Results announcement

Results for announcement to the market		
Name of issuer	Auckland Council	
Reporting Period	12 months to 30 June 2025	
Previous Reporting Period	12 months to 30 June 2024	
	Amount (000s)	Percentage change
Revenue from continuing operations	$7,971,106[1]	11%
Total revenue	$7,971,106[1]	11%
Net profit/(loss) from continuing operations	$999,451[2]	71%
Total net profit/(loss)	$999,451[2]	71%

A brief explanation of any of the figures above necessary to enable the figures to be understood	[1] *Revenue from continuing operations and total revenue excluding other gains* [2] *Net profit/(loss) from continuing operations and net profit/(loss) above are shown after tax, and before other comprehensive revenue/(expenditure). In the Auckland Council financial statements these are referred to as surplus/(deficit), rather than profit/(loss), as required by the Public Benefit Entity Accounting Standards.* **Results overview** Over the past year, Auckland Council Group made strong progress in delivering ambitious plans to invest in the region's future. We put a record amount into key infrastructure – like water and transport – and took major steps to strengthen Auckland's ability to bounce back from storms and prepare for future climate challenges. These efforts are helping to make our city more resilient, while continuing to support the services Aucklanders rely on every day. These results are for the consolidated group including Watercare, notwithstanding Watercare's financial separation for borrowing and credit rating purposes from 1 July 2025 (see below). Investing where it matters most We invested a record $3.9 billion in infrastructure and other assets—up significantly from last year. We focussed on investment where it is needed most – on managing Auckland's growth and building resilience to the impacts of climate change.

- Transport and roading: We invested $1.5 billion to improve access to public transport, reduce congestion and upgrade key routes. In partnership with central government, we also advanced the City Rail Link, which is now in its final commissioning phase.
- Water services: We invested $1.2 billion upgrading water supply, wastewater, and stormwater systems to ensure safe and reliable services, to reduce wastewater overflows and protect the environment.
- Community facilities: We completed several local projects that enhance public spaces and services, supporting vibrant and connected communities.

During the year we successfully set up the Auckland Future Fund, a major step forward in enhancing our long-term financial sustainability.

It will also provide a strong annual return to help the Council fund services and infrastructure, while reducing our reliance on rates.

Supporting recovery and building resilience

We continued to take major steps to help Auckland recover from the severe storms that hit Auckland in early 2023, like buying out properties or funding remediation where peoples' lives could be at risk. These actions are helping make our city stronger and better prepared for future climate events.

- With the support of a cost-sharing arrangement with the central government, we progressed a buy-out programme for homes where the risk to life from flooding or unstable land couldn't be feasibly managed. We also progressed a grant programme for properties where risks can be mitigated.
- During the year we bought 667 Risk Category 3 properties[3] for a total of $731 million[4].
- The central government contributed 50% of these costs[5]—$356 million—which we recorded as grants and subsidies revenue.

[3] *Risk Category 3 funding is provided for the purchase of properties as a result of severe weather events. The properties are assessed by Auckland Council to represent an intolerable risk to life with land instability or flooding and for which there are no feasible mitigation solutions. Residential properties assessed as Risk Category 3 are eligible for a buyout.*

[4] *This is the amount paid to purchase Risk Category 3 damaged properties. Land purchased is intended to be used as public open space reserves, stormwater reserves that reduce flood risk, or in some cases parts of the land purchased may be sold. The purchased properties are valued in accordance with our accounting policies, and the resulting values are different from the acquisition costs.*

[5] *The amount contributed by the central government excludes demolition costs for Risk Category 3 damaged properties.*

	Delivering better value for Aucklanders We also delivered for Aucklanders on our commitments to financial sustainability in the Long-term Plan, including maximising our existing resources and making sure we deliver value for money. • For the financial year, we exceeded our savings target of $66 million. These savings keep rates and debt down and have helped us deliver the lower rates increase for Aucklanders of any metropolitan city in the country. • We also transformed the way we manage two of our council-controlled organisations (CCOs), consolidating functions to reduce duplication, and improving coordination and oversight. Eke Panuku and the economic development function of Tātaki Auckland Unlimited were integrated into Auckland Council from 1 July 2025. These changes support a more responsive, accountable, and financially sustainable council. • On 1 July 2025, as part of the government's "Local Water Done Well" programme, Watercare became financially independent[6] from Auckland Council. This allows Watercare to borrow for its $13.8 billion 10-year infrastructure programme without affecting Auckland Council's debt levels. This protects the Council's debt-to-revenue ratio and credit rating, helping it maintain access to lower-cost borrowing. While Watercare's debt will increase, the overall group's financial position will remain stable. Auckland Council will continue to support Watercare's treasury operations on an arms-length shared service basis to minimise costs while helping to ensure a smooth transition and ongoing financial stability. **Financial overview** We maintained a prudent approach to debt to spread the cost of long-lasting infrastructure over the lives of these assets and fairly share infrastructure costs between current and future ratepayers. • Our net debt increased by $1.8 billion to $14.1 billion, driven by $1.3 billion of funding for the $3.9 billion of new capital investment along with a $500 million increase in the book valuation of foreign currency debt. • Our debt-to-revenue ratio was 247 per cent, well below our prudential limit of 270 per cent. • We retained our strong credit ratings—AA from S&P Global and Aa2 from Moody's Investor Services —both with a stable outlook. • Watercare received its first credit rating, an Aa3 credit rating from Moody's Investor Services. The credit rating applies from 1 July 2025 when Watercare became financially independent.

