

Pūrongo Taupua a te Rōpū Kaunihera
o Tāmaki Makaurau

31 o Hakihea 2025

AUCKLAND COUNCIL GROUP INTERIM REPORT

31 December 2025



Mihi

‘Tūrouru Tāmaki Makaurau!’

Kei puta te pātai: ‘I ahu mai ēnei tikanga i hea?’

Māku e kī atu: ‘I ahu mai i te ahurewa tapu i Rangiatea.

Ka tau ki te Tuahu, ka tū ki te maunga tapu.

Ka whakahuatia e te tira Rangatira i ngā tau, koia te take i whakataukiatia ai te kupu:

‘Kia Ora Tāmaki Makaurau.’

He mana ka kitea i ngā pou ora e tū watawata mai rā, e mana ake ai te kōrero: ‘Ko Tāmaki Ora Tēnei.’

Te Mana o te Ahurewa Tapu

Mānawatia te ahurewa tapu ā ō tātou mātua tūpuna, tatū ake ki te ahurewa tapu i nōhia e ngā Koromatua i ngā tau.

Ko Tāmaki Tūwatawata, ko Tāmaki Tuahu ā-rohe hoki tēnei.

He whenua ahu-riri, ahu-papa, ahunga-kī, ahunga-rau.

Ngā Ahu o te Whenua. He aha hoki ngā ahu?

- He ahunga-roa, he ahunga pūmau te ahu
- He ahu-ngāhuru, he ahu-ngātoru te ahu
- He ahunga-ā-tau, he ahu-amō te ahu

Nā ēnei ahunga matua i hua mai ai:

- Te Ahu ara-tapuae
- Te Ahu wai-āriki
- Te Ahu wai-pīrau
- Te Ahu wai-āwhā
- Te Ahu wai tomo
- Te Ahu ā-rohe
- Te Ahu pā-kainga
- Te Ahu tōpu

Te Kawa o Tāmaki Ora

Mā tēnei tātou e kite ai i te ahu, uha, hau me te hua o ēnei kawa.

Ehara i te kawa o nāiane tonu, engari he kawa i tukua iho ki a tātou te hunga e atawhaitia ana, e whangaia ana e Tāmaki Ora ē...i!

Tūrouru Te Ahunga Tapu, Tūrouru Hawaikī, Tūrouru Tāmaki Makaurau.

Tūrouru Whakamaua kia Tina (Tīnā) Haumiē, Huiē, Tāiki ē!

‘Tāmaki be affirmed!’

Should the question be asked: ‘Where these values and traditions originate?’

The response: They descend from the sacred altar of Rangiatea, settling upon the Tuahu and standing firm upon the sacred mountain.

These principles have been spoken by generations of Rangatira, which is why the phrase ‘Kia Ora Tāmaki Makaurau’ carries such weight.

The mana is visible in the living pou that stand vigilant, affirming the declaration: ‘This is Tāmaki Ora.’

Honouring sacred and civic leadership

We acknowledge the sacred offerings of our ancestors, and those upheld by civic leaders across generations.

This is Tāmaki Tūwatawata, a region of fortified identity and sacred altars. A land shaped by conflict, by terrain, by intention, and by abundance.

Therefore, what do these directions symbolise?

- They are enduring, long-standing pathways
- They are seasonal, cyclical, and purposeful
- They are strategic, resilient, and responsive

From these, traditions and directions emerge:

- Pathways of ancestral footsteps
- Waters of healing and prestige
- Waters of decay and renewal
- Waters of storm and challenge
- Waters that descend and penetrate
- Regional flow and reciprocity
- Centres of community and belonging
- Collective spaces of unity

Embedding Kawa in Contemporary Governance

Through these dimensions, we see the essence, the breath, and the outcomes of our protocols.

These are not newly invented customs, but inherited legacies entrusted to us, the people nurtured and sustained by Tāmaki Ora.

Sacred Direction be established, Origins be acknowledged, Tāmaki be affirmed.

He kōrero mō tēnei tuhinga **About this document**

The Auckland Council Group Interim Report for the six months ended 31 December 2025 shows what we did and how we performed over the past six months.

We continued to build on the progress of year one of the Long-term Plan 2024-2034, targeting investments in areas where it is needed most, and will have the highest impact, including transport, water and enabling local boards to respond to the needs of their communities.

Overall, the group’s interim financial statements show a positive operating result, and our credit ratings remain on a ‘Stable’ outlook, demonstrating continued confidence in the council’s financial management.

The **Interim Financial Statements** and accompanying **notes** give an overview of the group’s financial results, cash flows and financial position for the first half of the 2025/2026 financial year. The notes to the financial statements contain detailed financial information as well as the relevant accounting policies, judgements and estimates applied in preparing the financial statements. The interim financial statements are an update on our 30 June 2025 annual financial statements, and should therefore be read in conjunction with them.

This document has been prepared in accordance with **New Zealand Generally Accepted Accounting Practice** and complies with **PBE IAS 34: Interim Financial Reporting**. While the interim financial statements are **unaudited**, they have been subject to a review by **the Auditor-General**.

To help users compare our financial statements to other entities, we have summarised the most significant differences between the International Financial Reporting Standards (IFRS) and the Public Sector Standards (PBE) applied in preparing the financial statements. This can be found in the **Main differences between IFRS and PBE Accounting Standards** section.

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▲ City from Westhaven. David St George, Auckland Brand Library

He karere nā te koromātua Message from the mayor

Staying the Course for a Resilient Auckland

At the beginning of this financial year, I told Aucklanders that our Long-term Plan is more than just a budget; it is a contract with the community. This interim report, covering the six months to December 2025, shows that we are keeping our side of the agreement, and the plan is working.

We are operating in a challenging economic environment. While inflation has stabilised and interest rates have been falling faster than we initially forecast, we aren't out of the woods yet. Costs for core services remain high. This is why our focus remains on the “nuts and bolts” of running a great city—delivering smarter services and more value.

The focus on delivering for Aucklanders continues. We've invested heavily into the hard infrastructure that keeps Auckland moving and functioning—our roads, pipes and transport networks. This reflects our commitment to fixing Auckland's infrastructure “pinch points” and building a region that is truly resilient to climate events and is prepared for population growth. A key investment highlight for me was the future-proofing of our water networks. I attended the opening of the Snells Beach Wastewater Treatment Plant, a key part to upgrading networks in Warkworth and its surrounding neighbourhoods. Our water networks are out of sight but shouldn't be out of mind, and these are the core things Aucklanders expect from us.

I have been clear that we must stop wasting money. Our results for the first half of the year are financially solid. I can see my ‘better, faster, cheaper’ mantra appearing everywhere around council and the full implementation of my capital spend rules continues. I will continue to encourage people to first ask ‘what is the problem we are trying to solve’, before taking action. The Better Value Projects programme picked up pace as teams further embedded the new capital spending rules, savings targets were surpassed alongside improved project outcomes, reporting tools and governance processes. Well done.

My vision is for an Auckland that is an efficient green city, open for business and leisure. There are no surprises in these results. We have a plan, it is working, and we are staying the course. We are fixing the basics today to ensure Auckland is ready for the opportunities of tomorrow.



Wayne Brown
Mayor of Auckland
26 February 2026

He karere nā te tumu whakarae Message from the chief executive

Our interim results show Te Rōpū o Te Kaunihera o Tāmaki Makaurau – Auckland Council Group continues to make solid progress in strengthening Auckland's physical and financial resilience. It's encouraging to see this work coming to life and making a real difference for our communities.

In the first six months of 2025/2026, we've focused our investment where Aucklanders need it most — transport, water and supporting local boards to respond to their communities. I'm proud of how our people across the council group are delivering on our Long-term Plan 2024-2034, meeting rising demand, strengthening our resilience to severe weather and keeping essential services running well.

So far this financial year, we've delivered \$1.8 billion in new assets and infrastructure. Completing the City Rail Link remains a top priority and we're seeing great momentum across the transport network — from dynamic bus lanes to key road connections and repaired storm-damaged routes. These improvements make everyday life easier and safer for thousands of Aucklanders.

We're also enhancing community spaces, renewing playgrounds and sports grounds, repairing facilities like the Glen Innes Library, and installing solar panels to support climate-friendly, cost-efficient operations. Our commitment to Māori outcomes is central to this work and I am pleased to see Te Piringatahi o Te Maungaarongo Marae achieving full building and life-safety compliance after essential upgrades.

Building resilience is still a major focus. We've made strong progress on water network upgrades, including the expansion of the Wellsford Wastewater Treatment Plant, and key flood resilience projects like Te Ararata Creek, Māngere, Wairau, Mount Roskill and Clarks Beach. Meanwhile, our Recovery Office continues to support property owners whose properties face an intolerable risk to life. Risk Category 3 property buy-outs remain on track for completion in April-May 2026, with Risk Category 2P grants expected to be completed by December 2026.

