltd	Director	Income from interest received	1,742	2,614	0	0
Westpac NZ Ltd	Director	Fees for banking services	3,342	2,559	106	114
GILL COX						
Waste Management NZ Ltd	Chair	Highway maintenance services	237	305	0	0
TONY LANIGAN						
Watercare Services Ltd	Director	Income share of relocation costs	0	2,186	0	12

a. Transactions are expenditure items unless stated as income.

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

Key management personnel compensation

	Actual 2013/14 \$000	Actual 2012/13 \$000
Salaries and other short-term employee benefits	4,419	4,205
Termination benefits	98	33
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	4,517	4,238

Key management personnel include all board members, the Chief Executive, and the 10 (2013: 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 Transport Agency.

	Actual 2013/14 \$000	Actual 2012/13 \$000
Chapman Tripp	9,243	5,271
Public Trust	797	758
TOTAL FUNDS HELD IN TRUST	10,040	6,029

23 BOARD MEMBER REMUNERATION

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

	Actual 2013/14 \$000	Actual 2012/13 \$000
Chris Moller (Chair)	63	68
Dame Patsy Reddy	39	42
Gill Cox	32	34
Tony Lanigan	32	34
Jerry Rickman	32	34
Nick Rogers	23	0
Alick Shaw	32	34
Adrienne Young-Cooper	34	34
Bryan Jackson	0	12
TOTAL BOARD MEMBER REMUNERATION	287	292

There have been no payments made to committee members appointed by the Board who were not Board members during the financial year. The Transport Agency 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 whilst on Transport Agency business.

No Board members received compensation or other benefits in relation to cessation (2013: nil).

Subsequent to the year end, Mark Oldfield was appointed to the Board on 11 July 2014.

24 EMPLOYEE REMUNERATION

Total remuneration paid or payable	No. of staff 2013/14	No. of staff 2012/13
100,000 - 109,999	96	84
110,000 - 119,999	71	53
120,000 - 129,999	57	57
130,000 - 139,999	45	32
140,000 - 149,999	31	18
150,000 - 159,999	13	15
160,000 - 169,999	17	16
170,000 - 179,999	11	12
180,000 - 189,999	11	9
190,000 - 199,999	7	4
200,000 - 209,999	3	7
210,000 - 219,999	7	3
220,000 - 229,999	3	0
230,000 - 239,999	0	2
240,000 - 249,999	1	0
250,000 - 259,999	1	6
260,000 - 269,999	4	1
270,000 - 279,999	1	1
280,000 - 289,999	2	0
300,000 - 309,999	1	0
310,000 - 319,999	0	1
320,000 - 329,999	0	1
330,000 - 339,999	1	3
340,000 - 349,999	1	1
350,000 - 359,999	3	0
360,000 - 369,999	1	0
380,000 - 389,999	1	0
390,000 - 399,999	0	1
400,000 - 409,999	0	1
600,000 - 609,999	0	0
610,000 - 619,999	0	*1
620,000 - 629,999	*1	0
TOTAL EMPLOYEES	390	329

* Chief Executive

During the year ended 30 June 2014, 20 (2013: 6) employees received compensation and other benefits in relation to cessation totalling \$0.786 million (2013: \$0.332 million).

25 EVENTS AFTER THE BALANCE 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.

26 FINANCIAL INSTRUMENT CATEGORIES

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

	Actual 2013/14 \$000	Actual 2012/13 \$000
LOANS AND RECEIVABLES		
Cash and cash equivalents	23,922	16,580
Debtors National Land Transport Fund and Crown	517,587	524,207
Debtors and other receivables	38,105	72,798
Loans and advances	855	855
TOTAL LOANS AND RECEIVABLES	580,469	614,440
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Creditors and other payables (current and non-current)	394,906	439,503
Borrowing	100,000	100,000
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	494,906	539,503

27 FINANCIAL INSTRUMENT RISKS

The Transport Agency's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Transport Agency 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 Transport Agency's exposure to fair value interest rate risk is limited to its bank deposits which are held at fixed rates of interest. The Transport Agency 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 Transport Agency to cash flow interest rate risk.

