

# PROSPECTIVE FINANCIAL STATEMENTS

This section provides forecast financial statements for:

- the NZ Transport Agency (p59)
- the National Land Transport Fund (p84).



# NZ TRANSPORT AGENCY

## FINANCIAL OVERVIEW

We have budgeted revenue of \$10.9 billion for 2016-19 to fund:

- **Land transport** – \$9.9 billion, which includes our investment in the state highway network and funding we provide to approved organisations for the delivery of services. We will be investing \$4.8 billion in new capital across the state highway network as well as maintaining our assets with \$1.2 billion of expenditure.
- **NZ Transport Agency operating activities** – \$1.0 billion, which includes activities that the Transport Agency is accountable for and delivers in-house or contracts out.

## FUNDING SOURCES AND EXPENDITURE 2016-19

| FUNDING SOURCES                               |           |             | OPERATING AND CAPITAL EXPENDITURE                  |                                    |                         |  |  |                                    |                         |
|---|-----------|-------------|--|------------------------------------|-------------------------|--|--|------------------------------------|-------------------------|
|   |           |             | Land transport funding                             |                                    |                         | Transport Agency operating activities                  |  |                                    |                         |
|   |           |             | PLANNING & INVESTING IN THE LAND TRANSPORT NETWORK | MANAGING THE STATE HIGHWAY NETWORK | SPECIFIC CROWN PROJECTS | PROVIDING ACCESS TO & USE OF THE LAND TRANSPORT SYSTEM | PLANNING & INVESTING IN THE LAND TRANSPORT NETWORK | MANAGING THE STATE HIGHWAY NETWORK | SPECIFIC CROWN PROJECTS |
| Funding from the National Land Transport Fund | Operating | \$6,536.8m  | \$3,289.3m   | \$1,206.5m                         |                         | \$16.4m  | \$248.7m   | \$76.4m                            |                         |
|   | Capital   | \$3,156.1m  |  | \$4,788.8m                         |                         |  | \$111.6m   |                                    |                         |
| Revenue from other activities                 |           | \$533.6m    |  |                                    |                         | \$518.9m   | \$50.5m  | \$6.7m                             |                         |
| Funding from the Crown                        | Operating | \$171.7m    |  |                                    | \$157.4m                | \$14.6m  | \$2.3m   |                                    | \$0.3m                  |
|   | Capital   | \$131.0m    |  |                                    |                         |  |  |                                    |                         |
|   | Borrowing | \$340.0m    |  |                                    |                         |  |  |                                    |                         |
| Totals  |           | \$10,869.2m | \$3,289.3m   | \$5,995.3m                         | \$628.4m                | \$549.9m   | \$301.5m   | \$194.7m                           | \$0.3m                  |
|   |           |             | Total \$9,913.0m                                   |                                    |                         | Total \$1,046.4m                                       |  |                                    |                         |

This table includes operating and capital expenditure.

## NZ TRANSPORT AGENCY OPERATING ACTIVITIES

This table shows the Transport Agency's total expenditure from its operating activities.

|   | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|---|-------------------------------|----------------------------|------------------------------|------------------------------|
| Personnel costs                               | 97,772                        | 103,031                    | 105,472                      | 107,288                      |
| Operating expenses                            | 181,565                       | 184,094                    | 180,695                      | 180,233                      |
| Depreciation and amortisation expense         | 13,638                        | 16,198                     | 15,605                       | 14,765                       |
| <b>TOTAL EXPENDITURE</b>                      | <b>292,975</b>                | <b>303,323</b>             | <b>301,772</b>               | <b>302,286</b>               |
| Add Capitalised operating expenses            | 43,474                        | 36,207                     | 37,630                       | 37,817                       |
| Less NZTTL net expenditure                    | (636)                         | (3,889)                    | (5,898)                      | (9,721)                      |
| <b>NZ TRANSPORT AGENCY PARENT EXPENDITURE</b> | <b>335,813</b>                | <b>335,641</b>             | <b>333,504</b>               | <b>330,382</b>               |

## MANAGING OUR ASSETS

Each year the Transport Agency prepares a capital programme to ensure that it has the infrastructure required to fulfil its functions. The budget set aside for the next three years, not including state highway network activities, is set out below.

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| Computer hardware                              | 2,498                         | 3,475                      | 4,305                        | 2,967                        |
| Computer software                              | 5,107                         | 12,990                     | 4,300                        | 2,050                        |
| Leasehold improvements                         | 1,832                         | 0                          | 0                            | 0                            |
| Furniture and fittings                         | 300                           | 0                          | 0                            | 0                            |
| National integrated transport ticketing system | 1,387                         | 5,035                      | 5,078                        | 4,252                        |
| <b>TOTAL</b>                                   | <b>11,124</b>                 | <b>21,500</b>              | <b>13,683</b>                | <b>9,269</b>                 |

The focus of the capital programme is on upgrading our technology and making improvements to business critical systems and applications.

From an infrastructure perspective, the assets purchased primarily relate to the replacement of assets that have reached the end of their useful life or in the case of computer equipment and furniture are part of a planned replacement programme.

## OTHER FEES AND CHARGES FUNDED ACTIVITIES

Memorandum accounts are notional accounts that record the accumulated balance of surpluses and deficits incurred for third-party funded outputs operating on a full cost-recovery basis.

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>BORDER INSPECTIONS</b>                              |                               |                            |                              |                              |
| Net surplus/(deficit)                                  | 194                           | 284                        | 269                          | 307                          |
| Balance at 30 June                                     | 3,515                         | 3,799                      | 4,068                        | 4,375                        |
| <b>CERTIFICATION REVIEWS</b>                           |                               |                            |                              |                              |
| Net surplus/(deficit)                                  | 1,378                         | 687                        | 670                          | 601                          |
| Balance at 30 June                                     | (7,495)                       | (6,808)                    | (6,138)                      | (5,537)                      |
| <b>DRIVER LICENSING</b>                                |                               |                            |                              |                              |
| Net surplus/(deficit)                                  | (312)                         | (2,099)                    | (2,551)                      | (2,652)                      |
| Balance at 30 June                                     | 4,560                         | 2,461                      | (90)                         | (2,742)                      |
| <b>DRIVER TESTING</b>                                  |                               |                            |                              |                              |
| Net surplus/(deficit)                                  | 83                            | (1,124)                    | (1,843)                      | (1,716)                      |
| Balance at 30 June                                     | 6,332                         | 5,208                      | 3,365                        | 1,649                        |
| <b>MOTOR VEHICLE LICENSING</b>                         |                               |                            |                              |                              |
| Net surplus/(deficit)                                  | (1,175)                       | (6,168)                    | (5,566)                      | (4,626)                      |
| Balance at 30 June                                     | 4,964                         | (1,204)                    | (6,770)                      | (11,396)                     |
| <b>OVER DIMENSION PERMITS</b>                          |                               |                            |                              |                              |
| Net surplus/(deficit)                                  | 365                           | (353)                      | 391                          | 378                          |
| Balance at 30 June                                     | 882                           | 529                        | 920                          | 1,298                        |
| <b>RAIL LICENSING</b>                                  |                               |                            |                              |                              |
| Net surplus/(deficit)                                  | (833)                         | (1,042)                    | (1,104)                      | (1,124)                      |
| Balance at 30 June                                     | (4,134)                       | (5,176)                    | (6,280)                      | (7,404)                      |
| <b>ROAD USER CHARGES COLLECTIONS</b>                   |                               |                            |                              |                              |
| Net surplus/(deficit)                                  | (498)                         | (1,895)                    | (893)                        | (659)                        |
| Road user charges retained funds to memorandum account | 1,500                         | 0                          | 0                            | 0                            |
| Balance at 30 June                                     | 2,896                         | 1,001                      | 108                          | (551)                        |
| <b>STANDARDS DEVELOPMENT AND CERTIFICATION</b>         |                               |                            |                              |                              |
| Net surplus/(deficit)                                  | 888                           | 436                        | 376                          | 351                          |
| Balance at 30 June                                     | 2,111                         | 2,547                      | 2,923                        | 3,274                        |
| <b>TRANSPORT LICENSING</b>                             |                               |                            |                              |                              |
| Net surplus/(deficit)                                  | 1,270                         | 426                        | 524                          | 677                          |
| Balance at 30 June                                     | 709                           | 1,135                      | 1,659                        | 2,336                        |
| <b>TOTAL MEMORANDUM ACCOUNT - OTHER FEES/CHARGES</b>   | <b>14,340</b>                 | <b>3,492</b>               | <b>(6,235)</b>               | <b>(14,698)</b>              |

All memorandum accounts are reviewed to ensure costs are aligned with fee revenue with the longer term aim of balancing each of these. Until these reviews are fully completed, some memorandum accounts will continue to forecast negative balances.

