Results announcement

Results for announcement to the market		
Name of issuer	Auckland Council	
Reporting Period	12 months to 30 June 2026	
Previous Reporting Period	12 months to 30 June 2025	
	Amount (000s)	Percentage change
Revenue from continuing operations	$8,743,858[1]	9%
Total revenue	$8,743,858[1]	9%
Net profit/(loss) from continuing operations	$2,664,104[2]	158%[3]
Total net profit/(loss)	$2,664,104[2]	158%[3]

A brief explanation of any of the figures above necessary to enable the figures to be understood	**Results overview** Auckland Council Group delivered on the commitments it made to Aucklanders through year two of the Long-term Plan 2024-2034 (LTP), despite economic uncertainty and rising fuel costs. We remained focused on investing in transport, water infrastructure and community activities to improve outcomes for Aucklanders and build a more resilient region, while carefully managing costs and adapting to changing conditions. These results include Watercare Services Limited (Watercare) as part of the consolidated group, even though Watercare became financially separate for borrowing and credit rating purposes on 1 July 2025. Investing where it matters most In 2025/2026, we continued to make capital investment where it was needed most - supporting increasing demand for infrastructure and services driven by growing communities, the impacts of climate change and more frequent severe weather

[1] *Revenue from continuing operations* and *Total revenue* refer to *Total revenue excluding other gains* in our financial statements.

[2] *Net profit/(loss) from continuing operations* and *Total net profit/(loss)* above are shown after tax, and before other comprehensive revenue/(expenditure). In the Auckland Council Group's financial statements, these are referred to as surplus/(deficit), rather than profit/(loss), as required by the Public Benefit Entity Accounting Standards.

[3] The large increase in net profit is mainly due to a one-off tax credit. According to the Local Government (Water Services) Act 2025, Watercare no longer pays tax, so its deferred tax liability as at 30 June 2025 was written back, increasing this year's result.

events. The main investment areas include transport and water infrastructures, flood resilience and recovery projects and community facilities.

Transport and roading

- We invested $1.4 billion to improve the reliability, safety and capacity of Auckland's transport network, renewing roads and public transport assets and delivering new transport infrastructure.
- With City Rail Link reaching practical completion and set to open in September 2026, Auckland is a step closer to faster journeys, better connections and greater access to the city centre. We received $2.6 billion of completed assets from City Rail Link Limited during the year (Refer to *Financial overview* section for more detailed financial implications).

Water services

- We invested $1.0 billion to provide safe, reliable and resilient water and wastewater services.
- This included completing the Central Interceptor, Aotearoa New Zealand's largest wastewater project. The 16.2 kilometre tunnel will significantly reduce wastewater overflows, improving water quality in Auckland's harbours and waterways, and supporting a healthier environment for future generations.

Group recovery

- We invested $405 million to help communities recover from the 2023 severe weather events through the Risk Category 3 property buy-out programme.
- By year-end, we had purchased 1,159 of the around 1,200 properties expected to be eligible, reducing risk to people and communities exposed to future flooding and land instability. The programme remains on track for completion in 2026/2027.

Community facilities

- We invested $275 million in libraries, parks, playgrounds, walking and cycling tracks, aquatic and recreation facilities, helping Aucklanders stay active, connected and engaged in their communities.

In total, we invested $3.7 billion in assets during the year to support a growing, more connected and resilient Auckland. This was around $200 million lower than the previous year, mainly because the Risk Category 3 properties buy-out programme is nearing completion and fewer properties were purchased during the year.

Delivering better value for Aucklanders

In addition to our capital investment to build physical resilience, we progressed on our commitments to financial resilience set out in the LTP, including maximising our existing resources and ensuring we deliver value for money.