	Total assets grew to $79.7 billion, up $5.3 billion from last year. This reflects the capital investment and asset revaluation for the year. **Revenue** Revenue rose to $8 billion, up $782 million from last year. This reflects: • higher rates revenue from a planned rates increase and growth in the number of rating units • government grants for property buy-outs • strong performance from water services, port operations, and consenting volumes • a $230 million asset transfer from Waka Kotahi (for the old State Highway 1 between Puhoi and Warkworth). Our annual report will provide more detail on revenue sources including public transport, parking, water, wastewater, grants, subsidies, and other income streams. **Operating costs and surplus** Operating costs increased by $205 million to $6.7 billion, with the biggest increase being from depreciation costs from our expanding capital programme. Depreciation and amortisation[7] rose by $152 million to $1,527 million. We also managed rising costs in areas like salaries, building materials, and public transport, which were affected by changes in the market and increased demand for council services. The surplus after tax was $1,000 million, compared to $584 million last year. **Looking Ahead** We delivered well on the first year of our long-term plan and set a strong foundation for the future. We're focused on becoming a more efficient council that delivers greater value for money for Aucklanders, and we're investing now to support a growing city—one that's better prepared for the impacts of climate change and is built to thrive for generations to come.
Authority for this announcement	
Name of person authorised to make this announcement	Ross Tucker, Group Chief Financial Officer

[6] *Auckland Council's loan to Watercare at 30 June 2025 was replaced with a new loan arrangement to support the financial separation. The new loan has to be repaid within five years, and Watercare will manage its own borrowing going forward.*

[7] *Depreciation is a non-cash expense that represents the cost of replacement and renewal of assets over time. When applied to intangible assets, such as information technology programs, it is known as amortisation.*

Contact person for this announcement	Ross Tucker
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Date of release through MAP	28 August 2025

Unaudited financial statements which are in the process of being audited accompany this announcement.

Auckland Council Group
Unaudited Financial Statements
30 June 2025

Auckland Council Group
Unaudited statement of comprehensive revenue and expenditure
For the year ended 30 June 2025

$Million	Actual 2025	Actual 2024
Revenue		
Rates	2,786	2,523
Fees and user charges	1,785	1,678
Grants and subsidies	1,567	1,265
Development and financial contributions	185	222
Other revenue	704	764
Vested assets	877	698
Finance revenue from financial assets at amortised cost	64	36
Finance revenue from financial assets at fair value through surplus or deficit	4	4
Total revenue excluding other gains	**7,972**	**7,190**
Expenditure		
Employee benefits expense	1,267	1,195
Depreciation and amortisation	1,527	1,375
Grants, contributions and sponsorship	206	200
Other operating expenses	3,034	3,145
Finance costs	648	562
Total expenditure excluding other losses	**6,682**	**6,477**
Operating surplus/(deficit) before gains and losses	**1,290**	**713**
Net other gains/(losses)	(169)	(44)
Share of net deficit in associates and joint ventures	(63)	(5)
Surplus before income tax	**1,058**	**664**
Income tax expense	58	80
Surplus after income tax	**1,000**	**584**
Other comprehensive revenue/(expenditure)		
Net gains/(losses) on revaluation of property, plant and equipment	2,781	(265)
Tax on revaluation of property, plant and equipment	(385)	1
Fair value movement on revaluation of financial assets held at fair value through other comprehensive revenue and expenditure	103	(247)
Impairment losses on revalued property, plant and equipment	(1)	-
Total other comprehensive revenue/ (expenditure)	**2,498**	**(511)**
Total comprehensive revenue	**3,498**	**73**

Auckland Council Group
Unaudited statement of financial position
As at 30 June 2025