## LAND TRANSPORT FUNDING

The Transport Agency develops the three-year National Land Transport Programme (NLTP) based on the policy direction in the Land Transport Management Act, the Government policy statement on land transport funding (GPS) and regional priorities. This table below shows the activity classes which are funded from the National Land Transport Programme and associated activities funded from the Crown. The investment in land transport is net of the expenditure on new and renewal of state highways which is capitalised and the Transport Agency operating expenditure which is separately shown in the statement of comprehensive revenue and expense.

The three-year NLTP period covers 2015 to 2018. The budget for each year depends on the portion of the programme that is delivered in the previous years. The investment in local roads and public transport is the NLTP contribution only and does not include the significant contribution from local authorities.

|   | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|---|-------------------------------|----------------------------|------------------------------|------------------------------|
| Investment management   | 60,000                        | 59,000                     | 58,000                       | 56,908                       |
| Public transport  | 310,000                       | 332,000                    | 337,000                      | 349,342                      |
| Walking and cycling   | 40,000                        | 36,000                     | 51,000                       | 38,100                       |
| Road safety promotion   | 34,000                        | 36,000                     | 34,000                       | 35,610                       |
| Local road improvements   | 114,000                       | 142,000                    | 145,000                      | 158,000                      |
| Local roads maintenance   | 570,000                       | 585,000                    | 565,000                      | 575,000                      |
| Regional improvements   | 12,500                        | 98,000                     | 115,000                      | 85,000                       |
| State highway improvements                                      | 1,294,861                     | 1,375,000                  | 1,410,000                    | 1,330,529                    |
| State highway maintenance                                       | 457,000                       | 566,000                    | 569,000                      | 582,000                      |
| Interest on borrowings  | 7,658                         | 10,213                     | 8,385                        | 6,685                        |
| Repayment of borrowing (reinstate Christchurch roads)           | 0                             | 0                          | 43,000                       | 40,000                       |
| <b>TOTAL NLTP EXPENDITURE</b>                                   | <b>2,900,019</b>              | <b>3,239,213</b>           | <b>3,335,385</b>             | <b>3,257,174</b>             |
| <b>ACTIVITIES FUNDED ON BEHALF OF THE CROWN</b>                 |                               |                            |                              |                              |
| SuperGold card administration and public transport concessions  | 28,529                        | 28,129                     | 28,129                       | 28,129                       |
| Urban cycleways   | 12,000                        | 51,230                     | 31,770                       | 0                            |
| Reinstatement of damaged roads in Christchurch                  | 57,420                        | 114,000                    | 0                            | 0                            |
| Auckland accelerated package                                    | 149,000                       | 110,000                    | 84,000                       | 32,000                       |
| Regional state highways   | 44,000                        | 55,000                     | 29,000                       | 37,000                       |
| Subtotal of activities funded on behalf of the Crown            | 290,949                       | 358,359                    | 172,899                      | 97,129                       |
|   | 3,190,968                     | 3,597,572                  | 3,508,284                    | 3,354,303                    |
| Less capital expenditure  | (1,663,831)                   | (1,804,835)                | (1,794,062)                  | (1,653,581)                  |
| Less Transport Agency operating activities funded from the NLTP | (96,788)                      | (108,517)                  | (109,876)                    | (106,699)                    |
| Less interest on borrowing                                      | (7,658)                       | (10,213)                   | (8,385)                      | (6,685)                      |
| Less repayment of borrowing (reinstate Christchurch roads)      | 0                             | 0                          | (43,000)                     | (40,000)                     |
| <b>TOTAL LAND TRANSPORT FUNDING</b>                             | <b>1,422,691</b>              | <b>1,674,007</b>           | <b>1,552,961</b>             | <b>1,547,338</b>             |

## NZ TRANSPORT TICKETING LIMITED

NZ Transport Ticketing Limited has been established as a Crown entity subsidiary, under the governance of the NZ Transport Agency. Its primary purpose is to assist and advise the National Ticketing Programme. Through NZ Transport Ticketing Limited, an infrastructure will be developed to support:

- the transport ticketing central system processing capability for all customers and related service delivery agreements, including national settlement services
- information management support services, including the information registrar function and security management
- other system services, including gateways and interfaces as required.

This table sets out the key forecast financial information of NZ Transport Ticketing Limited.

|   | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|---|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>COMPREHENSIVE REVENUE AND EXPENSE</b>      |                               |                            |                              |                              |
| Funding from the National Land Transport Fund | 3,381                         | 4,965                      | 4,896                        | 3,138                        |
| Other revenue                                 | 27                            | 6,209                      | 8,740                        | 14,652                       |
| Expenditure                                   | 5,404                         | 13,889                     | 15,872                       | 17,111                       |
|   | (1,996)                       | (2,715)                    | (2,236)                      | 679                          |
| <b>FINANCIAL POSITION</b>                     |                               |                            |                              |                              |
| Working capital                               | 27                            | 50                         | 72                           | 2,775                        |
| Non-current assets                            | 13,361                        | 15,658                     | 18,478                       | 20,706                       |
|   | 13,388                        | 15,708                     | 18,550                       | 23,481                       |
| <b>EQUITY</b>                                 |                               |                            |                              |                              |
| Contributed capital                           | 15,384                        | 20,419                     | 25,497                       | 29,749                       |
| Accumulated deficit                           | (1,996)                       | (4,711)                    | (6,947)                      | (6,268)                      |
|   | 13,388                        | 15,708                     | 18,550                       | 23,481                       |
| <b>NET CASH FLOWS</b>                         |                               |                            |                              |                              |
| Cash from operating activities                | (792)                         | (1)                        | 22                           | 2,470                        |
| Capital expenditure                           | (1,387)                       | (5,035)                    | (5,078)                      | (4,252)                      |
| Capital contribution                          | 1,387                         | 5,035                      | 5,078                        | 4,252                        |
|   | (792)                         | (1)                        | 22                           | 2,470                        |

# PROSPECTIVE FINANCIAL STATEMENTS

The consolidated financial statements include the parent NZ Transport Agency and its subsidiary NZ Transport Ticketing Limited.

## CONSOLIDATED PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDING 30 JUNE

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>REVENUE</b>                                       |                               |                            |                              |                              |
| Funding from the Crown                               | 43,596                        | 76,527                     | 62,267                       | 32,897                       |
| Funding from the National Land Transport Fund        | 1,955,104                     | 2,136,975                  | 2,186,577                    | 2,213,249                    |
| Revenue from other activities                        | 207,084                       | 175,432                    | 175,328                      | 182,831                      |
| <b>Total revenue</b>                                 | <b>2,205,784</b>              | <b>2,388,934</b>           | <b>2,424,172</b>             | <b>2,428,977</b>             |
| <b>EXPENSE</b>                                       |                               |                            |                              |                              |
| Personnel costs                                      | 97,772                        | 103,031                    | 105,472                      | 107,288                      |
| Operating expenses                                   | 181,565                       | 184,094                    | 180,695                      | 180,233                      |
| Land transport funding                               | 1,422,691                     | 1,674,007                  | 1,552,961                    | 1,547,338                    |
| Interest on borrowing                                | 7,658                         | 10,213                     | 8,385                        | 6,685                        |
| Depreciation and amortisation expense                | 528,638                       | 536,198                    | 540,605                      | 544,765                      |
| State highway asset write-off                        | 10,000                        | 10,000                     | 10,000                       | 10,000                       |
| <b>Total expense</b>                                 | <b>2,248,324</b>              | <b>2,517,543</b>           | <b>2,398,118</b>             | <b>2,396,309</b>             |
| <b>SURPLUS/(DEFICIT)</b>                             | <b>(42,540)</b>               | <b>(128,609)</b>           | <b>26,054</b>                | <b>32,668</b>                |
| <b>OTHER COMPREHENSIVE REVENUE AND EXPENSE</b>       |                               |                            |                              |                              |
| Gain/(loss) state highway network revaluations       | 560,000                       | 560,000                    | 560,000                      | 560,000                      |
| <b>Total other comprehensive revenue and expense</b> | <b>560,000</b>                | <b>560,000</b>             | <b>560,000</b>               | <b>560,000</b>               |
| <b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>       | <b>517,460</b>                | <b>431,391</b>             | <b>586,054</b>               | <b>592,668</b>               |