- For the financial year, we achieved $97.2 million savings, exceeding our $86 million target by $11.2 million. Without these savings the council would have otherwise had to further increase rates or reduce the provision of services to Aucklanders.
- The Auckland Future Fund reached an important milestone in strengthening Auckland Council's long-term financial sustainability. Since Vontobel was appointed global investment manager, the Auckland Future Fund has invested $1.3b in global investments, generated $133 million in investment returns and paid $71 million dividend to Auckland Council during the year. Over the long term, Auckland Future Fund is expected to deliver sustainable returns that support council services and infrastructure investment, while reducing reliance on rates.
- The Local Government (Auckland Council) (Transport Governance) Amendment Act 2026 (the Act) came into effect on 7 May 2026, reforming the way that transport is governed, planned and delivered in Auckland. Auckland Council has up to six months (from the date the Act came into effect) to complete the transition. The new operating model will come into effect in October, creating a stronger platform for delivering more joined-up transport and infrastructure outcomes for Aucklanders in the years ahead.

Financial overview

Debt

We use debt to help fund long-term investment. Debt spreads the cost across the generations that will use the investments.

- Our net debt increased by $1.4 billion to $15.5 billion (including Watercare), primarily to fund $1.0 billion of capital investment. The remaining increase related to the foreign currency debt, due to exchange rate movements. However, this debt is fully hedged and managed in line with our policy, so this increase does not require additional revenue funding.
- Our debt-to-revenue ratio was 224 per cent, well below our prudential limit of 270 per cent.
- We retained our strong credit ratings (excluding Watercare) of AA from S&P Global and Aa2 from Moody's Investors Service. In April 2026, Moody's revised its outlook from stable to negative. This decision did not reflect any operational or financial weakness at

	Auckland Council; but followed Moody's revision of the New Zealand Government's sovereign outlook to negative. S&P Global has not changed its outlook. • Since becoming financially independent under the Local Water Done Well programme, Watercare has received an Aa3 credit rating on a stable outlook from Moody's. Watercare has started borrowing in its own name, enabling increased investment in their water infrastructure. During the year Watercare repaid $1 billion to Auckland Council, and remains on track to repay all debt owing to Auckland Council by 2029/2030. **Revenue** Revenue was $8.7 billion, an increase of $739 million compared to prior year. • The largest increase was in vested assets revenue, which rose by $476 million to $1.3 billion, largely driven by the value of surplus assets received from City Rail Link Limited (CRLL). Following the agreed allocation of assets between Auckland Council and Kiwirail (on behalf of the Crown), Auckland Council received assets with a value greater than its share of investment in CRLL. • Rates revenue increased by $241 million to $3 billion, largely reflecting the 5.8 per cent annual rates increase for an average-value residential property in 2025/2026. • Fees and user charges increased by $116 million, driven by strong activity in water services and consenting. • These increases were partly offset by lower grants and subsidies from central government's contribution to Risk Category 3 property buy-outs, as the programme nears completion. **Expenses** Operating expenses were $7 billion, an increase of $379 million compared with the prior year. • Depreciation and amortisation[4] increased by $357 million to $1.9 billion, mainly reflecting growth in our asset base from ongoing capital investment. • Inflation continued to place pressure on a range of operating costs including wages, materials, utilities and long-term contracts. • These increases were partly offset by smaller increases in provisions compared to the prior year, primarily

[4] *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.*

	driven by settlements of Risk Category 3 property buy-outs[5]. **Surplus after tax** Overall, the surplus after tax increased to $2.6 billion from $1 billion last year, reflecting a combination of improved operating performance and one-off accounting adjustments, including the release of Watercare's deferred tax liability now that it has become an income tax exempt organisation.
Authority for this announcement	
Name of person authorised to make this announcement	Ross Tucker, Group Chief Financial Officer
Contact person for this announcement	Ross Tucker
Contact phone number	+64 272 261 468
Contact email address	Ross.tucker@aucklandcouncil.govt.nz
Date of release through MAP	28 August 2026

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

[5] The provision for Risk Category 3 property buy-outs is based on our current best estimate of the cost to settle our obligations to property owners. This estimate is informed by management's judgement and advice from independent actuaries.