Across the group, our focus on efficiencies is well embedded. We've already achieved 79% of this year's \$86 million savings target, and our Better Value Projects programme has delivered more than \$8 million in benefits. Bringing group shared services together is improving how we operate and helping us deliver better, more consistent customer experiences.

In collaboration with the tertiary education sector we welcomed 100 interns and are preparing to welcome 57 graduates as part of our Graduate and Intern programme. These programmes are an illustration of our commitment to strengthening our organisation.

Financially, we're in a strong position. Revenue and capital investment are on track and debt levels remain well managed and within our financial guidelines. Watercare's financial independence enables greater investment in the infrastructure our growing region needs. The Auckland Future Fund, now managed by global investment manager Vontobel, is positioned to deliver strong long-term returns that protect and grow our intergenerational assets.

As Auckland prepares for another 240,000 people in the next decade, our deliberate focus on resilience ensures we're well-positioned for the future. None of this progress would be possible without the dedication of our people across the group — and the trust Aucklanders continue to place in us. Together, we're building a city that is stronger, more connected, and ready for what comes next.



Phil Wilson
Chief Executive
26 February 2026

▼ Sunrise over Tāwharanui Regional Park: Auckland Brand Library

Tirohanga mō te pāinga ā moni

Financial performance overview

Capital investment

\$1.8b

Dec25 vs \$1.9b Dec24



Total assets

\$82.4b

Dec25 vs \$79.7b Jun25



Credit ratings

Moody's

Aa2

S&P Global

AA



Net debt

\$15b

Dec25 vs \$14.1b Jun25



Total operating revenue

\$5.5b

Dec25 vs \$5.4b Dec24



Operating surplus

\$2.1b

Dec25 vs \$2.0b Dec24



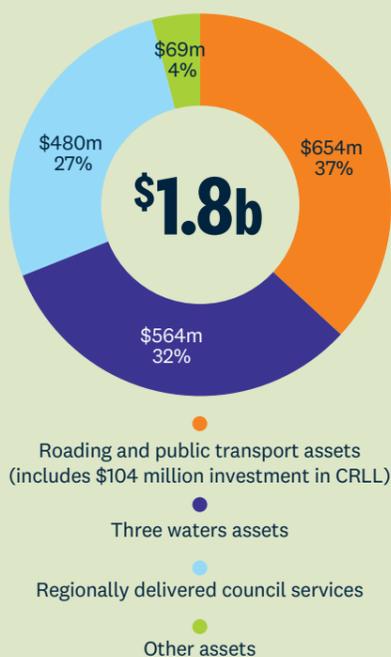
▲ Kite Day, Henderson-Massey

Tirohanga mō te pāinga ā moni Financial performance overview

During the first half of 2025/2026 we focused on investing in areas where it is needed most, and will have the highest impact, including transport, water and enabling local boards to respond to the needs of their communities.

Capital investment

We invested \$1.8 billion in assets and infrastructure. Although this was \$156 million lower than the six months to 31 December 2024 (the prior period), the reduction was mainly driven by a \$116 million lower spend on Risk Category 3 property buy-outs and a \$45 million decrease in our investment in the City Rail Link Limited (CRL) which is nearing completion. This was partly offset by a net increase in other capital investment programmes, as set out in the Long-term Plan 2024-2034 (LTP). Capital investment by significant categories of our groups of activities was as follows.



Some of the major capital projects completed and milestones achieved in the six months to 31 December 2025 were:

North Auckland



- **New Snells Beach Wastewater Treatment Plant** opened on 15 September 2025 – a key milestone that transforms wastewater services for the Warkworth and Snells/Algies Bay communities – completed.
- **Achilles Crescent Reserve playground renewal** – with a new inclusive, boat-themed play area featuring swings, spinners, climbing structures, a play boat, and improved safety surfaces – completed.
- **Albany Coronation Hall and Memorial Library exterior renewals and hall storage room upgrades** - improving the building’s functionality and preserving its heritage character – completed.
- **Gilshennan Reserve, Red Beach play space and footpath renewals** – delivering a safer, more accessible playground with new equipment and improved paths – completed.
- **Cresta Avenue, Beach Haven – pedestrian improvements** – enhancing safety and accessibility and providing a more connected walking environment – completed.

West Auckland



- **Scenic Drive in Titirangi** has fully reopened, restoring West Auckland’s key scenic route by repairing storm-damaged slips and infrastructure to maintain connectivity and safety – completed.
- **Corban Estate Arts Centre, Barrel Store embankment wall refurbishment** – strengthening and restoring the historic retaining wall, ensuring structural stability and preserving the heritage character of the arts precinct – completed.
- **Maioro Street Dynamic Lane construction** – introducing overhead signs, LED lane markers, and a dynamic bus lane system to improve peak-hour traffic flow and bus travel times between New Windsor Road and Richardson Road – completed.
- **Waterview Catchment Separation – Package 1** – reducing combined wastewater and stormwater overflows into Waterview Inlet and Oakley Creek and improving public health by significantly reducing waterway contamination – completed.
- **New wastewater infrastructure in Whenuapai and Red Hills** as part of Watercare’s \$300 million programme to support future housing growth in Auckland’s north-west – in progress.



- **Manukau Heads Lighthouse access restoration** – repairing storm-damaged roads to ensure safe public access to the historic lighthouse after the severe weather events in 2023 – completed.
- **Tunnelling of the Clarks Beach Outfall** – a 240-metre undersea pipeline was installed beneath the Waiuku Channel to discharge highly treated wastewater safely offshore, supporting future population growth and environmental protection – completed.
- **Solar panels installed at the Allan Brewster Leisure Centre, Papatoetoe** – providing renewable energy to reduce operating costs and carbon emissions – completed.

Central Auckland



- **Watercare’s micro-tunnel boring machine broke through at Wellesley Street** – marking the halfway point of its 600-metre drive for the Midtown Wastewater Diversion project. The new pipe will connect to the Ōrākei Main Sewer, reducing overflows into the Waitematā Harbour and improving network resilience – in progress.
- **Albert Street reopened to buses on 29 November 2025** – restoring a key city-centre transport corridor ahead of the CRL opening. The upgraded street now features new bus lanes, wider footpaths, native trees and station skylights, supporting 900 weekday bus movements for better city-centre access and connections – completed.
- **Grey and Mays Roundabout, Onehunga** – road safety improvements – enhancing intersection safety and improving traffic flow for road users – completed.
- **Auckland Domain** – Centennial and Watson Bequest walkway renewals – delivering a revitalised network of paths within the Pukekawa/Auckland Domain, enhancing accessibility and improving the overall visitor experience – completed.

East Auckland



- **Glen Innes Library, roof renewal** – ensuring a watertight, durable roof to protect the building and maintain a safe, comfortable environment for library users – completed.
- **Line Road cycleway and Apirana South Roundabout upgrade** – improving cycling connectivity and traffic safety in Glen Innes – completed.
- **New shelters installed at Glen Innes Station** – providing improved weather protection and comfort for commuters, enhancing the station’s accessibility and user experience – completed.
- **Highland Park Library canopy and toilet upgrades** – improving accessibility and comfort for visitors – completed.

Southern Auckland



- **Mayfield Park, Ōtara** – installation of circular paths, a volleyball court, and a half basketball court – improving recreational amenities and encouraging active community participation – completed.
- **The Barry Curtis Park pavilion and toilets upgrades** – featuring a modern low-profile toilet block, an extended pavilion cover for additional shelter, and integrated design improvements alongside the new playground – completed.

Region wide



- **Smart Network Programme** – the rollout of 5,000 smart sensors across Auckland’s wastewater network commenced in August as part of the programme. This initiative provides real-time visibility of network performance for the first time, enabling proactive maintenance and reducing the risk of overflows – in progress.
- **City Rail Link** – Work to transform Auckland’s public transport system continues. With the construction work now largely complete, the project is focused on the systems, control, integration, testing and commissioning phases – in progress.

Operating expenditure

We incur operating expenditure to deliver services to Aucklanders, operate and maintain our assets, and administer our programmes and activities. Compared with the six months ended 31 December 2024, operating expenditure increased by \$53 million to \$3,458 million. The increase was driven by higher depreciation and amortisation expenses (which spreads the cost of assets over their useful life), increased labour costs due to salary inflation, and higher borrowing costs due to increased debt. These were partly offset by lower expenditure on the provision for Risk Category 3 property buy-outs as the programme progresses toward completion.