The Transport Agency's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. The Transport Agency 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 Transport Agency purchases goods and services overseas which require it to enter into transactions denominated in foreign currencies. The Transport Agency does not actively manage its exposure to currency risk.

Credit risk

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

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

In the normal course of business, the Transport Agency 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 Transport Agency limits the amount of credit exposure to any one financial institution for term deposits to no more than \$40 million. The Transport Agency 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 Transport Agency has experienced no defaults of interest or principal payments for term deposits.

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

Maximum exposure to credit risk

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

	Actual 2013/14 \$000	Actual 2012/13 \$000
Cash and cash equivalents	23,922	16,580
Debtors National Land Transport Fund and Crown	517,587	524,207
Debtors and other receivables	38,105	72,798
Loans and advances	855	855
TOTAL CREDIT RISK	580,469	614,440

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 2013/14 \$000	Actual 2012/13 \$000
CASH AND CASH EQUIVALENTS		
AA-	23,922	16,580
TOTAL CASH AND CASH EQUIVALENTS	23,922	16,580

Liquidity risk

Management of liquidity risk

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

The Transport Agency 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.

	2013/14			2012/13		
	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	394,727	48	131	439,188	108	207
Borrowing	0	100,000	0	0	100,000	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.

	2013/14		2012/13	
	Less than 6 months \$000	Later than 1 year \$000	Less than 6 months \$000	Later than 1 year \$000
Cash and cash equivalents	23,922	0	16,580	0
Debtors National Land Transport Fund and Crown	517,587	0	524,207	0
Debtors and other receivables	38,105	0	72,798	0
Loans and advances	0	855	0	855

Borrowing

The Transport Agency's borrowing facility from the Crown is the result of the acceleration of the 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 Transport Agency 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 Transport Agency's financial instrument exposure at balance date.

	2013/14		2012/13	
	Effect on surplus or deficit		Effect on surplus or deficit	
	+1%	-1%	+1%	-1%
	\$000	\$000	\$000	\$000
Cash and cash equivalents	144	(144)	89	(89)

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.

	2013/14		2012/13	
	Effect on surplus or deficit		Effect on surplus or deficit	
	+0.5%	-0.5%	+0.5%	-0.5%
	\$000	\$000	\$000	\$000
Borrowing	542	(542)	1,024	(1,024)

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.

28 CAPITAL MANAGEMENT

The Transport Agency's capital is its equity, which comprises general funds, accumulated funds and revaluation reserves. Equity is represented by net assets.

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

29 EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

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

Statement of comprehensive income

INCOME

Revenue from the National Land Transport Fund was \$51 million (2.7%) higher than budgeted. Higher revenue available in the National Land Transport Fund was used to deliver the National Land Transport Programme activities in the current year.

Revenue from other activities was \$46 million higher than budgeted. This was due to:

- › contributions to state highway project income that was previously categorised as either National Land Transport Fund revenue or cost recoveries, now being categorised as other revenue (contributions)
- › volume-driven licensing revenue being ahead of budget due to higher numbers of new drivers and higher volume of driver tests
- › higher than forecast volumes for motor vehicle registrations and their accompanying revenue from plates.

EXPENDITURE

Land transport funding was \$23 million lower than budgeted which mainly came from the net impact of these activities:

- › *Public transport* was \$41 million under budget due to lower cost delivery of existing services, fewer new services being progressed, and slower than planned delivery of infrastructure projects.
- › *New and improved local road infrastructure* was \$35 million under budget resulting from low investment in Christchurch relative to budget, and lower than planned delivery of minor improvement and infrastructure programmes.
- › *Maintenance and operation of state highways* was \$61 million over budget resulting from a new approach to asset maintenance and renewals, which aims to extend the service life of our assets.