$Million	Actual 2025	Actual 2024
Assets		
Current assets		
Cash and cash equivalents	527	616
Receivables and prepayments	738	764
Derivative financial instruments	136	13
Other financial assets	40	139
Inventories	42	41
Non-current assets held-for-sale	169	176
Total current assets	**1,652**	**1,749**
Non-current assets		
Receivables and prepayments	46	88
Derivative financial instruments	600	551
Other financial assets	1,472	1,361
Property, plant and equipment	72,781	67,697
Intangible assets	521	479
Investment property	687	657
Investment in associates and joint ventures	1,953	1,803
Other non-current assets	9	9
Total non-current assets	**78,069**	**72,645**
Total assets	**79,721**	**74,394**
Liabilities		
Current liabilities		
Payables and accruals	1,297	1,304
Employee benefits	140	126
Borrowings	1,659	1,371
Derivative financial instruments	4	7
Provisions	476	375
Total current liabilities	**3,576**	**3,183**
Non-current liabilities		
Payables and accruals	230	197
Employee benefits	5	5
Borrowings	12,984	11,546
Derivative financial instruments	396	569
Provisions	406	700
Deferred tax liabilities	3,013	2,570
Total non-current liabilities	**17,034**	**15,587**
Total liabilities	**20,610**	**18,770**
Net assets	**59,111**	**55,624**
Equity		
Contributed equity	26,682	26,693
Accumulated funds	9,127	7,564
Reserves	23,302	21,367
Total equity	**59,111**	**55,624**

Auckland Council Group
Unaudited statement of changes in equity
For the year ended 30 June 2025

$Million	Contributed equity	Accumulated funds	Reserves	Total equity
Balance as at 1 July 2023	26,693	6,803	22,055	55,551
Surplus after income tax	-	584	-	584
Other comprehensive loss	-	-	(511)	(511)
Total comprehensive revenue/ (loss)	-	**584**	**(511)**	**73**
Transfers (from)/to reserves	-	177	(177)	-
Balance as at 30 June 2024	**26,693**	**7,564**	**21,367**	**55,624**
Balance as at 1 July 2024	26,693	7,564	21,367	55,624
Surplus after income tax	-	1,000	-	1,000
Other comprehensive revenue	-	-	2,498	2,498
Total comprehensive revenue	-	**1,000**	**2,498**	**3,498**
Disestablishment of CCOs	(11)	-	-	(11)
Transfers to/(from) reserves	-	563	(563)	-
Balance as at 30 June 2025	**26,682**	**9,127**	**23,302**	**59,111**

Auckland Council Group
Unaudited statement of cash flows
For the year ended 30 June 2025

$Million	Actual 2025	Actual 2024
Cash flows from operating activities		
Receipts from rates revenue	2,769	2,523
Receipts from grants and other services	4,334	3,886
Interest received	63	34
Dividends received	15	23
Payments to suppliers, employees and third parties*	(4,554)	(3,873)
Interest paid	(605)	(531)
Advances to external parties	(8)	-
Net cash inflow from operating activities	**2,014**	**2,062**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, investment property and intangible assets	22	22
Acquisition of property, plant and equipment, investment property and intangible assets	(3,172)	(2,658)
Acquisition of other financial assets	(1,435)	(86)
Proceeds from sale of other financial assets	1,514	885
Investment in joint ventures	(228)	(323)
Proceeds from external parties	3	1
Net cash outflow from investing activities	**(3,296)**	**(2,159)**
Cash flows from financing activities		
Proceeds from borrowings	3,488	5,292
Repayment of borrowings	(2,301)	(4,846)
Receipts from derivative financial instruments	1,394	2,879
Payments for derivative financial instruments	(1,386)	(2,691)
Repayment of finance lease principal	(2)	(1)
Net cash inflow from financing activities	**1,193**	**633**
Net increase/(decrease) in cash and cash equivalents	**89**	**536**
Opening cash and cash equivalents	616	80
Closing cash and cash equivalents	**527**	**616**

* Income tax payments have been grouped under Payments to suppliers, employees and third parties in the current year as the amounts are immaterial, prior year comparatives have been restated accordingly.

Auckland Council Group
Unaudited statement of significant accounting policies
Basis of reporting

Auckland Council is a local authority domiciled in New Zealand and governed by the following legislation:
- Local Government Act 2002 (LGA 2002)
- Local Government (Auckland Council) Act 2009 (LGACA 2009)
- Local Government (Rating) Act 2002.

Auckland Council is an FMC Reporting Entity under the Financial Markets Conduct Act 2013.

Auckland Council's principal address is 135 Albert Street, Auckland Central, New Zealand.

The Auckland Council Group (the group) consists of Auckland Council (the council), its subsidiaries, associates and joint ventures. All entities are domiciled in New Zealand.