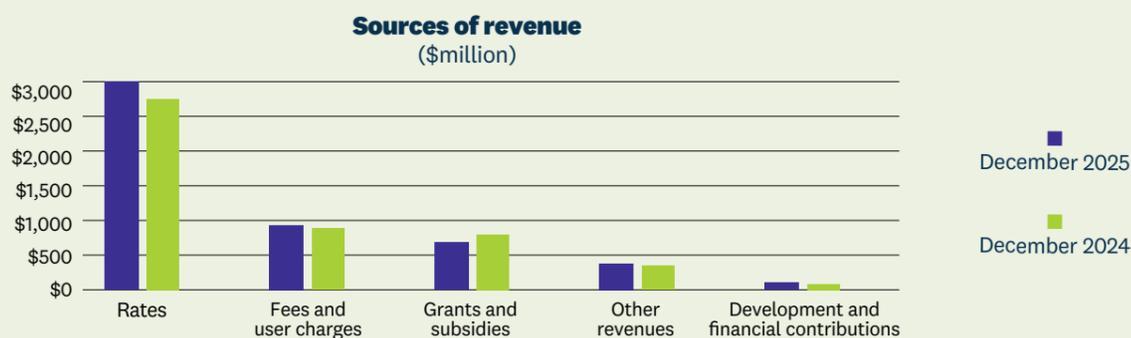
Operating expenditure compared to the prior period is shown below.



Funding

We fund our capital programmes and services using a mixture of revenue and debt. The debt spreads the costs of assets over the generations that will benefit from them. During the six months to 31 December 2025, net debt increased by \$883 million which was primarily used to fund capital projects. At 31 December 2025, the group's net debt was \$15.0 billion compared to total assets of \$82.4 billion which made the group's net debt-to-asset ratio 18.2% in comparison to 17.7% as at 30 June 2025.

Sources of revenue during the six months compared to the prior period are shown below.



Rates revenue was \$247 million higher than the prior period at \$3,009 million, mainly as a result of overall 5.8 per cent increase in rates for the average-value residential property.

The additional rates revenue helps us maintain overall financial balance and enables the organisation to manage:

- inflationary pressures and higher interest rates
- increased funding for local board services
- a growing population that increases demand for services and infrastructure

- higher asset maintenance requirements across an expanding asset base
- greater investment in climate change initiatives, storm and natural disaster response, and
- efforts to strengthen Auckland's financial and physical resilience.

Grants and subsidies decreased by \$108 million, primarily due to lower central government funding received for:

- Risk Category 3 property buy-outs as the programme is expected to complete in April-May 2026, and
- transport subsidies related to flood response projects. Most of the work at these sites is now complete, and the projects are in their final stages.

Fees and user charges increased by \$48 million to \$948 million, mainly due to higher public transport income, increased water and wastewater revenue, stronger port revenues, and more high-value consents being processed.

Cash flows

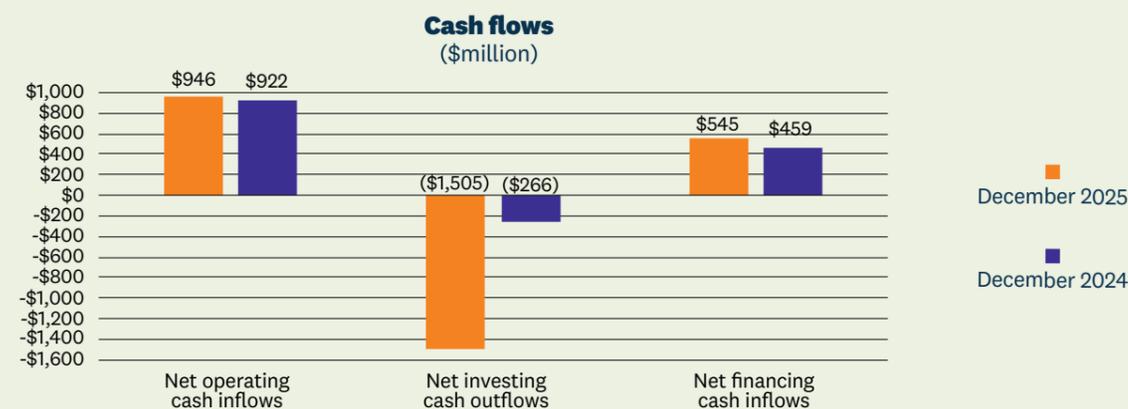


Net operating activities generated \$946 million cash, slightly above the prior period's \$922 million due to higher rates receipts and stable operating payments.

Investing activities resulted in a net outflow of \$1,505 million, significantly higher than the \$266 million outflow last year. The main reason for this change is that in December 2024 we sold our remaining shares in Auckland International Airport Limited for \$1.32 billion. Cash capital expenditure stayed high at \$1,511 million, as we continued to deliver and progress major infrastructure projects.

Financing activities generated a net inflow of \$545 million (Dec 2024: \$459 million), with borrowing levels broadly similar year-on-year and higher net receipts from derivative financial instruments.

Cash flows are summarised below.



Looking ahead



We will continue delivering the priorities set out in the Long-term Plan, with a strong focus on transport, water infrastructure, urban development and community services. Our forward programme includes significant investment in roads, pipes, transport assets and community facilities, aimed at strengthening the region's resilience and improving core services across Auckland. Work will also continue on major projects such as the City Rail Link, a key milestone for improving access and reducing congestion when operations begin in 2026. It will also provide economic and environmental benefits across the Auckland region.

We will maintain our commitment to financial resilience, including delivering planned savings and managing debt prudently to support long-term affordability for Aucklanders.

Across the group, our focus remains on supporting population growth, enhancing resilience to increasingly frequent and severe weather, and delivering the infrastructure and services that Aucklanders rely on.



Ngā tauāki ā-pūtea
**Financial
statements**

Te tauāki mō te tōtōpūtanga o ngā pūtea whiwhi,
o ngā whakapaunga pūtea hoki
**Statement of comprehensive revenue
and expenditure**

For the six months ended 31 December 2025

\$Million	Note	Auckland Council Group	
		Unaudited 6 months to 31 Dec 2025	Unaudited 6 months to 31 Dec 2024
Revenue			
Rates		3,009	2,762
Fees and user charges		948	900
Grants and subsidies		703	811
Development and financial contributions		110	93
Other revenue		367	331
Vested assets revenue		381	521
Finance revenue from financial assets at amortised cost		25	21
Finance revenue from financial assets at fair value through surplus or deficit		1	2
Total revenue excluding other gains	A1	5,544	5,441
Expenditure			
Employee benefits expense		666	631
Depreciation and amortisation		912	711
Grants, contributions and sponsorship		150	135
Other operating expenses		1,395	1,607
Finance costs		335	321
Total expenditure excluding other losses		3,458	3,405
Operating surplus before other gains and losses		2,086	2,036
Net other losses	A2	(80)	(281)
Share of net deficit of associates and joint ventures	A3	(27)	(29)
Surplus before income tax		1,979	1,726
Income tax (benefit)/expense	A4	(1,024)	49
Surplus after income tax		3,003	1,677
Other comprehensive revenue/(expenditure)			
Net losses on revaluation of property, plant and equipment		(1)	(2)
Reversal of prior period deferred tax liabilities	A4	2,092	-
Fair value movement on revaluation of financial assets held at fair value through other comprehensive revenue and expenditure		-	83
Total other comprehensive revenue		2,091	81
Total comprehensive revenue		5,094	1,758

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements.

Te tauākī mō te tūāhua pūtea Statement of financial position

As at 31 December 2025

\$Million	Note	Auckland Council Group	
		Unaudited 31 Dec 2025	Audited 30 Jun 2025
Assets			
Current assets			
Cash and cash equivalents		513	527
Receivables and prepayments	B2	2,242	734
Derivative financial instruments	B3	36	136
Other financial assets	B4	32	40
Inventories		44	42
Non-current assets held-for-sale		38	169
Total current assets		2,905	1,648
Non-current assets			
Receivables and prepayments	B2	54	59
Derivative financial instruments	B3	904	600
Other financial assets	B4	1,550	1,472
Property, plant and equipment	B1	73,609	72,781
Intangible assets		534	521
Investment property		732	687
Investment in associates and joint ventures		2,028	1,953
Deferred tax assets	A4	102	-
Other non-current assets		10	9
Total non-current assets		79,523	78,082
Total assets		82,428	79,730
Liabilities			
Current liabilities			
Payables and accruals		1,212	1,273
Employee benefits		143	140
Borrowings	B5	2,445	1,659
Derivative financial instruments	B3	2	4
Provisions	B6	372	476
Total current liabilities		4,174	3,552
Non-current liabilities			
Payables and accruals		242	230
Employee benefits		5	5
Borrowings	B5	13,067	12,984
Derivative financial instruments	B3	364	396
Provisions	B6	338	406
Deferred tax liabilities	A4	-	3,013
Total non-current liabilities		14,016	17,034
Total liabilities		18,190	20,586
Net assets		64,238	59,144
Equity			
Contributed equity		26,682	26,682
Accumulated funds		12,197	9,136
Reserves		25,359	23,326
Total equity		64,238	59,144

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements.