## CONSOLIDATED PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>ASSETS</b>  |                               |                            |                              |                              |
| <b>Current assets</b>                                      |                               |                            |                              |                              |
| Cash and cash equivalents                                  | 50,023                        | 50,022                     | 50,044                       | 52,514                       |
| Debtor National Land Transport Fund                        | 383,885                       | 420,286                    | 430,026                      | 435,098                      |
| Debtor Crown   | 58,176                        | 102,120                    | 83,091                       | 43,899                       |
| Receivables  | 81,338                        | 67,174                     | 66,348                       | 67,317                       |
| Property assets held for sale                              | 50,000                        | 50,000                     | 50,000                       | 50,000                       |
| Prepayments  | 1,000                         | 1,000                      | 1,000                        | 1,000                        |
| Inventories  | 100                           | 100                        | 100                          | 100                          |
| <b>Total current assets</b>                                | <b>624,522</b>                | <b>690,702</b>             | <b>680,609</b>               | <b>649,928</b>               |
| <b>Non-current assets</b>                                  |                               |                            |                              |                              |
| Property, plant and equipment                              | 16,920                        | 15,244                     | 14,192                       | 11,826                       |
| State highway network                                      | 31,822,127                    | 33,614,428                 | 35,347,503                   | 36,995,877                   |
| Service concession asset (Transmission Gully)              | 273,478                       | 594,587                    | 870,198                      | 1,052,133                    |
| Intangible assets  | 36,612                        | 43,590                     | 42,720                       | 39,590                       |
| Loans and advances   | 1,180                         | 1,180                      | 1,180                        | 1,180                        |
| <b>Total non-current assets</b>                            | <b>32,150,317</b>             | <b>34,269,029</b>          | <b>36,275,793</b>            | <b>38,100,606</b>            |
| <b>TOTAL ASSETS</b>  | <b>32,774,839</b>             | <b>34,959,731</b>          | <b>36,956,402</b>            | <b>38,750,534</b>            |
| <b>LIABILITIES</b>   |                               |                            |                              |                              |
| <b>Current liabilities</b>                                 |                               |                            |                              |                              |
| Payables   | 458,451                       | 536,396                    | 531,248                      | 498,134                      |
| Tolling funds held in trust                                | 2,000                         | 2,000                      | 2,000                        | 2,000                        |
| Employee entitlements                                      | 12,538                        | 12,539                     | 12,540                       | 12,556                       |
| <b>Total current liabilities</b>                           | <b>472,989</b>                | <b>550,935</b>             | <b>545,788</b>               | <b>512,690</b>               |
| <b>Non-current liabilities</b>                             |                               |                            |                              |                              |
| Payables   | 100                           | 100                        | 100                          | 100                          |
| Service concession liability (Transmission Gully)          | 273,478                       | 594,587                    | 870,198                      | 1,052,133                    |
| Employee entitlements                                      | 4,000                         | 4,000                      | 4,000                        | 4,000                        |
| Borrowing <sup>a</sup>                                     | 326,468                       | 553,578                    | 594,578                      | 586,578                      |
| <b>Total non-current liabilities</b>                       | <b>604,046</b>                | <b>1,152,265</b>           | <b>1,468,876</b>             | <b>1,642,811</b>             |
| <b>TOTAL LIABILITIES</b>                                   | <b>1,077,035</b>              | <b>1,703,200</b>           | <b>2,014,664</b>             | <b>2,155,501</b>             |
| <b>NET ASSETS</b>  | <b>31,697,804</b>             | <b>33,256,531</b>          | <b>34,941,738</b>            | <b>36,595,033</b>            |
| <b>EQUITY</b>  |                               |                            |                              |                              |
| General funds  | 5,606                         | 5,606                      | 5,606                        | 5,606                        |
| Retained funds <sup>b</sup>                                | (17,740)                      | (130,465)                  | (89,606)                     | (44,223)                     |
| Memorandum account - other fees and charges                | 14,340                        | 3,492                      | (6,235)                      | (14,698)                     |
| Equity derived from the state highway network <sup>c</sup> | 31,695,598                    | 33,377,898                 | 35,031,973                   | 36,648,348                   |
| <b>TOTAL EQUITY</b>  | <b>31,697,804</b>             | <b>33,256,531</b>          | <b>34,941,738</b>            | <b>36,595,033</b>            |

a. Borrowing is for the Tauranga Eastern Link, Auckland transport initiatives, and Christchurch earthquake funding.

b. Retained funds reflect mainly the deficits and surpluses associated with the increase in expenditure to fund the Christchurch recovery and subsequent decrease of that expenditure.

c. The state highway network includes the state highway investment and revaluation reserves.



## CONSOLIDATED PROSPECTIVE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE

|   | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|---|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>EQUITY - OPENING BALANCES</b>                            |                               |                            |                              |                              |
| General funds   | 5,606                         | 5,606                      | 5,606                        | 5,606                        |
| Retained funds  | 36,564                        | (17,740)                   | (130,465)                    | (89,606)                     |
| Memorandum account - other fees and charges                 | 11,480                        | 14,340                     | 3,492                        | (6,235)                      |
| Equity derived from the state highway network               | 30,201,916                    | 31,695,598                 | 33,377,898                   | 35,031,973                   |
| <b>Total equity - opening balance</b>                       | <b>30,255,566</b>             | <b>31,697,804</b>          | <b>33,256,531</b>            | <b>34,941,738</b>            |
| <b>CHANGES IN EQUITY</b>                                    |                               |                            |                              |                              |
| <b>Total comprehensive revenue and expense for the year</b> |                               |                            |                              |                              |
| Retained funds  | (43,900)                      | (117,761)                  | 35,781                       | 41,131                       |
| Memorandum account - other fees and charges                 | 1,360                         | (10,848)                   | (9,727)                      | (8,463)                      |
| Surplus/(deficit)   | (42,540)                      | (128,609)                  | 26,054                       | 32,668                       |
| State highway network revaluations                          | 560,000                       | 560,000                    | 560,000                      | 560,000                      |
|   | 517,460                       | 431,391                    | 586,054                      | 592,668                      |
| <b>Capital funding (to retained funds)</b>                  |                               |                            |                              |                              |
| Crown   | 46,000                        | 62,600                     | 31,400                       | 37,000                       |
| National Land Transport Programme                           | 878,978                       | 1,064,736                  | 1,067,753                    | 1,023,627                    |
|   | 924,978                       | 1,127,336                  | 1,099,153                    | 1,060,627                    |
| Repayment of capital  | (200)                         | 0                          | 0                            | 0                            |
| <b>Total changes in equity</b>                              | <b>1,442,238</b>              | <b>1,558,727</b>           | <b>1,685,207</b>             | <b>1,653,295</b>             |
| <b>EQUITY - CLOSING BALANCES</b>                            |                               |                            |                              |                              |
| General funds   | 5,606                         | 5,606                      | 5,606                        | 5,606                        |
| Retained funds  | (17,740)                      | (130,465)                  | (89,606)                     | (44,223)                     |
| Memorandum account - other fees and charges                 | 14,340                        | 3,492                      | (6,235)                      | (14,698)                     |
| Equity derived from the state highway network               | 31,695,598                    | 33,377,898                 | 35,031,973                   | 36,648,348                   |
| <b>TOTAL EQUITY - CLOSING BALANCES</b>                      | <b>31,697,804</b>             | <b>33,256,531</b>          | <b>34,941,738</b>            | <b>36,595,033</b>            |

## CONSOLIDATED PROSPECTIVE STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 30 JUNE

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |                               |                            |                              |                              |
| Receipts from the Crown                                    | 38,884                        | 32,583                     | 81,296                       | 72,089                       |
| Receipts from the National Land Transport Fund             | 2,118,886                     | 2,215,609                  | 2,260,914                    | 2,244,430                    |
| Receipts from other revenue                                | 216,948                       | 189,245                    | 175,804                      | 181,513                      |
| Interest received  | 354                           | 350                        | 350                          | 350                          |
| Payments to suppliers                                      | (1,690,277)                   | (1,840,156)                | (1,798,804)                  | (1,820,686)                  |
| Payments to employees                                      | (99,083)                      | (103,030)                  | (105,471)                    | (107,273)                    |
| Goods and services tax (net)                               | 60,000                        | 60,000                     | 60,000                       | 60,000                       |
| Net cash from operating activities                         | 645,712                       | 554,601                    | 674,089                      | 630,423                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |                               |                            |                              |                              |
| Receipts from NLTF - sale of state highway held properties | 56,150                        | 42,534                     | 85,987                       | 25,206                       |
| Purchase of property, plant and equipment                  | (5,115)                       | (3,979)                    | (4,813)                      | (3,392)                      |
| Purchase of intangible assets                              | (6,009)                       | (17,521)                   | (8,870)                      | (5,877)                      |
| Investment in the state highway network                    | (1,806,681)                   | (1,914,834)                | (1,873,061)                  | (1,685,580)                  |
| Net cash from investing activities                         | (1,761,655)                   | (1,893,800)                | (1,800,757)                  | (1,669,643)                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                |                               |                            |                              |                              |
| Capital contribution from the Crown                        | 46,000                        | 62,600                     | 31,400                       | 37,000                       |
| Capital contribution from the National Land Transport Fund | 877,591                       | 1,059,701                  | 1,062,675                    | 1,019,375                    |
| Receipts from borrowing                                    | 331,420                       | 274,000                    | 224,000                      | 202,000                      |
| Repayment of borrowing                                     | (125,000)                     | (50,000)                   | (183,000)                    | (210,000)                    |
| Interest paid on borrowing                                 | (7,126)                       | (7,103)                    | (8,385)                      | (6,685)                      |
| Repayment of capital                                       | (200)                         | 0                          | 0                            | 0                            |
| Net cash from financing activities                         | 1,122,685                     | 1,339,198                  | 1,126,690                    | 1,041,690                    |
| <b>NET INCREASE CASH AND CASH EQUIVALENTS</b>              | <b>6,742</b>                  | <b>(1)</b>                 | <b>22</b>                    | <b>2,470</b>                 |
| Cash and cash equivalents at the beginning of the year     | 43,281                        | 50,023                     | 50,022                       | 50,044                       |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>    | <b>50,023</b>                 | <b>50,022</b>              | <b>50,044</b>                | <b>52,514</b>                |

# NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

## PROSPECTIVE FINANCIAL STATEMENTS AND ASSUMPTIONS

### Use of information contained in these prospective financial statements

These prospective financial statements have been prepared in accordance with the Crown Entities Act 2004, for the purpose of providing information on the Transport Agency's future operating intentions and financial position, against which it must report and be formally audited at the end of the financial year.

The information in these financial statements may not be appropriate for purposes other than those described.

The Transport Agency has complied with financial reporting standard PBE FRS 42 *Prospective Financial Statements* in the preparation of these prospective financial statements.

These prospective financial statements are based on significant financial assumptions as to future events that the Transport Agency reasonably expects to occur at the time this information was prepared. Any changes to these assumptions during the year will not be reflected in these financial statements.

The reader of this report should note that no actual operating results are contained in these prospective financial statements. Actual results achieved for the forecast periods are likely to vary from the information presented, and that some variations may be material.

The Transport Agency does not intend to update the prospective financial statements subsequent to the publication of these statements.

### Statement of significant underlying assumptions

The Transport Agency has made a number of assumptions in preparing the prospective financial statements. The most significant of these are outlined below.

|  |  |
|--|--|
| <b>Funding from the National Land Transport Fund</b>   | Funding from the National Land Transport Fund (NLTF) is based on the expenditure programme in the National Land Transport Programme (NLTP), assuming sufficient funding is available for the NLTP. Further assumptions on the funding from the NLTF are defined in the NLTF prospective financial statements.    |
| <b>Fees and charges</b>                                | Forecast revenue (and associated costs) are driven by volume projections with the most significant assumption being a continued increase in tolling trips following the opening of two new toll roads in 2015/16. No fee review impacts have been taken into account.  |
| <b>Personnel costs</b>                                 | The forecast costs assume the current organisational structure will be in place throughout the period. Remuneration increases are expected to be minimal, with any increases being absorbed through operating efficiencies.  |
| <b>Expenditure – regulatory activities</b>             | The forecast cost for regulatory activities is driven by volumes. The main assumption regarding volumes is the continued projected increase in tolling trips following the opening of the two new toll roads in 2015/16. The average cost per transaction is assumed to remain constant over the 2016–19 period. |
| <b>Expenditure – National Land Transport Programme</b> | The Transport Agency has developed a 2015–18 National Land Transport Programme. The expenditure for the forecasted out years is most likely to change depending on the progress of the programme.  |
| <b>Core infrastructure and Business initiatives</b>    | Core infrastructure and business initiatives have been forecast into the 2016/17 year with ongoing costs of these initiatives being budgeted into the out years. There have been no additional initiatives forecast in the out years.  |
| <b>Capital</b>   | The Transport Agency is undertaking a programme of capital spending aimed at improving and renewing the state highway network. Projected costs and timing of expenditure are based on project plans and quotations current when these forecasts were prepared.   |
| <b>Asset revaluations</b>                              | The state highway network is revalued annually. These valuations are dependent on changes in the value of the land, properties and asset components of the state highway network.  |
| <b>Opening equity</b>                                  | Estimated opening equity assumes a 2015/16 year surplus of \$517.5 million. This impacts on estimated amounts of cash on hand and net assets.  |

**KEY ISSUES IMPACTING ON BUDGET****Estimates of appropriations for the year ending 30 June 2017**

This table shows the funding the Transport Agency receives from the government as disclosed in the Estimates of Appropriations, and the movements to the revenue published in the *Statement of performance expectations*.

| <b>OUTPUT CLASS</b>  | <b>APPROPRIATIONS<br/>2016/17<br/>\$000</b> | <b>FUNDING<br/>MOVEMENTS<br/>\$000</b> | <b>SPE<br/>2016/17<br/>\$000</b> |
|--|---|--|----------------------------------|
| Investment management  | 59,200                                      | (5,320)                                | 53,880                           |
| Public transport   | 342,500                                     | (10,500)                               | 332,000                          |
| Walking and cycling  | 35,000                                      | (8,969)                                | 26,031                           |
| Road safety promotion  | 34,200                                      | 900                                    | 35,100                           |
| Local road improvements  | 167,000                                     | (25,000)                               | 142,000                          |
| Local road maintenance   | 573,000                                     | 12,000                                 | 585,000                          |
| State highway improvements                                     | 520,000                                     | 20,213                                 | 540,213                          |
| State highway maintenance                                      | 405,000                                     | 2,669                                  | 407,669                          |
| National Land Transport Programme (PLA)                        | 2,135,900                                   | (14,007)                               | 2,121,893                        |
| State highway improvements                                     | 701,316                                     | 101,150                                | 802,466                          |
| State highway maintenance                                      | 147,000                                     | (3,754)                                | 143,246                          |
| Regional improvements  | 95,000                                      | 3,000                                  | 98,000                           |
| Investment management  | 0   | 5,120                                  | 5,120                            |
| Walking and cycling  | 0   | 9,969                                  | 9,969                            |
| Road safety promotion  | 0   | 900                                    | 900                              |
| NLTP - State highway renewals and improvements (PLA)           | 943,316                                     | 116,385                                | 1,059,701                        |
| Licensing and regulatory compliance                            | 3,098                                       | 0                                      | 3,098                            |
| Road user charges collection, investigation and enforcement    | 4,229                                       | 0                                      | 4,229                            |
| Refund of fuel excise duty                                     | 918   | 0                                      | 918                              |
| Investment management (crash analysis system)                  | 775   | 0                                      | 775                              |
| SuperGold card administration and public transport concessions | 28,224                                      | 0                                      | 28,224                           |
| Urban cycleways  | 51,230                                      | 0                                      | 51,230                           |
| Reinstatement of earthquake damaged roads in Christchurch      | 114,000                                     | 0                                      | 114,000                          |
| Auckland accelerated package                                   | 110,000                                     | 0                                      | 110,000                          |
| Regional state highways  | 14,000                                      | 0                                      | 14,000                           |
| Crown funded   | 326,474                                     | 0                                      | 326,474                          |
| Regional state highways  | 41,000                                      | 0                                      | 41,000                           |
| <b>TOTAL</b>   | <b>3,446,690</b>                            | <b>102,378</b>                         | <b>3,549,068</b>                 |

(PLA - permanent legislative authority)

## STATEMENT OF ACCOUNTING POLICIES

### Reporting entity

The Transport Agency is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing the Transport Agency's operations includes the Crown Entities Act 2004 and the Land Transport Management Act 2003. The Transport Agency's ultimate parent is the New Zealand Crown.

The Transport Agency's primary objective is to provide services to the New Zealand public. Its purpose is to deliver effective, efficient, safe, responsible and resilient transport solutions that support a thriving New Zealand. The Transport Agency does not operate to make a financial return.

The Transport Agency is designated a public benefit entity (PBE) for financial reporting purposes.

### Consolidation of controlled entity

The consolidated financial statements include the controlling entity NZ Transport Agency and its controlled entity NZ Transport Ticketing Limited, which is a Crown entity. The purpose of NZ Transport Ticketing Limited is to assist and advise the National Ticketing Programme.

In preparing the consolidated financial statements, NZ Transport Agency's financial statements are combined with NZ Transport Ticketing Limited line by line, by adding together like items of assets, liabilities, equity, revenues and expenses. All inter-entity transactions are eliminated on consolidation.

Consistent accounting policies are applied to the controlled entity's financial statements and are prepared for the same reporting period as the controlling entity.

### Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

#### *Statement of compliance*

The financial statements of the Transport Agency have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Financial Reporting Act 2013. They comply with generally accepted accounting practice in New Zealand (NZ GAAP).