Depreciation and amortisation expense was \$47 million higher than budget. This predominately relates to the state highway depreciation budget being established before the revaluation at the end of last year.

Statement of financial position

CURRENT ASSETS

Debtor National Land Transport Fund was \$70 million higher than budgeted. This level of debtor arises in the short term to cover the gap between NLTF revenue and expenditure remaining and is higher than budgeted.

Debtor Crown was \$18 million higher than budgeted, which arises in the short term to cover the gap between revenue and expenditure remaining and is higher than budgeted.

Other receivables were \$12 million higher due to a GST receivable planned for receipt in June, received in the first week of July.

NON-CURRENT ASSETS

State highway network was \$287 million higher than budgeted. A greater increase in land valuation and prices associated with road construction than anticipated has led to the 2014 valuation being higher than budgeted.

CURRENT LIABILITIES

Creditors and other payables were \$113 million higher than budgeted due to a higher level of activity at the end of the year than anticipated.

Borrowing was \$150 million lower than budgeted. A better than forecast NLTF cash position meant the Transport Agency did not need to fully draw down on the \$250 million borrowing facility.

NON-CURRENT LIABILITIES

Borrowing (for toll roads) was below budget as the \$120 million to advance the construction of the Tauranga Eastern Link road was not called upon.

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 Transport Agency'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 144 to 146 and the audited financial statements on pages 147 to 174.

DETAILED PERFORMANCE BY SEGMENT OF THE BUSINESS

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

OPERATIONS			
	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
INCOME			
REVENUE FROM THE CROWN			
Management of the funding allocation system	771	775	775
Licensing and regulatory compliance	4,917	4,798	4,367
Road user charges collection, investigation and enforcement	19,935	17,046	17,002
Refund of fuel excise duty	429	429	429
Administration of the SuperGold cardholders scheme	95	95	95
	26,147	23,143	22,668
REVENUE FROM THE NATIONAL LAND TRANSPORT FUND			
Management of the funding allocation system	29,573	30,000	28,838
Transport planning	4,291	4,150	7,055
Sector research	4,197	5,600	3,194
Public transport	573	2,963	2,607
Road safety promotion	18,995	21,217	16,093
Maintenance and operation of state highways	11,764	13,084	9,069
	69,393	77,014	66,856
REVENUE FROM OTHER ACTIVITIES			
Road safety promotion	1,018	0	0
Licensing and regulatory compliance	77,837	68,175	71,326
Road tolling	6,056	5,696	5,843
Motor vehicle registry	56,779	53,700	54,295
Maintenance and operation of state highways	1,570	944	2,837
	143,260	128,515	134,302
TOTAL INCOME	238,800	228,672	223,826

	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
EXPENDITURE			
OPERATING ACTIVITIES			
Management of the funding allocation system	1,021	775	731
Road safety promotion	634	0	0
Licensing and regulatory compliance	79,694	74,634	70,612
Road tolling	5,481	5,763	5,272
Motor vehicle registry	54,033	52,000	51,795
Road user charges collection, investigation and enforcement	17,051	17,046	16,016
Refund of fuel excise duty	505	429	461
Administration of the SuperGold cardholders scheme	95	95	95
	158,513	150,742	144,982
OPERATING ACTIVITIES (NATIONAL LAND TRANSPORT PROGRAMME)			
Management of the funding allocation system	29,715	30,000	28,838
Transport planning	4,291	4,150	7,055
Sector research	4,197	5,600	3,194
Public transport	573	2,963	2,607
Road safety promotion	18,995	21,217	16,093
New and improved infrastructure for state highways	31,299	31,760	32,525
Renewal of state highways	10,710	8,000	9,815
Maintenance and operation of state highways	11,764	13,084	9,069
	111,543	116,774	109,196
OPERATING ACTIVITIES (BUSINESS UNITS)			
Maintenance and operation of state highways	1,186	865	1,173
Expenses relating to the delivery of outputs	271,242	268,381	255,351
Other expenses	2,755	0	924
Total expenditure	273,997	268,381	256,274
STATE HIGHWAY NETWORK			
Less capitalised expenditure	(42,009)	(39,760)	(42,340)
Total expenditure	231,989	228,621	213,934
NET SURPLUS	6,811	51	9,892

Movement of operations net surplus to equity

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

- › **Retained funds - NZ Transport Agency 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.
- › **Retained funds - National Land Transport Programme** refers to activities that are funded from the National Land Transport Fund.
- › **Memorandum account - Other fees and charges** refers to activities funded from fees and charges.