Te tauākī mō ngā panonitanga o te tūtanga Statement of changes in equity

For the six months ended 31 December 2025

Auckland Council Group				
1 July 2025 to 31 December 2025 Unaudited \$Million	Contributed equity	Accumulated funds	Reserves	Total equity
Balance as at 1 July 2025	26,682	9,136	23,326	59,144
Surplus after income tax	-	3,003	-	3,003
Other comprehensive revenue	-	-	2,091	2,091
Total comprehensive revenue	-	3,003	2,091	5,094
Transfers to/(from) reserves	-	58	(58)	-
Balance as at 31 December 2025	26,682	12,197	25,359	64,238

Auckland Council Group				
1 July 2024 to 31 December 2024 Unaudited \$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	-	1,677	-	1,677
Other comprehensive revenue	-	-	81	81
Total comprehensive revenue	-	1,677	81	1,758
Transfers to/(from) reserves	-	312	(312)	-
Balance as at 31 December 2024	26,693	9,553	21,136	57,382

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements.

▼ Aerial view of the upgrades underway at the Wellsford Wastewater Treatment Plant



Te tauākī mō te whiwhinga mai me te whakapaunga o te moni

Statement of cash flows

For the six months ended 31 December 2025

\$Million	Note	Auckland Council Group	
		Unaudited 6 months to 31 Dec 2025	Unaudited 6 months to 31 Dec 2024
Cash flows from operating activities			
Receipts from rates revenue		1,448	1,327
Receipts from grants and other services		2,304	2,377
Interest received		26	17
Dividends received		2	13
Payments to suppliers, employees and third parties		(2,526)	(2,508)
Interest paid		(305)	(302)
Advances to external parties		(3)	(2)
Net cash inflow from operating activities	C2	946	922
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, investment property and intangible assets		166	9
Acquisition of property, plant and equipment, investment property and intangible assets		(1,511)	(1,440)
Acquisition of other financial assets		(77)	(26)
Proceeds from sale of other financial assets	C2	13	1,339
Investment in joint ventures		(104)	(147)
Insurance recoveries for damaged assets		7	2
Advances from/(to) external parties		1	(3)
Net cash outflow from investing activities		(1,505)	(266)
Cash flows from financing activities			
Proceeds from borrowings		2,352	1,419
Repayment of borrowings		(1,969)	(972)
Receipts from derivative financial instruments		411	1,403
Payment for derivative financial instruments		(248)	(1,390)
Repayment of finance lease principal		(1)	(1)
Net cash inflow from financing activities		545	459
Net (decrease)/increase in cash and cash equivalents		(14)	1,115
Opening cash and cash equivalents		527	616
Closing cash and cash equivalents		513	1,731

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements.

He pito kōrero mō ngā Tauākī Pūtea

Notes to the Financial Statements

Basis of reporting

Auckland Council (the council) is a local authority domiciled in New Zealand and governed by the following legislation:

- Local Government Act 2002;
- Local Government (Auckland Council) Act 2009;
- Local Government (Rating) Act 2002; and
- Local Government (Water Services) Act 2025.

The 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 the council, its subsidiaries, associates, and joint ventures. All entities are domiciled in New Zealand.

Significant council-controlled organisations (CCOs) and subsidiaries are:

- Auckland Future Fund;
- Auckland Transport;
- Port of Auckland Limited;
- Tātaki Auckland Unlimited Trust; and
- Watercare Services Limited.

Eke Panuku Development Auckland Limited and the economic development function of Tātaki Auckland Unlimited Limited were integrated into Auckland Council from 1 July 2025.

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.

Statement of compliance

These interim financial statements for the six months ended 31 December 2025 have been prepared for the group only. They give an update on the annual report for the year ended 30 June 2025 and therefore should be read in conjunction with it. They are prepared in accordance with New Zealand Generally Accepted Accounting Practice and they comply with PBE IAS 34 *Interim Financial Reporting*.

The interim financial statements for the six-month period ended 31 December 2025 are unaudited, however they have been subject to a review by the Auditor-General, under NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity*.

Basis of preparation

The interim financial statements are presented in New Zealand dollars (NZD), which is the functional currency of each of the group entities and are rounded to the nearest million dollars unless otherwise stated. All balances are stated exclusive of Goods and Services Tax (GST), except for receivables and payables which include GST.

The interim financial statements have been prepared on a going concern basis.

Significant accounting policies

Accounting policies that are considered critical to the portrayal of the group's financial condition and results, and contain judgements, estimates and assumptions about matters that are inherently uncertain have been included in the notes to these interim financial statements. These accounting policies are consistent with those applied in the comparative information, and those applied in the 30 June 2025 financial statements.

Significant judgements and estimates

We prepare the interim financial statements using judgments, estimates, and assumptions. These rely on future expectations, historical experience, and other relevant factors, depending on the circumstances. The following notes explain the judgments and estimates that are significant for understanding the performance of the group and the council:

- Note A4: Tax
- Note B1: Property, plant and equipment
- Note B3: Derivative financial instruments
- Note B6: Provisions for Risk Category 3 property buy-outs
- Note B6: Provisions for weathertightness

Accounting standards issued but not yet effective

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

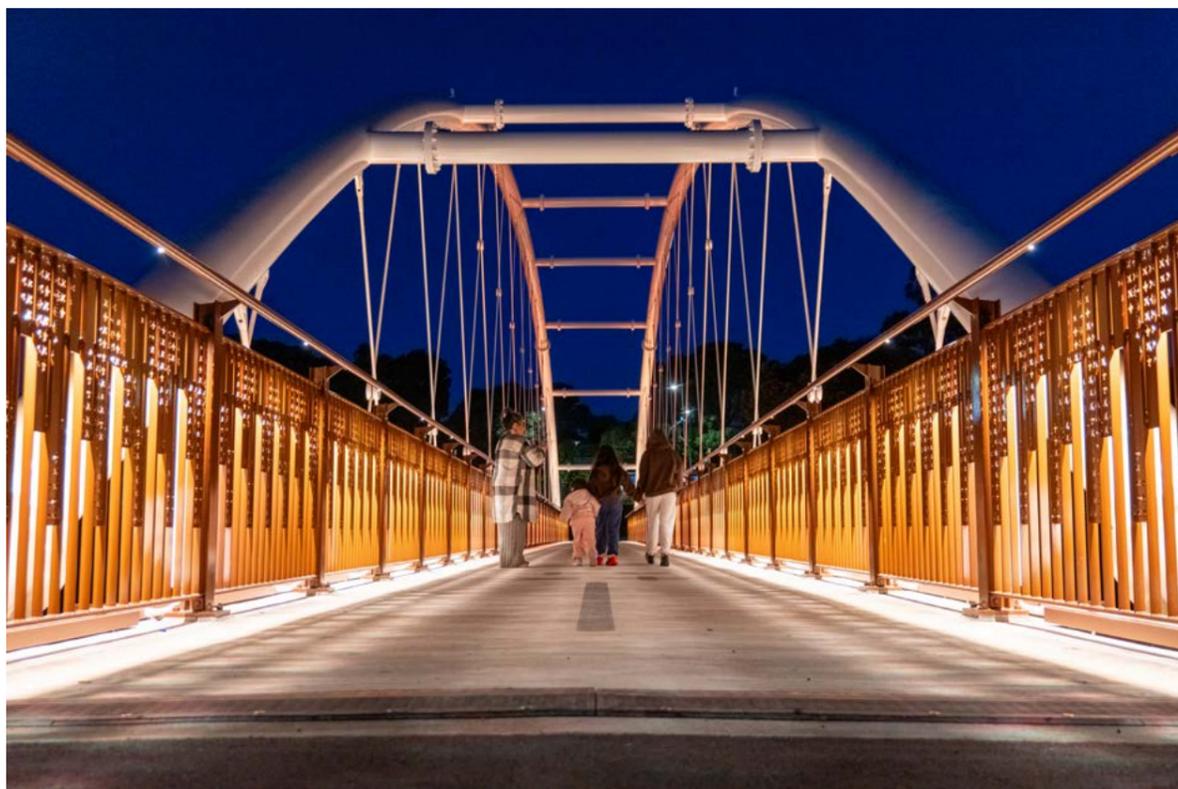
2024 Omnibus Amendments to PBE Standards

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 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.

▼ Te Kōpua o Hiku | Jubilee Bridge, Panmure



Section A: Financial performance

The notes in this section are as follows:

- ▶ A1 Revenue
- ▶ A2 Net other losses
- ▶ A3 Share of net deficit of joint ventures and associates
- ▶ A4 Tax



▲ Kite Day, Henderson-Massey

A1 Revenue

Rates are set annually by resolution of the council and relate to a particular financial year in accordance with the Local Government (Rating) Act 2002. Rates comprise general and targeted rates and are stated net of rates remissions.

The group recognises rates revenue in full at the date of issuance of ratings notices and measures it at the present value of cash received or receivable at the beginning of the financial year. Rates were \$247 million higher than 31 December 2024 mainly due to a 5.80 per cent increase for an average-value residential property and a 7.17 per cent increase for an average-value business property. This increase in rates is being used to address inflationary pressures and high interest rates, increased funding for local board services, a growing population which increases demand for services and infrastructure, increased asset maintenance on a growing asset base, increased spend on climate change initiatives, response to storms and other natural disasters, and continuing to build Auckland's financial and physical resilience.