Auckland Council Group
Unaudited Financial Statements
30 June 2026

Auckland Council Group
Unaudited statement of comprehensive revenue and expenditure
For the year ended 30 June 2026

$Million	Actual 2026	Actual 2025
Revenue		
Rates	3,027	2,786
Fees and user charges	1,901	1,785
Grants and subsidies	1,383	1,591
Development and financial contributions	210	185
Other revenue	830	713
Vested assets	1,353	877
Finance revenue from financial assets at amortised cost	38	64
Finance revenue from financial assets at fair value through surplus or deficit	2	4
Total revenue excluding other gains	**8,744**	**8,005**
Expenditure		
Employee benefits expense	1,337	1,267
Depreciation and amortisation	1,875	1,518
Grants, contributions and sponsorship	219	206
Other operating expenses	2,943	3,034
Finance costs	678	648
Total expenditure excluding other losses	**7,052**	**6,673**
Operating surplus before gains and losses	**1,692**	**1,332**
Net other losses	(2)	(178)
Share of net deficit in associates and joint ventures	(51)	(63)
Surplus before income tax	**1,639**	**1,091**
Income tax benefit/(expense)	1,025	(58)
Surplus after income tax	**2,664**	**1,033**
Other comprehensive revenue/(expenditure)		
Net gains on revaluation of property, plant and equipment and intangible assets	3,432	2,781
Reversal of prior period deferred tax liabilities	2,092	-
Tax on revaluation of property, plant and equipment	-	(385)
Fair value movement on revaluation of financial assets held at fair value through other comprehensive revenue and expenditure	-	103
Unrealised loss on cash flow hedges	(1)	-
Impairment losses on revalued property, plant and equipment	-	(1)
Total other comprehensive revenue	**5,523**	**2,498**
Total comprehensive revenue	**8,187**	**3,531**

Auckland Council Group
Unaudited statement of financial position
As at 30 June 2026

$Million	Actual 2026	Actual 2025
Assets		
Current assets		
Cash and cash equivalents	974	527
Receivables and prepayments	700	734
Derivative financial instruments	256	136
Other financial assets	22	40
Inventories	46	42
Non-current assets held-for-sale	4	169
Total current assets	**2,002**	**1,648**
Non-current assets		
Receivables and prepayments	52	59
Derivative financial instruments	693	600
Other financial assets	1,589	1,472
Property, plant and equipment	80,543	72,781
Intangible assets	637	521
Investment property	713	687
Investment in associates and joint ventures	135	1,953
Other non-current assets	10	9
Deferred tax assets	103	-
Total non-current assets	**84,475**	**78,082**
Total assets	**86,477**	**79,730**
Liabilities		
Current liabilities		
Payables and accruals	1,300	1,273
Employee benefits	155	140
Borrowings	2,783	1,659
Derivative financial instruments	19	4
Provisions	206	476
Total current liabilities	**4,463**	**3,552**
Non-current liabilities		
Payables and accruals	243	230
Employee benefits	5	5
Borrowings	13,710	12,984
Derivative financial instruments	324	396
Provisions	411	406
Deferred tax liabilities	-	3,013
Total non-current liabilities	**14,693**	**17,034**
Total liabilities	**19,156**	**20,586**
Net assets	**67,321**	**59,144**
Equity		
Contributed equity	26,682	26,682
Accumulated funds	11,937	9,136
Reserves	28,702	23,326
Total equity	**67,321**	**59,144**

Auckland Council Group
Unaudited statement of changes in equity
For the year ended 30 June 2026

$Million	Contributed equity	Accumulated funds	Reserves	Total equity
Balance as at 1 July 2024	26,693	7,564	21,367	55,624
Surplus after income tax	-	1,033	-	1,033
Other comprehensive loss	-	-	2,498	2,498
Total comprehensive revenue	-	1,033	2,498	3,531
Disestablished council-controlled organisations	(11)	-	-	(11)
Transfers to/(from) reserves	-	539	(539)	-
Balance as at 30 June 2025	26,682	9,136	23,326	59,144
Balance as at 1 July 2025	26,682	9,136	23,326	59,144
Surplus after income tax	-	2,664	-	2,664
Other comprehensive loss	-	-	5,523	5,523
Total comprehensive revenue	-	2,664	5,523	8,187
Disestablished council-controlled organisations	-	(10)	-	(10)
Transfers to/(from) reserves	-	147	(147)	-
Balance as at 30 June 2026	26,682	11,937	28,702	67,321