Movement of operations net surplus to equity

	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
EXPENDITURE			
INCOME			
Retained funds - NZ Transport Agency operations	34,274	29,938	30,863
Retained funds - National Land Transport Programme	69,393	77,014	66,856
Memorandum account - other fees and charges	135,133	121,720	126,107
	238,800	228,672	223,826
EXPENDITURE			
Retained funds - NZ Transport Agency operations	32,557	29,427	28,584
Retained funds - National Land Transport Programme	69,535	77,014	66,856
Memorandum account - other fees and charges	129,897	122,180	118,494
	231,989	228,621	213,934
NET SURPLUS			
Retained funds - NZ Transport Agency operations	1,716	511	2,278
Retained funds - National Land Transport Programme	(142)	0	0
Memorandum account - other fees and charges	5,236	(460)	7,613
NET SURPLUS	6,811	51	9,892

LAND TRANSPORT FUNDING			
	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
INFLOWS			
Transport planning	10,636	11,840	6,383
Public transport	271,693	313,037	284,925
Road safety promotion	12,816	10,883	11,499
New and improved infrastructure for local roads	125,043	160,000	152,562
Renewal of local roads	232,761	246,000	204,410
Maintenance and operation of local roads	302,618	289,000	279,379
Walking and cycling	18,197	20,000	8,449
New and improved infrastructure for state highways	538,974	437,600	505,821
Renewal of state highways	7,341	0	0
Maintenance and operation of state highways	359,836	298,916	333,141
Management of the funding allocation system	142	0	0
Total income	1,880,057	1,787,276	1,786,569
OUTFLOWS			
Transport planning	10,636	11,840	6,383
Public transport	271,693	313,037	282,343
Road safety promotion	12,816	10,883	11,499
New and improved infrastructure for local roads	125,043	160,000	152,562
Renewal of local roads	232,761	246,000	204,410
Maintenance and operation of local roads	302,618	289,000	279,379
Walking and cycling	18,197	20,000	8,449
New and improved infrastructure for state highways	1,199,010	1,127,240	960,034
Renewal of state highways	157,883	214,000	165,194
Maintenance and operation of state highways	359,836	298,916	333,141
Interest on borrowings	3,335	5,200	4,098
	2,693,827	2,696,116	2,407,492
STATE HIGHWAY NETWORK			
State highway depreciation	464,840	417,000	441,526
State highway asset write-off	6,759	10,500	7,480
Less capitalised expenditure	(1,357,057)	(1,341,240)	(1,125,215)
	(885,458)	(913,740)	(676,209)
Total expenditure	1,808,370	1,782,376	1,731,283
NET SURPLUS	71,687	4,900	55,286

SPECIFIC PROJECTS FUNDED BY THE CROWN

	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
INCOME			
REVENUE FROM THE CROWN			
Enhanced public transport concessions for SuperGold cardholders	23,905	23,905	22,755
Passing opportunities on SH2 between Napier and Gisborne	3,350	3,500	150
Reinstatement of local roads in Canterbury	30,800	40,694	26,200
Total income	58,055	68,099	49,105
EXPENDITURE			
Enhanced public transport concessions for SuperGold cardholders	24,110	23,905	22,363
Passing opportunities on SH2 between Napier and Gisborne	3,350	3,500	150
Reinstatement of local roads in Canterbury	30,351	40,694	35,019
National war memorial park	25,000	20,000	15,000
	82,811	88,099	72,532
STATE HIGHWAY NETWORK			
Less capitalised expenditure	(25,000)	(23,500)	(15,000)
Total expenditure	57,811	64,599	57,532
NET SURPLUS/(DEFICIT)	244	3,500	(8,427)

This supplementary information does not form part of the 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 Transport Agency develops the National Land Transport Programme based on the policy direction in the Land Transport Management Act 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 second year of the programme.