Grants and subsidies were lower than the prior period by \$108 million mainly due to lower capital grants received from the central government for buying out Risk Category 3 properties as the programme nears completion and lower transport subsidies received for flood response projects.

Vested assets revenue was also lower by \$140 million in comparison to 31 December 2024, primarily because the prior period included a one-off \$230 million receipt from NZ Transport Agency Waka Kotahi for the former State Highway 1 (Puhoi to Warkworth) assets. Excluding this one-off item, vested assets revenue in the current period is higher than the prior year, reflecting increased assets received from developers.

Other than that, sources of revenue are consistent with prior periods.

A2 Net other losses

The group uses derivative contracts to manage its exposure to movements in interest rates and foreign exchange rates. Interest rate derivatives provide greater certainty over future borrowing costs across multiple periods. Foreign exchange derivatives are used to fix exchange rates on borrowings denominated in foreign currencies. This hedging strategy reduces the impact of movements in interest rates and foreign exchange rates, enabling us to deliver our planned capital and operational programmes with confidence.

Derivative contracts are measured at fair value at reporting date, resulting in the recognition of unrealised gains or losses. These gains or losses are considered unrealised because the derivative contracts are still in effect at the reporting date and do not represent actual cash flows that occurred during the reporting period — they are non-cash book adjustments.

\$Million	Unaudited 6 months to 31 Dec 2025	Unaudited 6 months to 31 Dec 2024
Net foreign exchange losses recognised in surplus on financial instruments held at amortised cost	(475)	(321)
Net gains on change in fair value of derivative financial instruments	382	53
Other net gains/(losses)	13	(13)
Total net other losses	(80)	(281)

The net foreign exchange loss of \$475 million reflects the remeasurement of our foreign-currency borrowings (which are recognised at amortised cost) using the market exchange rates on 31 December 2025. This loss is an accounting adjustment only and does not represent cash outflow in the period.

Derivatives had net gains in fair value of \$382 million. This includes gains of \$473 million from foreign exchange movements and losses of \$91 million from lower market interest rates.

A3 Share of net deficit of joint ventures and associates

City Rail Link Limited (CRL) 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 Waitemātā station and the city centre with the existing western line near Maungawhau. The council is committed to funding 50% of this \$5.5 billion project. Constructed assets will be owned by the sponsors and related entities.

A3 Share of net deficit of joint ventures and associates (continued)

On 31 July 2025, the Auckland Council Governing Body approved the final asset ownership arrangements of CRL assets between the group and the central government. Under this arrangement, the group is expected to receive a greater proportion of CRL assets than its capital investment in the project. This surplus is considered to be a contingent asset.

CRL assets that are expected to be transferred to Auckland Council include

- stations and upgraded station assets;
- station and tunnel fire safety and ventilation systems;
- roading and urban realm assets;
- pedestrian footbridges; and
- roads over rail bridges.

Construction of the CRL stations and supporting rail infrastructure is ongoing and expected to be completed this year. The transfer of the CRL assets to sponsors is anticipated to take place in June 2026. The assets to be transferred, along with their values and timing, will only be confirmed once construction and testing are complete and the transfer documentation has been finalised and approved.

A4 Tax

On 1 July 2025, the Local Government (Water Services) (Repeals and Amendments) Act 2025 and section CW 55BC of the Income Tax Act 2007 came into effect, exempting Watercare Services Limited (Watercare) from income tax. This change does not affect Watercare's ability to carry forward tax losses under section IA 5 of the Income Tax Act 2007, as shareholder continuity and commonality within the Auckland Council tax group have been maintained.

As at 31 December 2025, the group continues to recognise a deferred tax asset of \$200 million (2024: \$264 million) relating to Watercare's accumulated tax losses of approximately \$718 million. These tax losses are expected to be utilised by Auckland Council Consolidated Tax Group, which forecasts taxable income to be sufficient to fully utilise the tax losses by 2031/2032.

Following Watercare's tax exemption status, temporary differences previously recognised by Watercare have been reversed during the period, resulting in:

- Tax credit in surplus or deficit: \$1,024 million
- Tax credit in other comprehensive income: \$2,092 million

The deferred tax asset remains recoverable as the Auckland Council tax group expects sufficient taxable profits to utilise these losses. No impairment of the deferred tax asset has been recognised.

Certain deferred tax assets and liabilities have been offset in the group, which results in a net deferred tax asset of \$102 million (30 Jun 2025: deferred tax liability of \$3,013 million).

▼ Rānui Domain Playground opening



Section B: Financial position

The notes in this section are as follows:

- ▶ B1 Property, plant and equipment
- ▶ B2 Receivables and prepayments
- ▶ B3 Derivative financial instruments
- ▶ B4 Other financial assets
- ▶ B5 Borrowings
- ▶ B6 Provisions



▲ Ultraviolet filtration units installed at Clarks Beach Wastewater Treatment Plant

B1 Property, plant and equipment

\$Million	Unaudited 6 months to 31 Dec 2025	Audited 12 months to 30 Jun 2025
Additions	1,714	3,461
Net disposals	(23)	(107)
Capital commitments	1,867	1,626
Share of joint ventures' (CRL) capital commitments	66	125

There are no material differences between the carrying values and the fair values of property, plant and equipment as at 31 December 2025.

B2 Receivables and prepayments

\$Million	Unaudited As at 31 Dec 2025	Audited As at 30 Jun 2025
Rates receivables	1,690	130
Other receivables	476	565
Prepayments	130	98
Total receivables and prepayments	2,296	793

Rates receivable increased by \$1,560 million due to the unpaid portion of annual rates revenue. This revenue is mainly received by the council in quarterly instalments. Refer to Note A1 Revenue for explanation on recognition of rates revenue.

Other receivables decreased by \$89 million which was mainly driven by changes in working capital.

B3 Derivative financial instruments

As noted in Note A2 Net other losses, the group enters into derivative financial instrument contracts to hedge against interest rate and foreign exchange movements. This is done in accordance with approved financial risk management policies.

The fair values by derivative type are shown in the following table.

\$Million Fair value	Unaudited As at 31 Dec 2025		Audited As at 30 Jun 2025	
	Assets	Liabilities	Assets	Liabilities
Cross-currency interest rate swaps	785	91	568	147
Interest rate swaps	150	275	162	253
Basis swaps	3	-	3	-
Forward foreign currency contracts	2	-	3	-
Total derivative financial instruments	940	366	736	400

The notional values by derivative type are shown in the following table.

\$Million Notional value	Unaudited As at 31 Dec 2025		Audited As at 30 Jun 2025	
	Assets	Liabilities	Assets	Liabilities
Cross-currency interest rate swaps	6,498	556	5,355	1,936
Interest rate swaps	3,890	11,399	5,210	9,754
Basis swaps	358	-	358	-
Forward foreign currency contracts	27	-	79	-
Total derivative financial instruments	10,773	11,955	11,002	11,690

Derivatives increased from a net asset of \$336 million at 30 June 2025 to a net asset of \$574 million. This was as a result of net fair value gains driven by market movements in foreign exchange rates and interest rates.

B3 Derivative financial instruments (continued)

The notional value of a derivative is the nominal or face amount that is used to calculate payments made on that derivative. The notional value of a derivative financial instrument represents the underlying amount of the asset or liability on which the hedging contract is based. It is a reference amount used to calculate the cashflows for the hedging contract and is not the amount that is actually exchanged between parties to the contract.

The notional value of derivatives increased by \$36 million, liabilities increased by \$265 million and assets decreased by \$229 million. The movement in notional values was due to Watercare entering into new interest rate swap contracts of \$400 million and forward exchange contracts of \$6 million, offset by a decrease in council's derivatives by \$370 million mainly due to matured contracts.

B4 Other financial assets

\$Million	Unaudited As at 31 Dec 2025	Audited As at 30 Jun 2025
Short-term deposits	3	3
Other current financial assets	29	37
Total current other financial assets	32	40
Auckland Future Fund - cash deposits	-	1,306
Auckland Future Fund - managed funds	1,377	-
Investment in managed funds - others	90	81
Other non-current financial assets	83	85
Total non-current other financial assets	1,550	1,472
Total other financial assets	1,582	1,512

Auckland Future Fund

In August 2025, the directors of the Auckland Future Fund's (the fund) trustee appointed Vontobel Asset Management AG as its global investment manager with the responsibility to manage its \$1.3 billion in funds on behalf of the council. In September 2025, Adminis was appointed as the custodian and fund administrator, responsible for safeguarding the fund's assets and ensuring their proper administration.

Following the appointment of Vontobel, the fund's cash deposits were invested in managed funds. Investments include a diversified global portfolio of equity securities, bonds, alternatives and cash. Funds are invested in line with Auckland Council's Responsible Investment Policy. The fund is managed and monitored in line with the fund's Statement of Investment Policy and Objectives (SIPO) and sets out the minimum and maximum portfolio components for a specific investment category.