Auckland Council Group
Unaudited statement of cash flows
For the year ended 30 June 2026

$Million	Actual 2026	Actual 2025
Cash flows from operating activities		
Receipts from rates revenue	3,031	2,769
Receipts from grants and other services	4,252	4,334
Interest received	44	63
Dividends received	11	15
Payments to suppliers, employees and third parties	(4,685)	(4,554)
Interest paid	(639)	(605)
Advances to external parties	(9)	(8)
Net cash inflow from operating activities	**2,005**	**2,014**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, investment property and intangible assets	250	22
Acquisition of property, plant and equipment, investment property and intangible assets	(3,153)	(3,172)
Acquisition of other financial assets	(180)	(1,435)
Proceeds from sale of other financial assets	185	1,514
Investment in joint ventures	(174)	(228)
Proceeds (to)/from external parties	8	3
Net settlements of derivative financial instruments	8	-
Net cash outflow from investing activities	**(3,056)**	**(3,296)**
Cash flows from financing activities		
Proceeds from borrowings	5,673	3,488
Repayment of borrowings	(4,397)	(2,301)
Receipts from derivative financial instruments	2,909	1,394
Payments for derivative financial instruments	(2,685)	(1,386)
Repayment of finance lease principal	(2)	(2)
Net cash inflow from financing activities	**1,498**	**1,193**
Net (decrease)/increase in cash and cash equivalents	**447**	**(89)**
Opening cash and cash equivalents	527	616
Closing cash and cash equivalents	**974**	**527**

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;
- Local Government (Water Services) Act 2025 (LGWSA 2025); and
- Auckland Council (Auckland Future Fund) Act 2025.

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

The council's principal address is 135 Albert Street, Auckland Central, Auckland 1010, 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 and the council is to provide services and facilities to the Auckland community for public 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 are made up of the financial statements of the council and its council-controlled organisations (CCOs) and subsidiaries as at 30 June 2026.

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

Basis of consolidation (continued)

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.

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)
Basis of reporting (continued)

Significant subsidiaries

The significant subsidiaries in the group are as follows:

Name	Principal activities and nature of relationship where there is no direct ownership	CCO	Percentage of ownership/ control	
			2026	2025
Auckland Future Fund Trustee Limited (AFFTL)	Manages Auckland Future Fund.	Yes	100	100
Auckland Future Fund (AFF/the Fund)	Protects the value of the council's intergenerational assets that are put into the Fund so they can benefit future generations, and to provide an enhanced return to the council to fund the region's services and infrastructure.	Yes	100	100
Auckland Transport (AT)	Owns the public transport network and manages the transport infrastructure and services in Auckland. [1]AT is a body corporate with ongoing succession and is treated under the LGACA 2009 as if the council is its sole shareholder.	Yes	100[1]	100[1]
Eke Panuku Development Auckland Limited (Eke Panuku)	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. [2]Eke Panuku was integrated into the council from 1 July 2025, and the legal entity was disestablished. The deregistration process with the Companies Register is expected to be completed by the end of October 2026.	No	-[2]	100[2]
Port of Auckland Limited (Port of Auckland)	Owns and operates Auckland's port which provides container bulk cargo handling, freight hubs, cruise industry facilities and other related services. [3]Although the council owns 100 per cent of Port of Auckland, it is governed under the Port Companies Act 1988 and is not a council-controlled organisation (CCO).	No[3]	100	100
Tātaki Auckland Unlimited Limited (TAUL)	Manages projects for tourism and events promotion in the Auckland region.	Yes	100	100

Tātaki Auckland Unlimited Trust (TAUT)	Supports and promotes the arts, culture, heritage, leisure, sports and entertainment, and owns and manages the venues for these activities. [4]TAUT is a charitable trust of which TAUL, a 100% owned subsidiary of the council, is the sole trustee.	Yes	100[4]	100[4]
Watercare Services Limited (Watercare)	Provides water and wastewater services and owns and operates the water and wastewater infrastructure.	Yes	100	100

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

Significant restrictions

Despite the council's ability to control its subsidiaries, there are significant restrictions on accessing the assets of AFF, TAUT and Watercare.