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

#### *Presentation currency and rounding*

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

#### *Standards issued and not yet effective and not early adopted*

The Transport Agency has adopted all standards, amendments and interpretations to existing standards that have been published and are mandatory for its accounting periods beginning on or after 1 July 2016.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Revenue

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

#### *Funding 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 performance expectations*.

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

#### *Interest*

Interest revenue is recognised in the surplus or deficit using the effective interest method. Interest revenue 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

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, other short-term highly liquid investments with original maturities of three months or less.

### Debtors and receivables

Short-term debtors and receivables are recognised initially at fair value, less any provision for impairment.

A receivable is considered impaired when there is evidence that the Transport Agency will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of amounts expected to be collected.

### Property assets held for sale

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

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

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

Property assets held for sale (including those that are part of a disposal group) are not depreciated 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 and subsequent costs*

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.

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.

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

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

#### *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 reserve in respect of those assets are transferred to general funds.

## State highway network

### *Valuation*

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 now being 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.

A revaluation surplus arising on revaluation of state highway is recorded in other comprehensive revenue and expense and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same class of asset previously recognised in surplus or deficit, the increase is recognised in surplus or deficit. A revaluation deficit is recognised in the surplus or deficit, except to the extent that it offsets an existing surplus on the same asset class recognised in the asset revaluation reserve.

An allowance is made in the valuation for brownfield costs. 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.

### *Additions and subsequent costs*

The cost of constructing the state highway network is recognised as an asset. 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 revenue and expense during the financial period in which they are incurred.

### *Disposals*

Gains and losses on disposals are determined being the difference between the net proceeds and the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When revalued assets are sold, the amounts included in the asset revaluation reserve in respect of those assets are transferred to equity.

## Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment and state highway network assets 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 state highway network assets are depreciated based on revalued carrying amount of the asset.

Depreciation expense is recognised in the surplus or deficit.

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 and 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 and 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 directly attributable 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

The Transport Agency does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

#### *Non-cash generating assets*

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

Property, plant and equipment and intangible assets held at cost that have a finite useful life, are reviewed for impairment whenever events or changes in circumstances indicate that there may be a reduction in the future service potential that can be expected to be derived from the asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable service amount. An impairment loss is recognised in surplus or deficit, except to the extent that it offsets an existing surplus on the same asset class recognised in the asset revaluation reserve.

### 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 Statement of financial position.

### Service concession arrangements

Public private partnerships for the construction of state highways are treated as service concession arrangements and accounted for in accordance with PBE IPSAS 32 *Service Concession Arrangements: Grantor*.

During construction the cumulative cost, including financing, is recognised as an asset, with a matching liability representing the Agency's obligations under the arrangement should conditions exist such that the arrangement will not continue through to the service commencement date. Prior to the service commencement date, there are no scheduled payments under the agreement.

On completion the asset and liability will be re-measured to fair value.

On the service commencement date, the following payments will occur:

- a design and construction payment from the Transport Agency to the contractor; and
- a rental prepayment from the contractor to the Transport Agency.

In practice, these two payments will be set off against each other and there is no cash transaction.

At the time the service concession assets become operational, the Transport Agency will pay the contractor a quarterly unitary payment subject to satisfactory performance against the agreed service levels.

The unitary payments are accounted for according to their substance as a reduction in the liability, a finance charge, and operating costs for the period.

This treatment is consistent with the Treasury Public Private Partnership Accounting Guidelines.

Once operational, the service concession assets are accounted for in accordance with the policies adopted by the Transport Agency in respect of the rest of the state highway.

### 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 revenue and 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
- equity derived from 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 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, 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.

### 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*

The valuation of employee entitlements involves making future projections for each employee. The probability of an employee leaving has been determined with reference to current public service leaving statistics. To minimise the risk of misstatements involving the assumptions used, additional economic assumptions are taken from Treasury guidance.

### 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 state highway infrastructure improvements. 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 brownfield construction costs represent a significant proportion of the capitalised cost of the state highway. Brownfield costs are not recorded in the state highway asset management system, but are accounted for generically with the value derived from costs in the financial records.

# OUTPUT CLASS REVENUE AND EXPENDITURE

## PROVIDING ACCESS TO AND USE OF THE LAND TRANSPORT SYSTEM

### Licensing and regulatory compliance

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>   |                               |                            |                              |                              |
| Crown (ministerial advice and official correspondence) | 548                           | 548                        | 548                          | 548                          |
| Crown (rules development)                              | 899                           | 800                        | 800                          | 800                          |
| Crown (drug and alcohol assessments)                   | 1,030                         | 1,030                      | 1,030                        | 1,030                        |
| Crown (driver licensing stop orders)                   | 75                            | 75                         | 75                           | 75                           |
| Crown (driver test subsidy)                            | 1,445                         | 1,445                      | 1,445                        | 1,445                        |
| Fees and charges                                       | 91,015                        | 86,789                     | 85,114                       | 85,114                       |
| Other  | 354                           | 351                        | 351                          | 351                          |
| <b>Total inflows</b>                                   | <b>95,366</b>                 | <b>91,038</b>              | <b>89,363</b>                | <b>89,363</b>                |
| <b>OUTFLOWS</b>  |                               |                            |                              |                              |
| Ministerial advice and official correspondence         | 831                           | 908                        | 950                          | 965                          |
| Rules development                                      | 763                           | 1,055                      | 1,083                        | 1,057                        |
| Drug and alcohol assessments                           | 1,237                         | 1,407                      | 1,412                        | 1,414                        |
| Fees and charges funded activities                     | 89,427                        | 91,019                     | 89,827                       | 89,737                       |
| Other (including driver licensing stop orders)         | 0                             | 34                         | 27                           | 27                           |
| <b>Total outflows</b>                                  | <b>92,258</b>                 | <b>94,423</b>              | <b>93,299</b>                | <b>93,200</b>                |
| <b>NET SURPLUS/(DEFICIT)</b>                           | <b>3,108</b>                  | <b>(3,385)</b>             | <b>(3,936)</b>               | <b>(3,837)</b>               |

### Road tolling

|                                       | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|---------------------------------------|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>                        |                               |                            |                              |                              |
| Fees and charges                      | 10,453                        | 11,664                     | 12,133                       | 12,796                       |
| <b>Total inflows</b>                  | <b>10,453</b>                 | <b>11,664</b>              | <b>12,133</b>                | <b>12,796</b>                |
| <b>OUTFLOWS</b>                       |                               |                            |                              |                              |
| Transport Agency operating activities | 9,551                         | 11,938                     | 11,602                       | 11,802                       |
| <b>Total outflows</b>                 | <b>9,551</b>                  | <b>11,938</b>              | <b>11,602</b>                | <b>11,802</b>                |
| <b>NET SURPLUS/(DEFICIT)</b>          | <b>902</b>                    | <b>(274)</b>               | <b>531</b>                   | <b>994</b>                   |

## Motor vehicle registry

|                                       | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|---------------------------------------|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>                        |                               |                            |                              |                              |
| Fees and charges                      | 57,876                        | 55,398                     | 54,893                       | 55,507                       |
| Total inflows                         | 57,876                        | 55,398                     | 54,893                       | 55,507                       |
| <b>OUTFLOWS</b>                       |                               |                            |                              |                              |
| Transport Agency operating activities | 59,051                        | 61,566                     | 60,459                       | 60,133                       |
| Total outflows                        | 59,051                        | 61,566                     | 60,459                       | 60,133                       |
| <b>NET SURPLUS/(DEFICIT)</b>          | <b>(1,175)</b>                | <b>(6,168)</b>             | <b>(5,566)</b>               | <b>(4,626)</b>               |

## Road user charges collection, investigation and enforcement

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>   |                               |                            |                              |                              |
| NLTF (road user charges investigation and enforcement)             | 3,779                         | 3,779                      | 3,779                        | 3,779                        |
| NLTF (road user charges refund)                                    | 450                           | 450                        | 450                          | 450                          |
| Fees and charges   | 11,785                        | 10,645                     | 9,740                        | 10,054                       |
| Total inflows  | 16,014                        | 14,874                     | 13,969                       | 14,283                       |
| <b>OUTFLOWS</b>  |                               |                            |                              |                              |
| Transport Agency (road user charges investigation and enforcement) | 3,734                         | 3,876                      | 4,016                        | 4,060                        |
| Transport Agency (road user charges refund)                        | 697                           | 622                        | 626                          | 632                          |
| Transport Agency (road user charges collection)                    | 12,283                        | 12,540                     | 10,633                       | 10,713                       |
| Total outflows   | 16,714                        | 17,038                     | 15,275                       | 15,405                       |
| <b>NET SURPLUS/(DEFICIT)</b>                                       | <b>(700)</b>                  | <b>(2,164)</b>             | <b>(1,306)</b>               | <b>(1,122)</b>               |