Financial Risk Management

The Fund is exposed to a range of financial risks arising from its investment activities. The key risks managed by the Fund include concentration risk, credit risk, liquidity risk and foreign exchange risk.

Concentration Risk

Concentration risk arises when a significant portion of the Fund's investments is allocated to a particular industry, geographic region, asset class, or issuer. High concentrations may increase the Fund's sensitivity to adverse market movements or sector-specific events.

The Fund's global equity investments provide diversified exposure to international listed markets. Although the majority of the Fund's investment is global equity, concentration risk is managed through diversification across industries and geographies. This helps to mitigate the impact of market volatility and reduce exposure to any single area of risk.

Credit Risk

Credit risk is the risk that a counterparty may fail to meet its financial obligations to the Fund. The Fund is exposed to credit risk through:

- cash and short-term deposits held with financial institutions, and
- investments in sovereign and corporate debt securities.

B4 Other financial assets (continued)

Credit risk is managed through adherence to investment mandate requirements, including minimum credit quality standards, and through diversification of counterparties. The appointed external investment manager and custodian are subject to ongoing monitoring to ensure compliance with approved credit and investment parameters.

Liquidity Risk

Liquidity risk is the risk that the Fund may encounter difficulty in meeting its obligations as they fall due. The Fund manages this risk by maintaining a substantial proportion of its portfolio in listed securities and cash, which are generally capable of being realised promptly under normal market conditions.

The Fund's long-term investment horizon supports its ability to manage liquidity requirements. Liquidity is monitored regularly to ensure adequate cash or highly liquid investments are available to meet operational needs and other obligations.

Foreign exchange risk

A significant portion of the Fund's investments are denominated in foreign currencies, exposing the Fund to currency risk. Exposures are managed in accordance with the SIPO, including diversification across currencies and, where appropriate, the use of foreign exchange forward contracts. Currency hedging is applied selectively: global bonds are fully hedged to maintain low volatility; developed market equities are only partly hedged; and emerging market equities and alternatives remain unhedged because hedging them is typically costly or impractical.

Composition and the fair value hierarchies of the Fund's investment are:

\$Million	Fair value hierarchy levels	Unaudited As at 31 Dec 2025	Audited As at 30 Jun 2025
On-call cash deposits		-	1,306
Sovereign bonds	1,2	89	-
Corporate bonds	2	113	-
Global equities	1	988	-
Cash		97	-
Other investments	1,2	90	-
Total investments		1,377	1,306

The movement of the Fund's investment is:

\$Million	Unaudited
Opening balance	1,306
Additional investments (sale of Marsden Maritime Holdings shares)	45
Fair value gain on investments	9
Interest income	17
Closing balance as at 31 Dec 2025	1,377

B5 Borrowings

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 repays its current loan to Auckland Council over a 5-year period under the Transitional Debt Facility Agreement.

In accordance with the debt management policy settings in the council's financial strategy, Watercare's financial separation resulted in its exclusion from the group's debt-to-revenue ratio calculation from 1 July 2025.

B5 Borrowings (continued)

Net debt of the group is as follows:

\$Million	Unaudited As at 31 Dec 2025	Audited As at 30 Jun 2025
Borrowings	15,512	14,643
Less cash and cash equivalents	(513)	(527)
Less short-term deposits (original maturity > 90 days)	(3)	(3)
Net debt (Total borrowings less cash and cash equivalents and term deposits)	14,996	14,113

Net debt increased by \$883 million since 30 June 2025, primarily to fund our capital investment. This reflects \$754 million in new borrowings by Watercare and \$115 million increase in council borrowings.

There were no defaults or breaches of any borrowing arrangement during the period (30 June 2025: nil).

B6 Provisions

\$Million	Unaudited As at 31 Dec 2025	Audited As at 30 Jun 2025
Risk Category 3 property buy-outs	187	356
Weathertightness and associated building defect claims	249	243
Contaminated land and closed landfills	227	226
Other	47	57
Total provisions	710	882

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 independent actuaries.

The provision for Risk Category 3 property buy-outs decreased by \$169 million from 30 June 2025 to \$187 million. This was mainly due to net settlements of \$223 million, partly offset by an additional provision of \$49 million. The additional provision reflects an update to our assumptions about insurance recoveries. Based on our experience from property purchases to date, we now expect to recover less insurance per property than previously assumed.

There have been no other 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 2025.

The provision for Risk Category 2P grants decreased by \$10 million from 30 June 2025 to \$20 million.

Provision for weathertightness and associated building defects

The provision for weathertightness and associated defect claims increased by \$6 million from 30 June 2025 to \$249 million. This increase was mainly because of new claims, partly offset by settlements and a net decrease in estimated provisions for some existing claims.

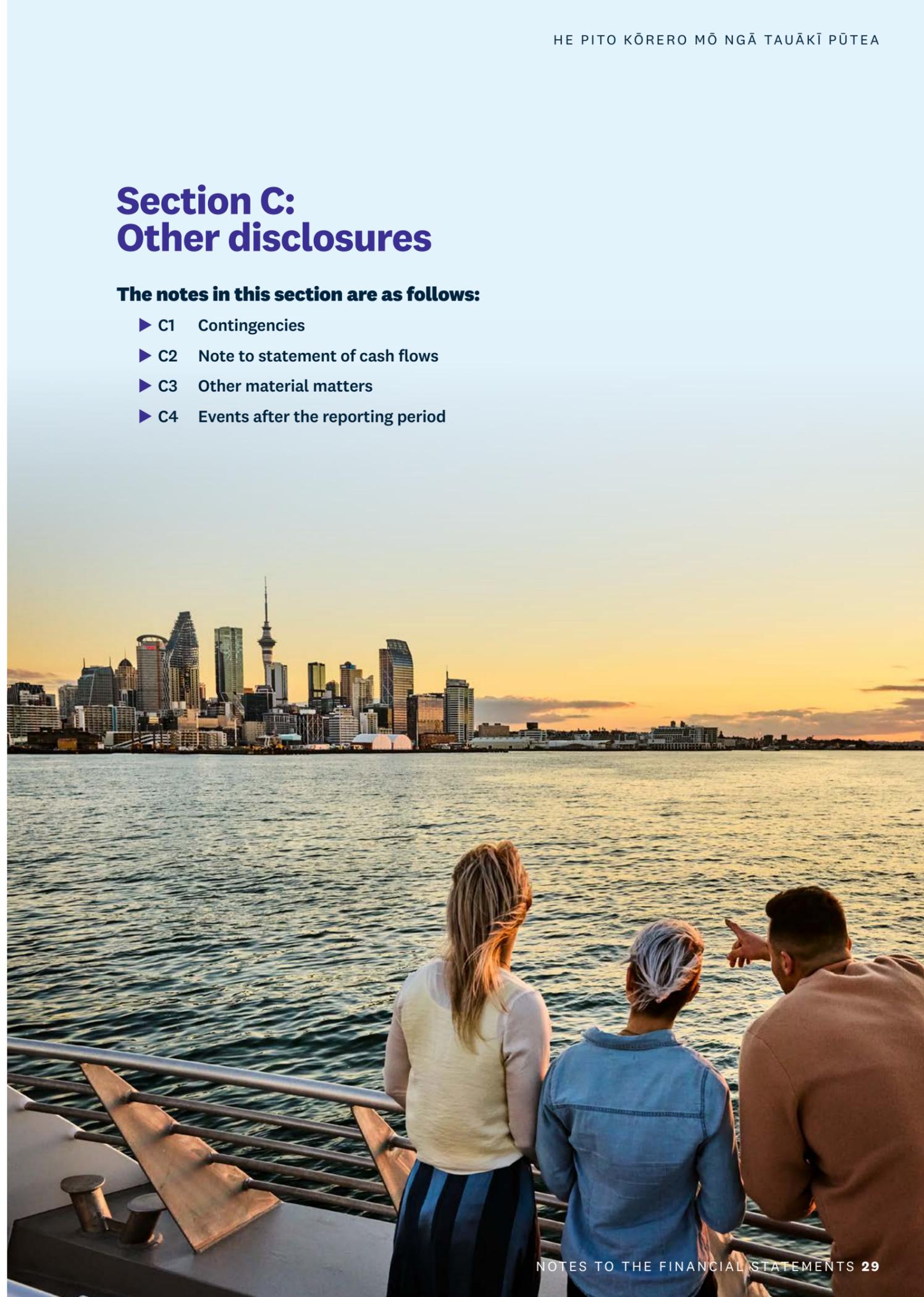
There have been no other material changes in provisions between 30 June 2025 and 31 December 2025.

► Devonport ferry

Section C: Other disclosures

The notes in this section are as follows:

- C1 Contingencies
- C2 Note to statement of cash flows
- C3 Other material matters
- C4 Events after the reporting period



C1 Contingencies

Quantifiable contingent liabilities

Local Government Funding Agency

The group is a shareholder and guarantor of the Local Government Funding Agency (LGFA). The group's cross-guarantee on the LGFA's other borrowings was \$24.4 billion at 31 December 2025 (30 June 2025: \$22.1 billion). The group considers the risk of the LGFA defaulting on repayment of interest or capital to be very low and accordingly the expected credit loss on this guarantee has been assessed as immaterial.