The primary objective of the group is to provide services and facilities to the Auckland community for social benefit rather than to make a financial return. Accordingly, the council has designated itself and the group as public benefit entities (PBEs) and applies New Zealand Tier 1 PBE Accounting Standards. These standards are based on International Public Sector Accounting Standards (IPSAS), with amendments for the New Zealand environment.

Basis of preparation

The financial statements have been prepared:
- in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), the LGA 2002, the LGACA 2009 and the Local Government (Financial Reporting and Prudence) Regulations 2014 and comply with PBE Accounting Standards;
- on a historical cost basis, except for certain financial instruments which have been measured at fair value, certain classes of property, plant and equipment and investment property which have been subsequently measured at fair value;
- on a going concern basis and the accounting policies have been applied consistently throughout the period; and
- in New Zealand dollars (NZD) and are rounded to the nearest million dollars, unless otherwise stated.

All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which include GST.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the council, its council-controlled organisations (CCOs) and subsidiaries as at 30 June 2025.

CCOs and subsidiaries are entities controlled by the group. Control is achieved when the group has the power to govern the entity's financial and operating policies. To establish control, the controlling entity has either exercisable power to govern decision-making to be able to benefit from, or predetermined rights to direct the relevant activities of the other entity.

Auckland Council Group
Unaudited statement of significant accounting policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements from the date the group gains control until the date the group ceases to control the subsidiary.

The accounting policies of controlled entities are consistent with the policies adopted by the controlling entity, or if not, adjustments are made to the consolidated financial statements to bring alignment with the group's accounting policies. All intra-group balances, transactions, income, expenses, and cash flows between members of the group are eliminated in full on consolidation.

Auckland Council Group
Unaudited statement of significant accounting policies (continued)

Significant subsidiaries

The significant subsidiaries in the group comprise:

Name	Principal activities and nature of relationship where there is no direct ownership	CCO	Percentage ownership %	
			2025	2024
Auckland Future Fund Trustee Limited	Manages Auckland Future Fund Trust. [1] *Auckland Future Fund Trustees Limited was incorporated on 24th September 2024*	Yes	100[1]	-
Auckland Future Fund Trust	Protects the value of council's intergenerational assets that are put into the Fund so they can benefit future generations, and to provide an enhanced return to Auckland Council to fund the region's services and infrastructure. [2]*Auckland Future Fund Trust was formed on 27th September 2024*	Yes	100[2]	-
Auckland Transport	Owns the public transport network and manages the transport infrastructure and services in Auckland. [3]*Auckland Transport is a body corporate with perpetual succession and is treated under the LGACA 2009 as if Auckland Council is its sole shareholder.*	Yes	100[3]	100[3]
Eke Panuku Development Auckland Limited ^	Facilitates the redevelopment and rejuvenation of urban locations including the Auckland waterfront. Optimises the council's property portfolio of urban locations. Contributes to accommodating residential and commercial growth.	Yes	100	100
Port of Auckland Limited	Owns and operates Auckland's port which provides container bulk cargo handling, freight hubs, cruise industry facilities and other related services. Although Auckland Council owns 100 per cent of Port of Auckland Limited (POAL), it is governed under the Port Companies Act 1988 and is not a council-controlled organisation (CCO).	No	100	100
Tātaki Auckland Unlimited Limited ^	Manages projects for tourism and events promotion in the Auckland region.	Yes	100	100
Tātaki Auckland Unlimited Trust	Supports and promotes the arts, culture, heritage, leisure, sports and entertainment, and owns and manages the venues for these activities. [4]Tātaki Auckland Unlimited Trust *is a charitable trust of which Auckland Unlimited Limited, a 100% owned subsidiary of Auckland Council, is the sole trustee.*	Yes	100[4]	100[4]

^ Eke Panuku Development Auckland Limited and the economic development function of Tātaki Auckland Unlimited Limited were integrated into Auckland Council from 1 July 2025. Refer to other disclosures for further information.

Auckland Council Group
Unaudited statement of significant accounting policies (continued)

Name	Principal activities and nature of relationship where there is no direct ownership	CCO	Percentage ownership %	
			2025	2024
Watercare Services Limited	Provides water and wastewater services and owns and operates water and wastewater infrastructure.	Yes	100	100

Significant restrictions

Despite Auckland Council's ability to control its subsidiaries, there are significant restrictions on accessing the assets of Auckland Future Fund Trust, Tātaki Auckland Unlimited Trust and Watercare Services Limited.