## Refund of fuel excise duty

|                                       | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|---------------------------------------|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>                        |                               |                            |                              |                              |
| National Land Transport Fund          | 545                           | 803                        | 703                          | 679                          |
| Other                                 | 105                           | 115                        | 115                          | 115                          |
| Total inflows                         | 650                           | 918                        | 818                          | 794                          |
| <b>OUTFLOWS</b>                       |                               |                            |                              |                              |
| Transport Agency operating activities | 650                           | 918                        | 818                          | 794                          |
| Total outflows                        | 650                           | 918                        | 818                          | 794                          |
| <b>NET SURPLUS</b>                    | <b>0</b>                      | <b>0</b>                   | <b>0</b>                     | <b>0</b>                     |

## PLANNING AND INVESTING IN THE LAND TRANSPORT NETWORK

### Investment management

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>   |                               |                            |                              |                              |
| Crown (crash analysis system)                            | 775                           | 775                        | 775                          | 775                          |
| National Land Transport Fund                             | 54,869                        | 53,880                     | 53,880                       | 52,706                       |
| National Land Transport Fund capital contribution        | 4,900                         | 5,120                      | 4,120                        | 4,202                        |
| Other (contributions)                                    | 231                           | 0                          | 0                            | 0                            |
| Total inflows  | 60,775                        | 59,775                     | 58,775                       | 57,683                       |
| <b>OUTFLOWS</b>  |                               |                            |                              |                              |
| Transport Agency (crash analysis system)                 | 1,418                         | 2,893                      | 2,983                        | 2,697                        |
| Transport Agency operating activities                    | 46,668                        | 45,683                     | 47,267                       | 46,869                       |
| Funding to approved organisations                        | 7,789                         | 6,079                      | 4,405                        | 3,915                        |
| Transport Agency investment in the state highway network | 4,900                         | 5,120                      | 4,120                        | 4,202                        |
| Total outflows   | 60,775                        | 59,775                     | 58,775                       | 57,683                       |
| <b>NET SURPLUS</b>                                       | <b>0</b>                      | <b>0</b>                   | <b>0</b>                     | <b>0</b>                     |

### Public transport

|   | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|---|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>                                    |                               |                            |                              |                              |
| National Land Transport Fund                      | 309,897                       | 332,000                    | 337,000                      | 349,342                      |
| Other (contributions)                             | 103                           | 0                          | 0                            | 0                            |
| Total inflows                                     | 310,000                       | 332,000                    | 337,000                      | 349,342                      |
| <b>OUTFLOWS</b>                                   |                               |                            |                              |                              |
| Transport Agency (NZ Transport Ticketing Limited) | 6,791                         | 10,000                     | 9,974                        | 7,390                        |
| Transport Agency operating activities             | 420                           | 767                        | 854                          | 480                          |
| Funding to approved organisations                 | 302,789                       | 321,233                    | 326,172                      | 341,472                      |
| Total outflows                                    | 310,000                       | 332,000                    | 337,000                      | 349,342                      |
| <b>NET SURPLUS</b>                                | <b>0</b>                      | <b>0</b>                   | <b>0</b>                     | <b>0</b>                     |

## SuperGold card administration and public transport concessions

|                                       | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|---------------------------------------|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>                        |                               |                            |                              |                              |
| Crown                                 | 28,824                        | 28,224                     | 28,224                       | 28,224                       |
| Total inflows                         | 28,824                        | 28,224                     | 28,224                       | 28,224                       |
| <b>OUTFLOWS</b>                       |                               |                            |                              |                              |
| Transport Agency operating activities | 295                           | 95                         | 95                           | 95                           |
| Funding to approved organisations     | 28,529                        | 28,129                     | 28,129                       | 28,129                       |
| Total outflows                        | 28,824                        | 28,224                     | 28,224                       | 28,224                       |
| <b>NET SURPLUS</b>                    | <b>0</b>                      | <b>0</b>                   | <b>0</b>                     | <b>0</b>                     |

## Walking and cycling

|   | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|---|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>  |                               |                            |                              |                              |
| Crown (Urban cycleways)   | 10,000                        | 43,630                     | 29,370                       | 0                            |
| Crown capital contribution (Urban cycleways)                    | 2,000                         | 7,600                      | 2,400                        | 0                            |
| National Land Transport Fund                                    | 20,000                        | 26,031                     | 41,034                       | 21,136                       |
| National Land Transport Fund capital contribution               | 19,787                        | 9,969                      | 9,966                        | 16,964                       |
| Other (contributions)   | 213                           | 0                          | 0                            | 0                            |
| Total inflows   | 52,000                        | 87,230                     | 82,770                       | 38,100                       |
| <b>OUTFLOWS</b>   |                               |                            |                              |                              |
| Crown funding to approved organisations (Urban cycleways)       | 10,000                        | 43,630                     | 29,370                       | 0                            |
| Crown investment in the state highway network (Urban cycleways) | 2,000                         | 7,600                      | 2,400                        | 0                            |
| Transport Agency operating activities                           | 757                           | 1,131                      | 1,134                        | 1,136                        |
| Funding to approved organisations                               | 19,243                        | 24,900                     | 39,900                       | 20,000                       |
| Transport Agency investment in the state highway network        | 20,000                        | 9,969                      | 9,966                        | 16,964                       |
| Total outflows  | 52,000                        | 87,230                     | 82,770                       | 38,100                       |
| <b>NET SURPLUS</b>  | <b>0</b>                      | <b>0</b>                   | <b>0</b>                     | <b>0</b>                     |

## Road safety promotion

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>   |                               |                            |                              |                              |
| National Land Transport Fund                             | 32,737                        | 35,100                     | 33,200                       | 34,794                       |
| National Land Transport Fund capital contribution        | 1,200                         | 900                        | 800                          | 816                          |
| Community road safety programme                          | 1,283                         | 924                        | 924                          | 924                          |
| Other (contributions)                                    | 63                            | 0                          | 0                            | 0                            |
| Total inflows  | 35,283                        | 36,924                     | 34,924                       | 36,534                       |
| <b>OUTFLOWS</b>  |                               |                            |                              |                              |
| Transport Agency (community road safety programme)       | 976                           | 1,545                      | 1,055                        | 1,055                        |
| Transport Agency (vehicle impoundment)                   | 204                           | 204                        | 212                          | 220                          |
| Transport Agency operating activities                    | 21,506                        | 24,001                     | 22,278                       | 22,234                       |
| Funding to approved organisations                        | 11,090                        | 10,896                     | 10,711                       | 12,340                       |
| Transport Agency investment in the state highway network | 1,200                         | 900                        | 800                          | 816                          |
| Total outflows   | 34,976                        | 37,546                     | 35,056                       | 36,665                       |
| <b>NET SURPLUS/(DEFICIT)</b>                             | <b>307</b>                    | <b>(622)</b>               | <b>(132)</b>                 | <b>(131)</b>                 |

## Local road improvements

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>   |                               |                            |                              |                              |
| Borrowing from the Crown (Auckland Accelerated Package)                | 0                             | 0                          | 5,000                        | 0                            |
| National Land Transport Fund   | 114,000                       | 142,000                    | 145,000                      | 158,000                      |
| Total inflows  | 114,000                       | 142,000                    | 150,000                      | 158,000                      |
| <b>OUTFLOWS</b>  |                               |                            |                              |                              |
| Crown funding to approved organisations (Auckland Accelerated Package) | 0                             | 0                          | 5,000                        | 0                            |
| Funding to approved organisations                                      | 114,000                       | 142,000                    | 145,000                      | 158,000                      |
| Total outflows   | 114,000                       | 142,000                    | 150,000                      | 158,000                      |
| <b>NET SURPLUS</b>   | <b>0</b>                      | <b>0</b>                   | <b>0</b>                     | <b>0</b>                     |



## Local roads maintenance

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>   |                               |                            |                              |                              |
| Borrowing from the Crown (reinstate Christchurch roads)                | 57,420                        | 114,000                    | 0                            | 0                            |
| National Land Transport Fund (reinstate Christchurch roads)            | 0                             | 0                          | 43,000                       | 40,000                       |
| National Land Transport Fund   | 570,000                       | 585,000                    | 565,000                      | 575,000                      |
| Total inflows  | 627,420                       | 699,000                    | 608,000                      | 615,000                      |
| <b>OUTFLOWS</b>  |                               |                            |                              |                              |
| Crown funding to approved organisations (reinstate Christchurch roads) | 57,420                        | 114,000                    | 0                            | 0                            |
| Repayment of borrowing (reinstate Christchurch roads)                  | 0                             | 0                          | 43,000                       | 40,000                       |
| Transport Agency operating activities                                  | 133                           | 200                        | 200                          | 200                          |
| Funding to approved organisations                                      | 569,867                       | 584,800                    | 564,800                      | 574,800                      |
| Total outflows   | 627,420                       | 699,000                    | 608,000                      | 615,000                      |
| <b>NET SURPLUS</b>   | <b>0</b>                      | <b>0</b>                   | <b>0</b>                     | <b>0</b>                     |