NATIONAL LAND TRANSPORT PROGRAMME			
	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
INCOME			
Capital contribution from National Land Transport Fund (NLTF)	776,227	758,600	605,073
Revenue from the NLTF	1,896,358	1,843,690	1,818,900
Revenue from the NLTF (rental and interest income)	19,144	20,600	34,525
Revenue from state highway disposals	79,693	70,000	60,771
Revenue from other activities	33,949	0	0
Total income for the NLTF	2,805,370	2,692,890	2,519,270
Borrowing (for toll roads)	0	120,000	0
Total income for the National Land Transport Programme	2,805,370	2,812,890	2,519,270
EXPENDITURE			
Transport planning	14,927	17,000	13,438
Road safety promotion	31,811	32,000	27,592
Walking and cycling	18,197	20,000	8,449
Public transport	272,266	315,000	284,950
Maintenance and operation of local roads	290,445	294,000	279,379
Maintenance & operation of local roads (Christchurch earthquake fund)	12,173	0	0
Maintenance and operation of state highways	371,600	325,000	342,210
Renewal of local roads	232,761	251,000	204,410
Renewal of state highways	168,593	210,000	175,009
New and improved infrastructure for local roads	125,043	170,000	152,562
New and improved infrastructure for state highways	1,230,309	1,160,000	992,559
Sector research	4,197	5,000	3,194
Management of the funding allocation system	29,715	30,000	28,838
Interest on borrowing	3,335	0	4,098
Total expenditure	2,805,370	2,829,000	2,516,687
CARRY OVER INTO NEXT YEAR	0	(16,110)	2,582
Public transport infrastructure - automated fare collection system	0	0	(2,582)
Opening balance	0	0	0
CLOSING BALANCE AT THE END OF THE YEAR	0	(16,110)	0

This supplementary information does not form part of the 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 ALPURT 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 2014, 5.8 million trips were made on the toll road. Based on volumes recorded at a point just north of the toll road, traffic volumes were 7.1 million, indicating that 1.4 million used the alternate free route, State Highway 17.

Toll tariffs

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 \$7.6 million of toll revenue has been paid to the Ministry of Transport for the period ending 30 June 2014, for debt repayment.

TRAFFIC VOLUMES FOR THE YEAR ENDED 30 JUNE 2014

Class of motor vehicle	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
Light vehicle	5,288	4,895	4,958
Heavy vehicle	422	396	392
Exempt	20	21	19
Unidentifiable	11	12	12
Technical loss	20	13	31
TOTAL	5,761	5,337	5,412

TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT) FOR THE YEAR ENDED 30 JUNE 2014

	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
PAID TOLL			
Light vehicle	6,285	5,773	5,856
Heavy vehicle	1,309	1,221	1,212
Interest	54	41	47
TOTAL FUNDS AVAILABLE	7,648	7,035	7,115
OUTSTANDING DEBTOR BALANCE AS AT 30 JUNE			
Unpaid toll revenue to be collected for the Ministry of Transport	159		148
Unpaid operating charge to be collected	89		82
Unpaid administration charges to be collected	325		317
GST to be collected	86		82
TOTAL OUTSTANDING DEBTOR BALANCE AS AT 30 JUNE	659		629

USE OF TOLL ROAD AND ALTERNATIVE ROUTE(S) FOR THE YEAR ENDED 30 JUNE 2014

	Actual 2013/14 \$000	Actual 2012/13 \$000
Northern Gateway Toll Road (SH 1)	80.2%	79.0%
Free alternative routes (SH 16 and 17)	19.8%	21.0%
TOTAL	100.0%	100.0%