- Auckland Future Fund Trust has a range of protections against future changes that could diminish the value of its assets. These protections include being an unincorporated non-charitable trust which in combination with key policies in Auckland Council's Long-term Plan, restrict Auckland Council's ability to make decisions about the operation of the fund and about cash distributions from the fund. Auckland Council is also seeking legislative protection for Auckland Future Fund via a local bill. Because of this restriction, we have recognised the Auckland Future Fund's short-term deposits or on-call cash deposits in Other financial assets of the group.
- Tātaki Auckland Unlimited Trust is a charitable trust, and as a result, Auckland Council is unable to access its assets.
- In accordance with section 109 of the Local Government (Water Services Preliminary Arrangements) Act 2024 and section 56A of the Local Government (Auckland Council) Act 2009, Auckland Council may not receive equity returns from Watercare Services Limited. The council also may not provide loans or credit facilities to Watercare that would result in a financial return to the council. Notwithstanding these restrictions, Watercare remains obligated to repay its existing debt to Auckland Council by 2030. For further details, refer to the 'Water Services Reform' section under Other Disclosures.

Auckland Council Group
Unaudited statement of significant accounting policies (continued)

Accounting standards issued but not yet effective

The group will adopt the following accounting standard in the reporting period after the effective date.

2024 Omnibus Amendments to PBE Standards
The 2024 Omnibus Amendments issued in October 2024 include updates to PBE IPSAS 1 *Presentation of Financial Reports* to clarify the principles for classifying liabilities as current or non-current. The amendments are effective from reporting periods beginning on or after 1 January 2026 with early adoption permitted. The group has not assessed the effect of the amendments in detail.

PBE IFRS 17 Insurance Contracts
PBE IFRS 17 *Insurance Contracts* for public sector entities was issued in June 2023. This standard establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. It is effective for reporting periods beginning on or after 1 January 2026 with early adoption permitted. The group has not assessed the effect of the new standard in detail.

Auckland Council Group
Unaudited statement of significant accounting policies (continued)

Significant judgements and estimates

The preparation of the financial statements requires judgements, estimates and assumptions. Application is based on future expectations as well as historical experience and other factors, as appropriate to the circumstances. Judgements and estimates which are considered material to understanding the performance of the group are found in the following accounting policies:

- property, plant and equipment
- derivative financial instruments
- provisions
- investment in other entities

Auckland Council Group
Unaudited statement of significant accounting policies (continued)

Property, plant and equipment

The property, plant and equipment of the group is classified into three categories:

- Infrastructure assets include land under roads, and systems and networks integral to the city's water and transport infrastructure. These assets are intended to be maintained indefinitely, even if individual assets or components are replaced or upgraded.
- Operational assets include property, plant and equipment used to provide core group services, either as a community service, for administration, or as a business activity. Other operational assets include landfills, motor vehicles, office equipment, library books and furniture and fittings.
- Restricted assets include property and improvements where the use or transfer of title outside of the group is legally restricted.

Initial recognition and subsequent measurement

Property, plant and equipment is initially recognised at cost, unless acquired through a non-exchange transaction, in which case the asset is recognised at fair value at the date of acquisition. The cost of third party constructed assets generally comprises the sum of costs invoiced by the third party. The cost of self-constructed assets comprises purchase costs, time allocations and excludes, where material, any abnormal costs and internal surpluses.

Subsequent costs that extend or expand the asset's future economic benefits and service potential are capitalised. After initial recognition, certain classes of property, plant and equipment are revalued. Work in progress is recognised at cost less impairment, if any, and is not depreciated.

Useful lives

The useful lives used to calculate the depreciation of property, plant and equipment are as follows:

Asset class	Estimated useful life (years)	Asset class	Estimated useful life (years)
Infrastructure		Operational (continued)	
Land and road formation	Indefinite	Public Transport Facilities	3 to 100
Roads	5 to 100	Marinas	9 to 42
Water and wastewater	5 to 200	Rolling stock	10 to 35
Machinery	5 to 200	Wharves	10 to 100
Stormwater	19 to 132	Works of art	13 to indefinite
Other infrastructure	10 to 69	Other operational assets	1 to 50
		Other operational assets (Risk Category 3 properties buy-out)	Indefinite
Operational			
Land	Indefinite		
Buildings	10 to 100	Restricted	
Specialised sporting and cultural venues	3 to 100	Parks and reserves	Indefinite
		Buildings	5 to 100
Specialised sporting and cultural venues (land)	Indefinite	Improvements	1 to 87
		Specified and cultural heritage assets	Indefinite

Auckland Council Group
Unaudited statement of significant accounting policies (continued)

Property, plant and equipment (continued)

Disposals

Gains and losses on the disposal of property, plant and equipment are recognised in surplus or deficit. Any amounts included in the asset revaluation reserve in respect of the disposed assets are transferred to accumulated funds on disposal.