Contingent assets

The central government funding for Risk Category 3 property buy-outs

The council receives funding from the central government for Risk Category 3 property buy-outs and Risk Category 2P grants. Funding is recognised as a receivable when a payment request is sent to central government with the forecasted funding required. (Refer to Note B6 Provisions for Risk Category 3 property buy-outs for further details of the agreement).

The total funding that will be received from central government is dependent on the number and amount of Risk Category 3 and 2P costs and any further funding that may be agreed with the central government. Based on the current agreement, the total central government funding for Risk Category 3, 2P costs and regional transport projects is capped at \$877 million and \$668 million has been received to date.

Refer to Note A3 Share of net deficit of joint ventures and associates for the contingent asset relating to CRL assets.

C2 Note to statement of cash flows

Reconciliation of surplus after income tax to net cash flow from operating activities

\$Million	Unaudited 6 months to 31 Dec 2025	Unaudited 6 months to 31 Dec 2024
Surplus after income tax	3,003	1,677
Add/(less) non-cash items:		
Depreciation and amortisation	912	711
Vested assets	(381)	(521)
Net change in fair value of financial instruments	87	263
Reversal of prior period deferred tax liabilities (refer to Note A4)	(1,024)	-
Other non-cash items	40	71
Add/(less) items classified as investing or financing activities	(15)	(1)
Add/(less) movements in working capital items	(1,676)	(1,278)
Net cash inflow from operating activities	946	922

Explanation of significant variance against comparative period

Proceeds from sale of other financial assets were \$1,326 million lower than 31 December 2024, primarily due to the \$1,319 million cash proceeds received from the sale of the council's Auckland International Airport Limited shares on 9 December 2024.

C3 Other material matters

In September 2025, central government introduced the Local Government (Auckland Council) (Transport Governance) Amendment Bill (the Bill). The Bill aims to improve democratic accountability and long-term integrated transport planning in Auckland.

It includes the below proposals:

- A new Auckland Regional Transport Committee responsible for strategic transport planning, which includes the development of a 30-year transport plan.
- The transport policy and planning function will be moved to Auckland Council.

C3 Other material matters (continued)

- Auckland Council will be responsible for delivering the transport capital programme, as well as renewals and maintenance of transport infrastructure.
- Auckland Council will become the road controlling authority for Auckland.
- Auckland Transport will focus on public transport services.
- Local boards will have greater decision-making responsibilities for local transport functions on local and collector roads.

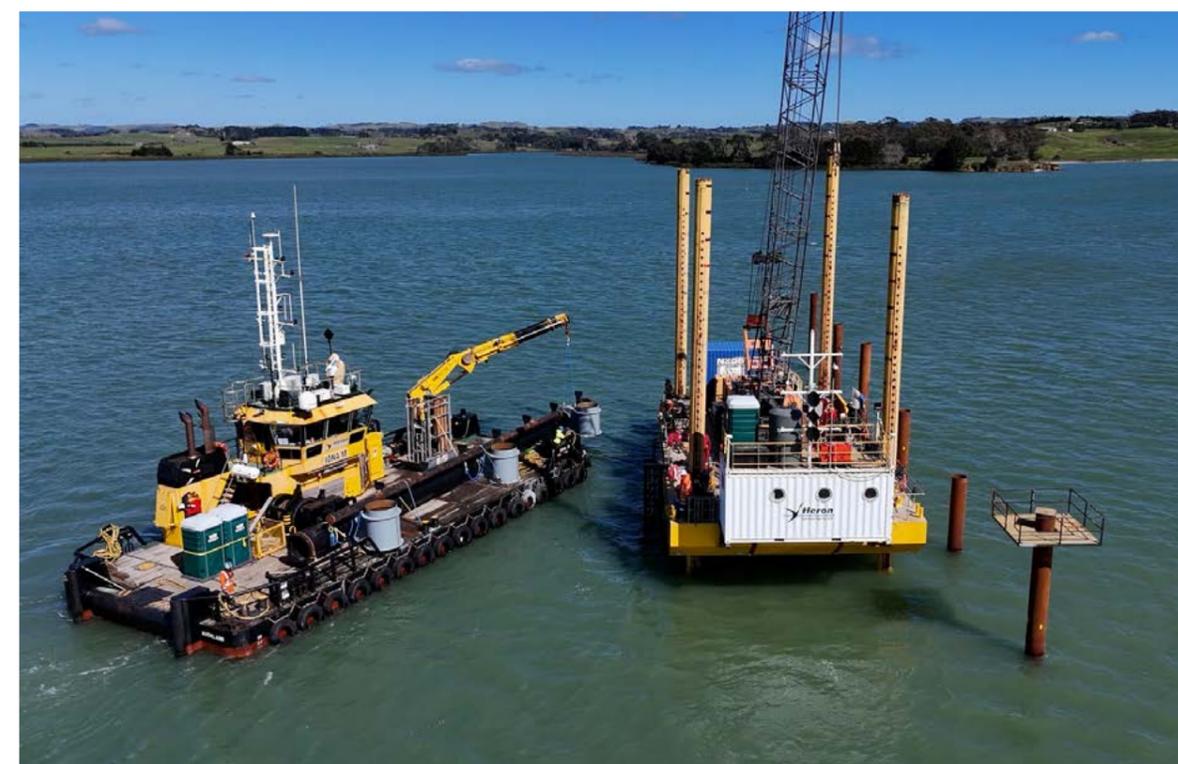
The transport governance reform is currently progressing through the parliamentary process and is expected to be enacted in March 2026. A joint transport transition team with Auckland Transport, led by the council, is responding to the draft legislation and planning for its implementation.

Based on the current wording of the Bill, we do not expect it to have a significant impact on the Auckland Council Group overall. However, it is likely to have a notable effect on Auckland Council's financial statements.

C4 Events after the reporting period

We have provided the latest information as it relates to 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.

▼ Installing diffuser sections during the Clarks Beach wastewater outfall installation and plant upgrade



Pūrongo nā te kaiarotake motuhake Independent reviewer's report



Independent Auditor's Review Report

To the readers of Auckland Council Group's interim financial statements for the six months ended 31 December 2025

We have carried out a review of the Auckland Council Group's interim financial statements for the six months ended 31 December 2025 (hereafter the interim financial statements).

Conclusion

We have reviewed the interim financial statements of the Auckland Council Group on pages 15 to 31 which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive revenue and expenditure, statement of changes in equity and statement of cash flows for the six months ended on that date, and the notes, including a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the Auckland Council Group interim financial statements do not present fairly, in all material respects, the financial position of the Auckland Council Group as at 31 December 2025, and its financial performance and cash flows for the six months ended on that date, in accordance with PBE IAS 34 *Interim Financial Reporting*.

Basis for conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the *Our Responsibilities for the Review of the Interim Financial Statements* section of our report.

We are independent of the Auckland Council Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)*, as applicable to audits of public interest entities, issued by the New Zealand Auditing and Assurance Standards Board. We have also fulfilled our other ethical responsibilities in accordance with the Auditor-General's Auditing Standards.

In addition to the audit of the annual financial statements and this review, the Auditor-General's staff and appointed auditors and their staff have carried out a range of assurance engagements which are compatible with those independence requirements. These engagements have not impaired our independence as auditors of the Auckland Council Group. Other than these engagements, and in exercising our functions and powers under the Public Audit Act 2001, we have no relationship with or interests in the Auckland Council Group.

▲ Bus services have resumed on Albert Street, which has reopened following the City Rail Link (CRL) project

The Council's responsibilities for the interim financial statements

The Council is responsible, on behalf of the Auckland Council Group, for the preparation and fair presentation of these interim financial statements in accordance with PBE IAS 34 *Interim Financial Reporting*.

The Council is responsible for such internal control as it determines necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

The Council is also responsible for the publication of the interim financial statements, whether in printed or electronic form.

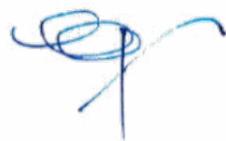
Our responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with PBE IAS 34 *Interim Financial Reporting*.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with *International Standards on Auditing (New Zealand)* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.



Wikus Jansen van Rensburg
Appointed Auditor
Auckland, New Zealand
26 February 2026



Grant Taylor
Controller and Auditor-General
Wellington, New Zealand
26 February 2026

Ngā rerekētanga matua i waenga i ngā Paerewa Kaute o IFRS me PBE Main differences between IFRS and PBE Accounting Standards



▲ Matiatia Wharf, Waiheke Island

Introduction

Under the New Zealand Accounting Standards Framework, public sector public benefit entities apply PBE Accounting Standards. The New Zealand Accounting Standards Framework defines public benefit entities (PBEs) as reporting entities 'whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders. Many public sector entities are classified as PBEs. The Auckland Council Group (the group) is classified as a public sector PBE for financial reporting purposes and therefore the financial statements of the group have been prepared in accordance with PBE Accounting Standards.