Name	Significant restrictions on accessing the assets
AFF	AFF 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. This in combination with key policies in the council's Long-term Plan, restricts the council's ability to make decisions about the operation of the fund and about cash distributions from the fund. In addition, the council secured legislative protection for AFF through the Auckland Council (Auckland Future Fund) Act 2025, ensuring the fund remains a long-term financial investment for the benefit of both current and future communities across the Auckland region.
TAUT	TAUT is a charitable trust, and as a result, the council is unable to access its assets.
Watercare	In accordance with section 109 of the Local Government (Water Services Preliminary Arrangements) Act 2024 and section 56A of the LGACA 2009, the council may not receive equity returns from Watercare. 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 the council by 2030.

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

Accounting standards issued but not yet effective

The group will adopt the following accounting standards 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 for the year ending 30 June 2027. The group is currently evaluating the effect of these amendments. Based on preliminary consideration, these amendments are not expected to have a significant impact on the group's financial statements.

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 the year ending 30 June 2027. The group is currently evaluating the effect of the new standard. Due to the complex nature of the standard, the financial impact is yet to be finalised.

Amendments to XRB A2 resulting from the Regulatory Systems (Economic Development) Amendment Act 2025

The Amendments to XRB A2 was issued in August 2025 which reflects the recent amendments to the Financial Reporting Act 2013 in relation to the definitions of 'large' and 'specified not-for-profit entity', as amended by the Regulatory Systems (Economic Development) Amendment Act 2025. It is effective for the reporting periods beginning on or after 29 September 2025. The group is currently assessing the effect of these amendments, including whether the revised definitions affect the group's reporting requirements. Based on the assessment performed to date, the group does not expect the amendments to have a material impact.

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	3 to 100	Marinas	9 to 42
Water and wastewater	5 to 200	Rolling stock	10 to 35
Machinery	5 to 200	Wharves	3 to 100
Stormwater	19 to 150	Works of art	13 to indefinite
Other infrastructure	15 to 100	Other operational assets	1 to 85
		Other operational assets (land)	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	3 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 indicators 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, 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, referred to by valuers as ODRC (optimised depreciated replacement cost), is calculated based on the replacement cost of the property, plant and equipment depreciated over their useful lives.

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

Property, plant and equipment (continued)

Revaluation (continued)

This method considers 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.

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 (CGPI) published by Statistics New Zealand Tatauranga Aotearoa (Stats NZ) 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 has changed significantly, a full revaluation is required in the following reporting period.

Machinery, Roads and formation, Works of art underwent a revaluation as at 30 June 2026. Desktop fair value assessments were performed for other asset classes

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

Derivative financial instruments

The group and the council use derivative financial instruments, such as forward foreign currency contracts and interest rate swaps as hedging instruments to reduce risks associated with foreign currency and interest rate fluctuations. The group and the council do 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 recognised in 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 and the council have 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 a finance cost in surplus or deficit.

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

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 reviewed by independent actuaries at reporting date.

The council has settled 1,159 Risk Category 3 properties out of around 1,200 since the commencement of the programme. The remaining Risk Category 3 properties are expected to be settled in 2026/2027.

The provision for Risk Category 3 property buy-outs decreased by $259 million from 30 June 2025 to $97 million. This was mainly due to net settlements of $335 million, partly offset by an additional provision of $70 million. The additional provision reflects an update to our assumptions about:

- a decrease in insurance recoveries. Based on our experience from property purchases to date, we now expect to recover less insurance per property than previously assumed
- increases in other costs such as demolition and claims handling expenses.

There have been no other significant changes in judgements and estimates used in calculating provision for Risk Category 3 property buy-outs compared to prior year.