Impairment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of property, plant and equipment exceeds its recoverable amount. Any impairment loss is recognised immediately in surplus or deficit unless the asset is revalued, in which case any impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When previously recognised impairment indicator no longer exists, the recoverable amount is re-assessed and impairment loss is reversed.

Assets are considered cash generating if their primary objective is to provide a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows. For non-cash generating assets, value in use is determined using an approach based on a depreciated replacement cost.

Revaluation

Infrastructure assets (except land under roads), restricted assets (except improvements and specified cultural and heritage assets) and operational assets (except other operational assets) undergo a full revaluation with sufficient regularity, and at least every five years to ensure that their carrying amounts do not differ materially from fair value. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then those asset classes are revalued. Revaluations are accounted for on an asset class basis.

Net revaluation gains are recognised in other comprehensive revenue and expenditure and are accumulated in the asset revaluation reserve in equity for each class of asset. Revaluation losses that result in a debit balance in an asset class's revaluation reserve are recognised in surplus or deficit. Any subsequent gain on revaluation is recognised first in surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expenditure.

The method used by the group in revaluing its property, plant and equipment, is depreciated replacement cost (DRC), except for operational land and buildings, marinas, restricted parks, reserves and buildings and works of art. DRC is calculated based on the replacement cost of the property, plant and equipment depreciated over their useful lives. This method takes into account the age and condition of the assets, estimated optimisation rates and estimated remaining useful lives of those assets. It is assumed that all asset classes have no residual value at the end of their useful lives.

Auckland Council Group
Unaudited statement of significant accounting policies (continued)

Property, plant and equipment (continued)

Revaluation (continued)

Operational land and buildings and works of art are revalued based on available market information relating to these assets.

The group uses two valuation processes – a full revaluation and a desktop valuation. The full revaluation process values each asset individually and involves physical inspection of selected assets at various sites to note aspects such as condition, use, replacement timing and asset optimisation. A desktop valuation involves the valuation of the portfolio as a whole, considering any changes in the condition of any specific assets. Fair value changes are determined using relevant indices such as Capital Goods Price Index published by Stats NZ Tatauranga Aotearoa and assets are not physically inspected. This valuation method may be used where there are recent changes in the fair value of a class of assets and a fair value assessment indicates that a valuation may be required. Where a desktop valuation is undertaken and the desktop valuation indicates that the fair value of a class of assets have changed significantly, a full revaluation is required in the following reporting period. No desktop valuations were undertaken in the current year.

Water and wastewater, Roads and formation, Specialised sporting and cultural venues, and Marina assets underwent a revaluation as at 30 June 2025.

Auckland Council Group
Unaudited statement of significant accounting policies (continued)

Derivative financial instruments

The group uses derivative financial instruments, such as forward foreign currency contracts and interest rate swaps to mitigate risks associated with foreign currency and interest rate fluctuations. The group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Any gains or losses arising from changes in the fair value of derivatives are taken directly to surplus or deficit.

Derivatives are classified as:

- Assets when their fair value is positive.
- Liabilities when their fair value is negative.

Derivative assets and derivative liabilities are classified as:

- Current when the maturity is 12 months or less from balance date.
- Non-current when the maturity is more than 12 months from balance date.

Auckland Council Group
Unaudited statement of significant accounting policies (continued)

Provisions

Provisions are recognised in the statement of financial position where the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be estimated reliably.

Provisions are measured at the present value of the expected future cash outflows required to settle the obligation. The increase in the provision due to the passage of time is recognised as finance cost in surplus or deficit.

Provision for Risk Category 3 property buy-outs and Risk Category 2P property grants

The co-funding agreement with central government for recovery and resilience efforts for the 2023 severe weather events, was amended in March 2025. The amendment partly transfers the central government's contribution for Risk Category 2 mitigation projects to Risk Category 3 property buy-outs due to increase in the estimated number of eligible Risk Category 3 properties. The total contribution of $877 million from the central government remained unchanged.

The provision for Risk Category 3 property buy-outs is based on the best estimate of the present value of the expenditure needed to settle the obligations to property owners. The estimates are determined based on the judgements and assumptions made by management and independent actuaries.

The council estimated there will be 1,200 Risk Category 3 properties, of which the council has bought 792 and paid $863 million since the beginning of the buy-out programme.

The provision decreased by $167 million from 30 June 2024 to $356 million. The decrease in the provision was mainly due to net settlements of $731 million from the purchase of 667 properties and partly offset by the changes in the following significant assumptions based on experience:
- the estimated number of Risk Category 3 properties rose to 1,200 (30 June 2024: 900)
- the average market value per property increased by $0.1 million.

Other than the changes in the two assumptions above, there have been no significant changes in judgements and estimates used in calculating provision for Risk Category 3 property buy-outs since the preparation of the group's annual report for year ended 30 June 2024.