## Regional improvements

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>   |                               |                            |                              |                              |
| National Land Transport Fund capital contribution        | 12,500                        | 98,000                     | 115,000                      | 85,000                       |
| Total inflows  | 12,500                        | 98,000                     | 115,000                      | 85,000                       |
| <b>OUTFLOWS</b>  |                               |                            |                              |                              |
| Transport Agency investment in the state highway network | 12,500                        | 98,000                     | 115,000                      | 85,000                       |
| Total outflows   | 12,500                        | 98,000                     | 115,000                      | 85,000                       |
| <b>NET SURPLUS</b>                                       | <b>0</b>                      | <b>0</b>                   | <b>0</b>                     | <b>0</b>                     |

## MANAGING THE STATE HIGHWAY NETWORK

### State highway improvements

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>   |                               |                            |                              |                              |
| Borrowing from the Crown (Auckland Accelerated Package)  | 149,000                       | 110,000                    | 79,000                       | 32,000                       |
| Crown capital contribution (Regional state highways)     | 44,000                        | 55,000                     | 29,000                       | 37,000                       |
| National Land Transport Fund                             | 532,658                       | 540,213                    | 543,385                      | 546,685                      |
| National Land Transport Fund capital contribution        | 703,834                       | 802,466                    | 789,013                      | 765,323                      |
| Other (contributions)                                    | 9,877                         | 0                          | 0                            | 0                            |
| National Land Transport Fund (state highway disposals)   | 56,150                        | 42,534                     | 85,987                       | 25,206                       |
| Total inflows  | 1,495,519                     | 1,550,213                  | 1,526,385                    | 1,406,214                    |
| <b>OUTFLOWS</b>  |                               |                            |                              |                              |
| Crown investment (Auckland Accelerated Package)          | 149,000                       | 110,000                    | 79,000                       | 32,000                       |
| Crown investment (Regional state highways)               | 44,000                        | 55,000                     | 29,000                       | 37,000                       |
| Transport Agency operating activities                    | 35,469                        | 34,925                     | 36,227                       | 36,363                       |
| Transport Agency investment in the state highway network | 1,259,392                     | 1,340,075                  | 1,373,773                    | 1,294,166                    |
| Interest on borrowing                                    | 7,658                         | 10,213                     | 8,385                        | 6,685                        |
| Total outflows   | 1,495,519                     | 1,550,213                  | 1,526,385                    | 1,406,214                    |
| <b>NET SURPLUS</b>                                       | <b>0</b>                      | <b>0</b>                   | <b>0</b>                     | <b>0</b>                     |

### State highway maintenance

|  | PROJECTED<br>2015/16<br>\$000 | BUDGET<br>2016/17<br>\$000 | FORECAST<br>2017/18<br>\$000 | FORECAST<br>2018/19<br>\$000 |
|--|-------------------------------|----------------------------|------------------------------|------------------------------|
| <b>INFLOWS</b>   |                               |                            |                              |                              |
| National Land Transport Fund capital contribution                  | 135,370                       | 143,246                    | 143,776                      | 147,070                      |
| National Land Transport Fund                                       | 302,146                       | 407,669                    | 410,474                      | 420,430                      |
| National Land Transport Fund (rental and interest revenue)         | 15,410                        | 15,085                     | 14,750                       | 14,500                       |
| Other (contributions)  | 5,823                         | 2,212                      | 2,222                        | 2,222                        |
| Total inflows  | 458,749                       | 568,212                    | 571,222                      | 584,222                      |
| <b>OUTFLOWS</b>  |                               |                            |                              |                              |
| Transport Agency operating activities                              | 29,420                        | 27,908                     | 29,375                       | 29,924                       |
| Transport Agency investment in the state highway network (capital) | 127,365                       | 141,964                    | 142,373                      | 145,616                      |
| Transport Agency investment in the state highway network           | 301,964                       | 398,340                    | 399,474                      | 408,682                      |
| Total outflows   | 458,749                       | 568,212                    | 571,222                      | 584,222                      |
| <b>NET SURPLUS</b>   | <b>0</b>                      | <b>0</b>                   | <b>0</b>                     | <b>0</b>                     |

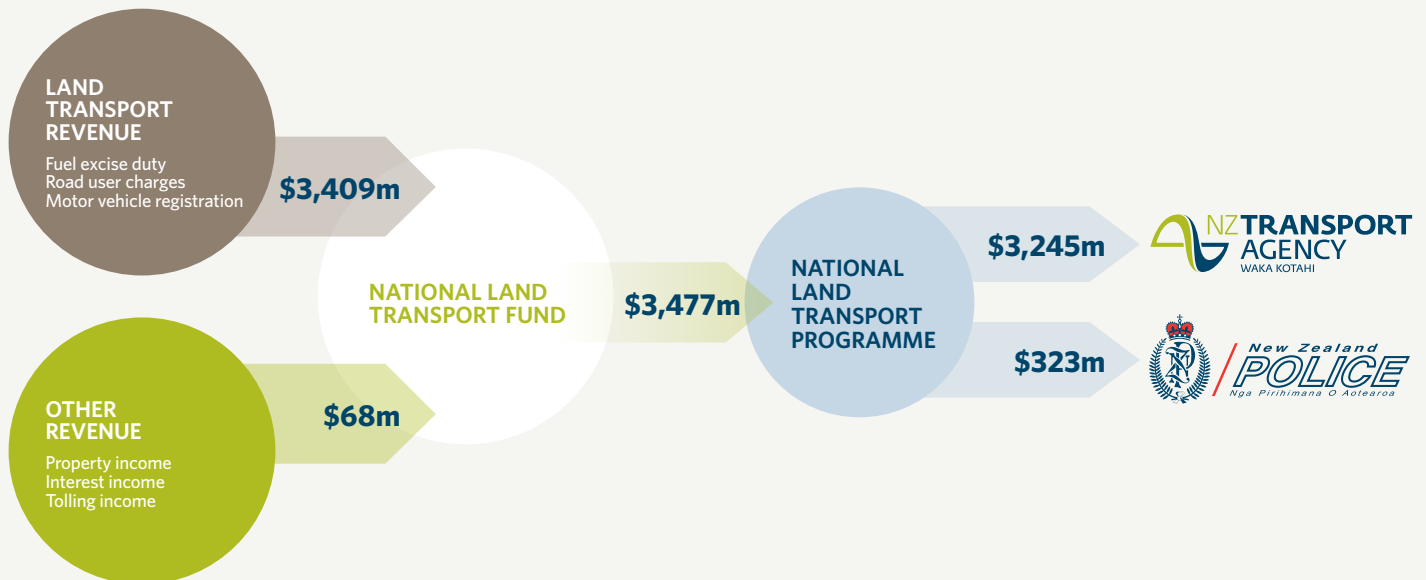
# NATIONAL LAND TRANSPORT FUND

## FINANCIAL OVERVIEW

The National Land Transport Fund is a key tool to facilitate the government's investment on behalf of transport users. All revenue from fuel excise duty, road user charges, motor vehicle registration and licensing fees, revenues from Crown appropriations and management of Crown land, and interest are accounted for in the National Land Transport Fund. The National Land Transport Fund is used to manage:

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

## FUNDING INFLOWS AND OUTFLOWS 2016/17



# PROSPECTIVE FINANCIAL STATEMENTS

## NLTF PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDING 30 JUNE

|   | PROJECTED<br>2015/16<br>\$m | BUDGET<br>2016/17<br>\$m | FORECAST<br>2017/18<br>\$m | FORECAST<br>2018/19<br>\$m |
|---|-----------------------------|--------------------------|----------------------------|----------------------------|
| <b>REVENUE INFLOWS<sup>a</sup></b>                |                             |                          |                            |                            |
| Land transport revenue                            | 3,363                       | 3,409                    | 3,474                      | 3,546                      |
| Management of Crown land and interest             | 75                          | 61                       | 104                        | 43                         |
| Tolling   | 6                           | 7                        | 7                          | 7                          |
| Total revenue inflows                             | 3,444                       | 3,477                    | 3,585                      | 3,596                      |
| <b>OUTFLOWS</b>                                   |                             |                          |                            |                            |
| National Land Transport Programme                 | 2,901                       | 3,239                    | 3,335                      | 3,257                      |
| Roading Policing Programme                        | 315                         | 323                      | 322                        | 322                        |
| Fuel excise duty/road user charges administration | 5                           | 5                        | 5                          | 5                          |
| Forecasting and strategy                          | 1                           | 1                        | 1                          | 1                          |
| Total outflows                                    | 3,222                       | 3,568                    | 3,663                      | 3,585                      |
| <b>SURPLUS/(DEFICIT)</b>                          | <b>222</b>                  | <b>(91)</b>              | <b>(78)</b>                | <b>11</b>                  |