The provision for Risk Category 2P grants decreased by $14 million from 30 June 2025 to $16 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 if it is classified as a joint venture or joint operation. This assessment requires management to consider if 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). It was created for the purpose of designing and constructing an underground rail line linking Waitematā station and the city centre with the existing western line near Maungawhau.

As the project reached practical completion in June 2026, the main construction assets were transferred to sponsors and related entities such as Kiwirail and the council.

Asset transfer during the year

Based on the agreed split during the reporting period, the council received $2.7 billion of assets (around 69% of total assets distributed by CRLL). To account for the receipts of assets, the council reduced its investments in CRLL to $77 million, representing the council's share of the net assets of CRLL as at 30 June 2026 (2025: $1,905 million). The council recognised $746 million of vested assets revenue for the excess of the costs of assets received over the carrying value of the investment. Subsequently, the council transferred $2.6 billion of public transport assets to AT, retaining $107 million of Other operational land and Improvements in the council's book.

The council expects to receive the remaining assets that were capitalised after the main asset transfer from CRLL by December 2026.

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 and successfully integrated Eke Panuku and economic development function of Tātaki Auckland Unlimited Limited, effective from 1 July 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

The Local Government (Auckland Council) (Transport Governance) Amendment Act (the Act) was passed into legislation on 6 May 2026 and came into effect the following day. The Act aims to improve democratic accountability and long-term integrated transport planning in Auckland.

Implications of the Transport reform

The Act reforms the way that transport is governed, planned and delivered in Auckland, setting out a range of key changes:

- establishing an Auckland Regional Transport Committee (ARTC), with voting members comprising ministerial appointees and the council elected members, as well as a chair jointly appointed by the Minister of Transport and the Mayor of Auckland;
- providing for the ARTC to prepare a 30-year transport plan for Auckland, the Regional Land Transport Plan (for approval by Auckland Council) and to undertake other functions as delegated by government or the council;
- moving most local transport functions, including policy and planning functions as well as Road Controlling Authority status, from AT to the council;
- reforming AT into a transport council-controlled organisation focused on providing public transport services in Auckland; and
- allocating some specific transport decisions to the council's local boards.

The council has up to six months from 7 May 2026 to complete the transition. A joint transport transition team with AT has been established to implement the Act. The transition team released the initial structural change proposal for consultation on 7 May 2026. The final structural changes in both the council and AT were announced on 30 July 2026, with transition into the new model expected by 1 October 2026.

Based on the Act, there is no significant financial impact expected on the group overall. However, it will have a notable effect on the council's financial statements for 2026/2027, as the council will become Auckland's Road Controlling Authority under the Land Transport Management Act 2003 (LTMA) and related transport legislation. This gives the council responsibility for management, construction and maintenance of local roads. As part of this, the council is expected to receive significant governance, planning and administrative functions related to roads, parking and roading infrastructure.

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

Other disclosures (continued)

Building consent system changes

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

On 29 June 2026, The Building Amendment Bill was introduced, and passed its first reading on 30 June 2026. The Transport and Infrastructure select committee is currently gathering information and preparing a report due on 30 December 2026, ahead of the second reading.

The bill includes the following proposed changes:

- 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. Proportionate liability will apply to building project work for which a building consent was issued on or after the first anniversary of Royal assent.
- Better protection for homeowners: Introducing measures to reduce the risk of uncompensated loss for homeowners, while reinforcing accountability across the building and construction. These include mandatory 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. This will help them share resources and apply the Building Code more consistently across the country.
- Targeted amendments to simplify building process: This includes:
    - a fast-track building consent process,
    - requiring building consent authorities to process consents within 10 working days for residential buildings which meet solar and sustainability criteria,
    - supporting off-site construction of small, stand-alone dwellings.

Based on the current wording of the Bill, these changes are expected to reduce the financial risk for councils and ratepayers where other responsible parties cannot be held accountable—especially in cases where other liable parties are insolvent or unavailable. They may also impact the group's future liabilities, insurance and its operations. At this stage, it's too early to reliably estimate the timing or impact.