The provision for Risk Category 2P grants remains unchanged at $30 million as at both 30 June 2025 and 30 June 2024, with additional provisions of $8 million offset by net settlements of $8 million.

Auckland Council Group
Unaudited statement of significant accounting policies (continued)

Investment in other entities

Investments in associates and joint ventures are accounted for using the equity method in the group financial statements. The investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the share of the surplus or deficit of the associate or joint venture after the date of acquisition. Distributions received reduce the carrying amount of the investment. Where necessary, adjustments are made to align the accounting policies of associates and joint ventures with those of the group.

For all joint arrangements structured in separate vehicles, management must assess the substance of each joint arrangement to determine whether it is classified as a joint venture or joint operation. This assessment requires management to consider whether it has rights to the joint arrangement’s net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, revenues and expenses (in which case it is classified as a joint operation). Factors management must consider include structure, legal form, contractual agreements and other facts and circumstances. On consideration of these factors, management has determined that all of its joint arrangements structured through separate vehicles give it rights to the net assets and has therefore classified them as joint ventures.

Auckland Council Group
Unaudited notes to the financial statements

Other disclosures

City Rail Link Limited

City Rail Link Limited (CRLL) is a Crown entity co-funded by the central government and the council (the sponsors), which is accounted for as a joint venture. Construction of the City Rail Link (CRL) stations and supporting rail infrastructure is anticipated to be completed in the next year. The group expects that the formal transfer of these assets will occur following completion and commissioning of the infrastructure.

On 31 July 2025, the Auckland Council Governing Body approved the proposed allocation of CRL assets between the group and central government. Under this arrangement, the group is expected to receive a greater proportion of CRL assets than its capital investment in the project. Agreement on the final ownership split of assets is subject to a central government decision which is expected in September 2025. The assets that will be received by the group will only be officially confirmed once construction and testing are complete and the transfer paperwork signed.

At the reporting date, the asset transfer had not yet taken place and remained subject to finalisation of legal and operational arrangements. The value and timing of the transfer will be confirmed after practical completion, on finalisation of the relevant transfer agreements.

Water services reform

The central government has been addressing New Zealand's water infrastructure challenges through the Government's Local Water Done Well programme, a three-stage process to improve water quality and update aging infrastructure. The first bill repealed the previous Government's water services legislation. The second bill established the preliminary arrangements for the new water services system. The third bill, the Local Government (Water Services) Bill 2024 (the Bill) established the enduring settings for the water services system. On the final reading, certain clauses of the Bill, were split into a separate bill - the Local Government (Water Services) (Repeals and Amendments) Bill 2024. These bills were passed into legislation on 26 August 2025 and came into effect the following day.

Implications of the Local Government (Water Services) Act

The Local Government (Water Services) Act (the Act) represents a significant shift in the governance, delivery, and regulation of water services, supporting transparency, accountability and financial sustainability of water services entities.

This Act provides for:

- arrangements for the new water services delivery system
- a new economic regulation and consumer protection regime for water services
- changes to the regulatory framework for water quality and to the water services regulator.

Auckland Council remains the sole shareholder of Watercare. However, Watercare:

- continues to be prohibited from paying dividends or any surplus to Auckland Council
- is excluded from the charging provisions under the Act and continues to rely on its contractual charging method
- is unable to use the development contributions regime in the Act.

Auckland Council Group
Unaudited notes to the financial statements (continued)

Other disclosures (continued)

Water services reform (continued)

With effect from 1 July 2025, an income tax exemption was introduced for water organisations including Watercare. Watercare's accumulated historical income tax losses are expected to continue to be available to carry forward for use by the Auckland Council group under current income tax legislation. Once Watercare's tax return for the year ended 30 June 2025 is completed, the total quantum of available tax losses is determined, the group expects to record a deferred tax asset based on the income tax profit projections of the group. The change in Watercare's tax status is expected to require an adjustment in 2025/2026 to reverse Watercare's net deferred tax liability in relation to temporary differences. This adjustment is expected to affect both tax expense and tax on other comprehensive revenue and expenditure.

As the recent legislation has only just been enacted, the group has not yet had the opportunity to evaluate its implications — including whether Watercare should remain part of the Auckland Council group for consolidated financial reporting purposes.

Progress on Local Government (Water Services Preliminary Arrangements) Act 2024 obligations

Under section 77 of the Local Government (Water Services Preliminary Arrangements) Act 2024, the central government approved the Watercare Charter on 12 December 2024 and it came into force on 1 April 2025. The Watercare Charter sets service quality standards and financial performance objectives, which are applicable for the three years through to 30 June 2028. The Commerce Commission (as Crown monitor) is monitoring Watercare's performance against the Watercare Charter, with full economic regulation commencing in 2028.