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

## NLTF PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

|  | PROJECTED<br>2015/16<br>\$m | BUDGET<br>2016/17<br>\$m | FORECAST<br>2017/18<br>\$m | FORECAST<br>2018/19<br>\$m |
|--|-----------------------------|--------------------------|----------------------------|----------------------------|
| <b>ASSETS</b>                                    |                             |                          |                            |                            |
| <b>Current assets</b>                            |                             |                          |                            |                            |
| Cash and cash equivalents                        | 235                         | 177                      | 108                        | 122                        |
| Receivables                                      | 280                         | 283                      | 284                        | 286                        |
| Total assets                                     | 515                         | 460                      | 392                        | 408                        |
| <b>LIABILITIES</b>                               |                             |                          |                            |                            |
| <b>Current liabilities</b>                       |                             |                          |                            |                            |
| Payables   | 384                         | 420                      | 430                        | 435                        |
| Total liabilities                                | 384                         | 420                      | 430                        | 435                        |
| <b>NET ASSETS</b>                                | <b>131</b>                  | <b>40</b>                | <b>(38)</b>                | <b>(27)</b>                |
| General funds                                    | 131                         | 40                       | (38)                       | (27)                       |
| <b>GENERAL FUNDS CLOSING BALANCE<sup>a</sup></b> | <b>131</b>                  | <b>40</b>                | <b>(38)</b>                | <b>(27)</b>                |

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

### NLTF PROSPECTIVE STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDING 30 JUNE

|  | PROJECTED<br>2015/16<br>\$m | BUDGET<br>2016/17<br>\$m | FORECAST<br>2017/18<br>\$m | FORECAST<br>2018/19<br>\$m |
|--|-----------------------------|--------------------------|----------------------------|----------------------------|
| <b>GENERAL FUNDS OPENING BALANCE</b>                   |                             |                          |                            |                            |
| General funds  | (91)                        | 131                      | 40                         | (38)                       |
| Total general funds opening balance                    | (91)                        | 131                      | 40                         | (38)                       |
| <b>CHANGES IN GENERAL FUNDS BALANCE</b>                |                             |                          |                            |                            |
| Surplus/(deficit)                                      | 222                         | (91)                     | (78)                       | 11                         |
| Total changes in general funds balance                 | 222                         | (91)                     | (78)                       | 11                         |
| <b>GENERAL FUNDS CLOSING BALANCE</b>                   |                             |                          |                            |                            |
| General funds  | 131                         | 40                       | (38)                       | (27)                       |
| <b>TOTAL GENERAL FUNDS CLOSING BALANCE<sup>a</sup></b> | <b>131</b>                  | <b>40</b>                | <b>(38)</b>                | <b>(27)</b>                |

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

### NLTF PROSPECTIVE STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 30 JUNE

|   | PROJECTED<br>2015/16<br>\$m | BUDGET<br>2016/17<br>\$m | FORECAST<br>2017/18<br>\$m | FORECAST<br>2018/19<br>\$m |
|---|-----------------------------|--------------------------|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                             |                          |                            |                            |
| Receipts from land transport revenue                                | 3,430                       | 3,475                    | 3,583                      | 3,594                      |
| Payments to suppliers   | (3,234)                     | (3,533)                  | (3,652)                    | (3,580)                    |
| Net cash from operating activities                                  | 196                         | (58)                     | (69)                       | 14                         |
| <b>NET INCREASE/(DECREASE) IN AMOUNTS HELD BY THE CROWN</b>         | <b>196</b>                  | <b>(58)</b>              | <b>(69)</b>                | <b>14</b>                  |
| Amounts held by the Crown at the beginning of the year              | 39                          | 235                      | 177                        | 108                        |
| <b>AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR<sup>a</sup></b> | <b>235</b>                  | <b>177</b>               | <b>108</b>                 | <b>122</b>                 |

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

# NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

## PROSPECTIVE FINANCIAL STATEMENTS AND ASSUMPTIONS

### Use of information contained in these prospective financial statements

These prospective financial statements have been prepared in accordance with the Crown Entities Act 2004, for the purpose of providing information on the National Land Transport Fund's future operating intentions and financial position, against which it must report and be formally audited at the end of the financial year.

The information in these financial statements may not be appropriate for purposes other than those described.

The Transport Agency has complied with financial reporting standard PBE FRS 42 *Prospective Financial Statements* in the preparation of these National Land Transport Fund prospective financial statements.

These prospective financial statements are based on significant financial assumptions as to future events that the Transport Agency reasonably expects to occur at the time this information was prepared. Any changes to these assumptions during the year will not be reflected in these financial statements.

The reader of this report should note that no actual operating results are contained in these prospective financial statements. Actual results achieved for the forecast periods are likely to vary from the information presented, and that some variations may be material.

The Transport Agency does not intend to update the prospective financial statements subsequent to the publication of these statements.

### Statement of significant underlying assumptions

The Transport Agency has made a number of assumptions in preparing the National Land Transport Fund prospective financial statements. The most significant of these are outlined below.

|  |  |
|--|--|
| <b>Land transport revenue</b>                | The revenue forecast for the National Land Transport Fund includes estimates of fuel excise duty, road user charges and motor vehicle registration inflows into the fund. The forecasts for each are determined by the revenue forecasting model managed by the Ministry of Transport with input from the NZ Transport Agency, from the Treasury and New Zealand Customs Service. Forecasts are based on the current historical trends and the economic outlook as presented by the Treasury, including economic growth, growth in the vehicle kilometres travelled and current price assumptions. |
| <b>Management of Crown land and interest</b> | Forecast revenues are influenced by the management of rental properties and interest revenue on cash holdings. Assumptions are based on historical performance and trends.   |
| <b>National Land Transport Programme</b>     | The Transport Agency has developed a 2015-18 National Land Transport Programme. The expenditure for the forecasted out years are most likely to change depending on the progress of the programme.<br>The Transport Agency is undertaking a programme of capital spending aimed at improving and renewing the state highway network. Projected costs and timing of expenditure are based on project plans and quotations current when these forecasts were prepared.   |
| <b>Opening equity</b>                        | Estimated opening equity assumes a 2015/16 year surplus of \$222 million. This impacts on estimated amounts of cash on hand and net assets.  |

## STATEMENT OF ACCOUNTING POLICIES

### Reporting entity

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

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

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

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

The National Land Transport Fund is a public benefit entity (PBE) for financial reporting purposes.

### **Basis of preparation**

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

### *Statement of compliance*

The financial statements of the National Land Transport Fund have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Financial Reporting Act 2014 which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

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

### *Presentation currency and rounding*

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest million dollars (\$m).

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

The National Land Transport Fund has adopted all standards, amendments and interpretations to existing standards that have been published and are mandatory for its accounting periods beginning on or after 1 July 2016.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Revenue inflows**

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

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

### *Interest*

Interest revenue is recognised using the effective interest method and presented in surplus or deficit.

### **Outflows**

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

- The Transport Agency – for the funding of the National Land Transport Programme, and fuel excise duty/road user charges administration
- The Police – who provide the Rooding Policing Programme
- The Ministry of Transport – for forecasting and strategy.

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

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

### **Assets**

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

### **Employee entitlements**

The National Land Transport Fund has no employees.

### **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.

### **Income tax**

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

**STATEMENT OF SERVICE PERFORMANCE - FINANCIALS****Output class funding to the NZ Transport Agency**

|   | <b>PROJECTED<br/>2015/16<br/>\$m</b> | <b>BUDGET<br/>2016/17<br/>\$m</b> | <b>FORECAST<br/>2017/18<br/>\$m</b> | <b>FORECAST<br/>2018/19<br/>\$m</b> |
|---|--------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| State highway improvements                                | 1,302                                | 1,385                             | 1,418                               | 1,337                               |
| State highway maintenance                                 | 458                                  | 566                               | 569                                 | 582                                 |
| Local road improvements                                   | 114                                  | 142                               | 145                                 | 158                                 |
| Local roads maintenance                                   | 570                                  | 585                               | 565                                 | 575                                 |
| Public transport  | 310                                  | 332                               | 337                                 | 349                                 |
| Walking and cycling                                       | 40                                   | 36                                | 51                                  | 38                                  |
| Regional improvements                                     | 13                                   | 98                                | 115                                 | 85                                  |
| Road safety promotion                                     | 34                                   | 36                                | 34                                  | 36                                  |
| Investment management                                     | 60                                   | 59                                | 58                                  | 57                                  |
| Reinstatement of earthquake damaged roads in Christchurch | 0                                    | 0                                 | 43                                  | 40                                  |
| <b>TOTAL OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY</b> | <b>2,901</b>                         | <b>3,239</b>                      | <b>3,335</b>                        | <b>3,257</b>                        |