COMPLIANCE WITH TOLLING FOR THE YEAR ENDED 30 JUNE 2014

	Volumes Actual 2013/14 \$000	Revenue Actual 2013/14 \$000	Volumes Actual 2012/13 \$000	Revenue Actual 2012/13 \$000
Total chargeable toll trips	5,710	13,491	5,350	12,631
Total administration charges	n/a	2,196	n/a	2,212
TOTAL TOLL REVENUE	5,710	15,687	5,350	14,843
Paid toll trips	5,538	13,093	5,190	12,267
Paid administration charges	n/a	1,644	n/a	1,730
PAID TOLL REVENUE	5,538	14,737	5,190	13,997
Unpaid toll trips	172	398	160	364
Unpaid administration charges	n/a	552	n/a	482
UNPAID TOLL REVENUE	172	950	160	846
Administration charge payment compliance	n/a	74.9%	n/a	78.2%
Toll payment compliance	97.0%	97.0%	97.0%	97.1%

Financial statements for tolling

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
INCOME			
Toll fees	6,056	5,697	5,839
Total income	6,056	5,697	5,839
Expenditure	5,481	5,785	5,268
NET SURPLUS/(DEFICIT)	575	(88)	571

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2014

	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
ASSETS			
Current assets	10,730	9,654	8,399
Non-current assets	2,074	2,073	2,677
TOTAL ASSETS	12,804	11,727	11,076
Liabilities	6,075	5,661	4,922
NET ASSETS/EQUITY	6,729	6,066	6,154

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Actual 2013/14 \$000	Budget 2013/14 \$000	Actual 2012/13 \$000
Net cash from operating activities	8,087	7,126	7,237
Net cash from financing activities	(7,458)	(6,722)	(7,063)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	629	404	174
Cash and cash equivalents at the beginning of the year	4,958	4,958	4,784
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5,587	5,362	4,958

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

INDEPENDENT AUDITOR'S REPORT



TO THE READERS OF THE NZ TRANSPORT AGENCY AND GROUP'S FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2014

The Auditor-General is the auditor of the NZ Transport Agency (the "Transport Agency") and group, comprising the Transport Agency and its subsidiary. 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 Transport Agency and the group on her behalf.

We have audited:

- the financial statements of the Transport Agency and group on pages 147 to 174, that comprise the statement of financial position as at 30 June 2014, 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 Transport Agency and group that comprises the statement of service performance on pages 90 to 125 and the report about outcomes on pages 40 to 43.

OPINION

In our opinion:

- the financial statements of the Transport Agency and group on pages 147 to 174:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Transport Agency and group's:
 - › financial position as at 30 June 2014; and
 - › financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the Transport Agency and group on pages 90 to 125 and 40 to 43:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Transport Agency and group's service performance and outcomes for the year ended 30 June 2014, 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 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 Transport Agency and group'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 Transport Agency'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 Transport Agency and group'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. Also we did not evaluate the security and controls over the electronic publication 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 Transport Agency and group'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 is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

The Board's responsibilities arise from the Crown Entities Act 2004 and the 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 External Reporting Board.

In addition to the audit we have carried out assignments in the areas of technical and contractual advice, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Transport Agency or its subsidiary.



Brent Manning

KPMG Wellington

On behalf of the Auditor-General

Wellington, New Zealand

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 2013 to 30 June 2014.

BACKGROUND

The Land Transport Management Act (LTMA) 2003 provides for an operating principle for the NZ Transport Agency, 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 Transport Agency 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 Transport Agency 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 Transport Agency 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 Transport Agency 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 2014 indicates the page is accessed on average 17 times a month (2013: 15).

A further link on this page links to a webpage that lists all the funding decisions the Transport Agency 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 2014 indicates the page is accessed on average 151 times a month (2013: 136).