In the past, Auckland Council secured borrowings for water infrastructure and on-lent them to Watercare under an intercompany loan. As required under Local Government (Water Services Preliminary Arrangements) Act 2024 section 109 and the Local Government (Auckland Council) Act 2009 section 56A, Watercare's financial separation from Auckland Council was formally achieved on 1 July 2025. Under the new financial model Watercare now borrows funds in its own name for investment in water infrastructure and will repay its current loan to Auckland Council over a 5-year period under the Transitional Debt Facility Agreement.

Watercare received an Aa3 credit rating from Moody's Investor Services, supporting its ability to borrow efficiently and effectively. In accordance with the debt management policy settings in the council's financial strategy, Watercare's financial separation will result in its exclusion from the rest of the group's debt-to-revenue ratio calculation from 1 July 2025. As a result, the rest of the group's debt to revenue ratio will be lower.

Changes to Council-Controlled Organisation (CCO) delivery model

Auckland Council's Governing Body intends to enhance democratic oversight by increasing elected members' involvement in CCO decision-making, ensuring council services are more responsive to the needs of Aucklanders. To achieve this, council initiated CCO reforms in 2024/2025.

Auckland Council Group
Unaudited notes to the financial statements (continued)

Other disclosures (continued)

Changes to Council-Controlled Organisation (CCO) delivery model (continued)

Transport reform

On 3 December 2024, the central government proposed legislative change to reform the role of Auckland Transport including

- returning the strategy, policy and planning functions of Auckland Transport to the council
- establishing a new Auckland Regional Transport Committee with a focus on long-term, integrated transport planning
- making the council the Road Controlling Authority
- enabling greater local decision making about transport decisions
- council retains transport CCO focused on delivering key transport projects and services and
- council has six months post-legislation to define transport CCO's specific functions.

On 24 June 2025, the Auckland Transport Board and approved the delegation of specific transport strategy and policy functions from Auckland Transport to the council which was approved by the Auckland Council Governing Body on 26 June 2025.

Transfer of urban regeneration, property management and economic development functions

On the 12th of December 2024, the Auckland Council Governing Body agreed to transfer all functions of Eke Panuku and the economic development functions of Tātaki Auckland Unlimited Limited (TAUL) to Auckland Council no later than 1 July 2025. There would be no changes to destination marketing and major events functions (with the council responsible for the relevant strategy and policy), and management of regional facilities. Tātaki Auckland Unlimited Trust would keep its charitable trust status and continue its operations.

On 30 June 2025, the council purchased the assets and operations of Eke Panuku and Tātaki Auckland Unlimited's economic development function for $13 million, which was returned to the council as an unbudgeted dividend. Eke Panuku and the economic development function of Tātaki Auckland Unlimited were integrated into Auckland Council from 1 July 2025, leading to the establishment of council's Auckland Urban Development Office, Property department and Economic Development Office. The transition resulted in some role redundancies, however, there were no reductions in funding or services.

Looking ahead

The council is getting ready for integration of transport strategy and policy and will recommend changes to legislation. It will continue to progress other initiatives to support transport reform, strengthen the group CCO model and accelerate the rollout of group shared services.

Auckland Council Group
Unaudited notes to the financial statements (continued)

Subsequent events

Building consent system changes

On 18 August 2025, the New Zealand Government announced major changes to the national building consent system—the biggest change since the Building Act was introduced in 2004. The proposed changes include:

- Fairer liability rules: Replacement of the joint and several liability framework with a proportionate liability model. Each party will be responsible for the part of the work they actually did.
- Better protection for homeowners: Options will be explored to bring in new rules for mandatory or opt-out home warranties and professional indemnity insurance for certain building projects.
- Smarter use of council resources: Councils will be able to combine their Building Consent Authorities. Thie will help them share resources and apply the Building Code more consistently across the country.

These changes are expected to reduce the financial risk for councils and ratepayers where other responsible parties can't be held accountable—especially in cases where other liable parties are insolvent or unavailable.

The Government plans to introduce these changes in early 2026. These changes are expected to impact the group's future liabilities, insurance and possibly its operations. At this stage, it's too early to reliably estimate the impact.

Auckland Future Fund

In August 2025, the directors of Auckland Future Fund's (AFF) trustee appointed Vontobel Asset Management AG as its global investment manager with the responsibility to manage $1.3 billion in funds on behalf of Auckland Council.

Other

We have provided the latest information as it relates key aspects impacting the financial statements within the disclosure notes. There are no further significant events that occurred subsequent to balance date that require disclosure.