The key system used by the Transport Agency 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 Transport Agency 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 Transport Agency including any conditions applied to the funding. The system is transparent. Every approved organisation can see the details of their proposals, the Transport Agency's recommendations and decisions and those of any other approved organisation and the Transport Agency. 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 Transport Agency Board that employees and members are complying with the principle. These include:

- management reviews and checking of assessments / decisions
- audits conducted on both Transport Agency 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 Transport Agency's Audit, Risk and Assurance committee. The Secretary for Transport is an advisor to this committee and attends the meetings
- KPMG, on behalf of the Auditor-General, review as required to verify this report.

INDEPENDENT LIMITED ASSURANCE REPORT



INDEPENDENT LIMITED ASSURANCE REPORT TO THE READERS OF THE NZ TRANSPORT AGENCY'S REPORT ON PUTTING THE SCRUTINY PRINCIPLE INTO PRACTICE FOR THE YEAR ENDED 30 JUNE 2014

We have carried out work to provide limited assurance on whether any matter has come to our attention that would lead us to believe that the report prepared by the NZ Transport Agency (the "Transport Agency") on Putting the Scrutiny Principle into Practice (the "Report") on page 186 of the annual report does not fairly reflect the implementation of systems and procedures that are required to give the same level of scrutiny to its own proposed activities and combinations of activities, when making decisions in respect of land transport planning and funding under subpart 1 of Part 2 of the Land Transport Management Act 2003 (the "Act") as it would give to those proposed by approved organisations.

The Auditor-General is the auditor of the Transport Agency. The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out this work on her behalf.

RESPONSIBILITIES OF THE DIRECTORS

The Directors of the Transport Agency are responsible for preparing a report on the implementation of the systems and procedures that are required to give the same level of scrutiny to its own proposed activities and combinations of activities, when making decisions in respect of land transport planning and funding under subpart 1 of Part 2 of the Act, as it would give to those proposed by approved organisations. We refer to this as the "scrutiny principle". The Transport Agency's report is required to be included in its annual report, and to be fairly stated. Fairly stated, in the context of the Transport Agency's report, requires that the report is complete, correct and understandable.

RESPONSIBILITY OF THE AUDITOR

Section 96(3) of the Act requires the Auditor-General to conclude whether the Report fairly states the Transport Agency's implementation of the systems and procedures to give effect to the "scrutiny principle" in accordance with section 96(1)(d)(ii) the Act.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* in order to state whether anything has come to our attention that would indicate that the systems and procedures, as described in the Report, have not, in all material respects, been consistently applied in order to give effect to the "scrutiny principle" for the year ended 30 June 2014.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for implementing the systems and procedures associated with implementing the "scrutiny principle", and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with the Auditor-General's Auditing Standards. Consequently we do not seek to obtain evidence that allows us to provide the higher level of assurance afforded by an audit. Accordingly, we do not express a reasonable assurance or audit opinion.

INHERENT LIMITATIONS

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our engagement is not designed to detect all weaknesses in the implementation of the systems and procedures required to give effect to the "scrutiny" principle, as the engagement has not been performed continuously throughout the period and the testing performed was undertaken on a sample basis.

The limited assurance conclusion expressed in this report has been formed on the above basis.

INDEPENDENCE

When carrying out the limited assurance engagement we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Our firm has also provided audit services to the Transport Agency. Subject to certain restrictions, partners and employees of our firm may also deal with the Transport Agency on normal terms within the ordinary course of trading activities of the business of the Transport Agency. These matters have not impaired our independence as assurance providers of the Transport Agency for this engagement. We have no other relationship with, or interest in, the Transport Agency.

CONCLUSION

Based on our limited assurance procedures, which have not been designed to provide a reasonable or audit assurance, we have not become aware of any material matter that would lead us to believe that the report prepared by the Transport Agency on Putting the Scrutiny Principle into Practice for the year ended 30 June 2014 on page 186 is not fairly stated.

Our limited assurance engagement was completed on 20 October 2014, and is the date at which our conclusion is expressed.



Brent Manning

KPMG Wellington

On behalf of the Auditor-General

Wellington, New Zealand