The PBE Accounting Standards are primarily based on International Public Sector Accounting Standards (IPSAS). IPSAS are based on International Financial Reporting Standards (IFRS) but are adapted to a public sector context where appropriate by using more appropriate terminology and additional explanations where required. For example, IPSAS introduces the concept of service potential in addition to economic benefits in the asset recognition rules, and provides more public sector specific guidance where appropriate. This is in contrast with IFRS that are written for the for-profit sector with capital markets in mind.

The key differences in recognition and measurement between PBE Accounting Standards applicable to the group and IFRS (applicable to annual periods beginning on or after 1 July 2025) are set out below. Differences that impact only on presentation and disclosure have not been identified.

PBE Accounting Standards with comparable IFRS equivalent **Formation of Auckland Council Group**

PBE

PBE IFRS 3 *Business Combinations* contains a scope exemption for business combinations arising from local authority reorganisations. This scope exemption is carried forward from NZ IFRS 3 (PBE) Business Combinations, the standard that was applicable to the group at the time it was formed on 1 November 2010 as a result of the amalgamation of eight predecessor Auckland local authorities.

Under the exemption, all assets and liabilities of the predecessor local authorities were recognised by the group using the predecessor values of those assets and liabilities. The initial value at which those assets and liabilities were recognised by the group is deemed to be their cost for accounting purposes.

IFRS

Without the scope exemption, the amalgamation of the predecessor local authorities into the group would have been accounted for as a business combination under IFRS 3 applying the acquisition method. Under the acquisition method, an acquirer would have been identified and all of the identifiable assets and liabilities acquired would have been recognised at fair value at the date of acquisition.

Impact

The impact of the above accounting treatment is that the carrying value of the assets and liabilities received were not remeasured to fair value and no additional assets and liabilities such as goodwill and contingent liabilities, or a discount on acquisition were recognised as would have been required if the transaction was accounted for as a business combination under IFRS 3.

Business combinations

PBE

PBE IPSAS 40 *PBE Combinations* has a broader scope compared to IFRS 3 Business Combinations. The scope of PBE IPSAS 40 includes combinations that are acquisitions and combinations that are amalgamations, such as combinations under common control.

Acquisitions are accounted for using the acquisition method consistent with the requirements of IFRS 3.

PBE IPSAS 40 contains additional guidance on the accounting for amalgamations. Amalgamations are accounted for using the modified pooling of interest method, where the resulting entity recognises the combining operations' assets and liabilities at their historical values as at the amalgamation date.

IFRS

All transactions in the scope of IFRS 3 are accounted for applying the acquisition method.

IFRS 3 does not contain guidance on the accounting for amalgamations. Therefore, under IFRS, an entity would need to adopt a policy on accounting for combinations under common control, either applying acquisition accounting or predecessor accounting.

Impact

Accounting for acquisitions is similar under both IFRS 3 and PBE IPSAS 40.

The accounting for amalgamations is also similar under PBE IPSAS 40 and IFRS, if, under IFRS, the entity's accounting policy for such transactions is to apply predecessor accounting.

Property, plant and equipment

PBE

In accordance with PBE IPSAS 17 *Property, Plant and Equipment*, PBEs are required to account for revaluation increases and decreases on an asset class basis rather than on an asset-by-asset basis.

IFRS

IFRS requires asset revaluations to be accounted for on an asset-by-asset basis.

Impact

Decreases on revaluation will be recognised in operating surplus except to the extent there is sufficient asset revaluation reserves surplus relating to the same class of assets under PBE Accounting Standards and relating to the same asset under IFRS. This difference could result in higher operating results under PBE Accounting Standards where there is a decrease in the carrying value of an asset. This is because, to the extent that there is sufficient revaluation surplus in respect of the same asset class (as opposed to the same asset), the group recognises a revaluation decrease in asset revaluation reserves.

Borrowing costs

PBE

PBE IPSAS 5 *Borrowing Costs* permits PBEs to either capitalise or expense borrowing costs incurred in relation to qualifying assets. A qualifying asset is defined in PBE IPSAS 5 'as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale'. The group's accounting policy is to expense all borrowing costs. As a consequence, borrowing costs are not included in the original cost or revaluations of qualifying assets.

IFRS

IAS 23 *Borrowing Costs* requires capitalisation of borrowing costs incurred in relation to qualifying assets. The definition of a qualifying asset is identical to that definition in PBE IPSAS 5.

Impact

This difference results in the group's property, plant and equipment value, and subsequent depreciation expense, being lower than they would be under IFRS. In addition, there is higher interest expense in the periods in which qualifying assets are constructed.

Impairment of assets

PBE

PBEs apply PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* or PBE IPSAS 26 *Impairment of Cash-Generating Assets*, as appropriate to determine if a non-financial asset is impaired. PBEs are therefore required to designate non-financial assets as either cash-generating or non-cash-generating. Cash-generating assets are those that are held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The PBE Accounting Standards require the value in use of non-cash-generating assets to be determined as the present value of the remaining service potential using one of the following: the depreciated replacement cost approach; the restoration cost approach; or the service units approach.

IFRS

IFRS does not provide specific guidance for the impairment of non-cash-generating assets. The value in use of an asset or a cash generating unit is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Impact

Assets with future economic benefits that are not primarily dependent on the asset's ability to generate cash and may not be impaired under PBE Accounting Standards because of the asset's ability to generate service potential might be impaired under IFRS due to limited generation of cash flows. The group's asset values may therefore be higher under PBE Accounting Standards because some impairment may not be required to be recognised, that would be required to be recognised under IFRS. Further, the value in use of an asset may be different under PBE Accounting Standards due to differences in calculation methods.

PBE Accounting Standards that have no IFRS equivalent / IFRS equivalent is not comparable

The following standards provide guidance on the same or similar topics but are not directly comparable. The comparison below identifies the key recognition and measurement difference.

Revenue from non-exchange transactions

PBE

The PBE Accounting Standards require revenue to be classified as revenue from exchange or non-exchange transactions. Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Non-exchange transactions are transactions that are not exchange transactions.

PBE IPSAS 23 *Revenue from Non-Exchange Transactions* deals with revenue from non-exchange transactions. The group's non-exchange revenue includes revenue from general rates, fuel tax, grants and subsidies.

Fees and user charges derived from activities that are partially funded by general rates are also considered to be revenue arising from non-exchange transactions.

The group recognises an inflow of resources from a non-exchange transaction as revenue except to the extent that a liability is also recognised in respect of the same inflow. A liability is recognised when a condition is attached to the revenue that requires that revenue is to be returned unless it is consumed in the specified way. As the conditions are satisfied, the liability is reduced and revenue is recognised.

IFRS

IFRS does not have a specific standard that deals with revenue from non-exchange transactions. IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* contains guidance relating to the accounting for government grants. Under IAS 20, government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate. In the case of grants related to assets, IAS 20 results in setting up the grant as deferred income or deducting it from the carrying amount of the asset.

Impact

The group's accounting policy may lead to earlier recognition of revenue from non-exchange transactions than if it was recognised under IAS 20. It may also result in differences in asset values in relation to grants related to assets.

Under PBE IPSAS 23, the timing of recognising the group's rates revenue is at the date of issuing the rating notices for the annual general rate charge resulting in the entire rates revenue being recognised in the interim financial statements of the group. This is likely to be an earlier recognition than if this revenue was accounted for under IFRS.

Revenue from exchange transactions

PBE

As discussed above, the PBE Accounting Standards require revenue to be classified as revenue from exchange or non-exchange transactions.

PBE IPSAS 9 *Revenue from Exchange Transactions* deals with revenue from exchange transactions. The group's exchange revenue includes revenue from fees and user charges (water and wastewater charges, development contributions, infrastructure charges, port operations, consents, licences and permits) and revenue from sales of goods.

The group recognises revenue related to services on a percentage of completion basis over the period of the service supplied. Revenue from sale of goods is recognised when the substantial risks and rewards of ownership have been passed to the buyer.

IFRS

IFRS 15 *Revenue from Contracts with Customers* introduces a single revenue model for contracts with customers. It does not distinguish between sales of goods and services. It defines transactions based on performance obligations, which are promises to transfer goods or services in a contract with a customer.

The core principle of the standard is that revenue is recognised as a result of the entity satisfying performance obligations or promises to transfer goods or services at an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. These may be satisfied over time versus at a point in time based on when control of the good or service transfers to a customer.

Impact

The group's accounting policy may result in a different timing of recognition of revenue from exchange transactions compared to IFRS 15.

For example, IFRS 15 contains more detailed guidance on identifying distinct performance obligations in a contract and allocating the consideration to these based on the standalone selling price of the performance obligations. This may result in some revenue recognised earlier or later than under PBE IPSAS 9.

Further, IFRS 15 contains detailed guidance on the accounting treatment of variable consideration which may result in change in timing of recognising revenue related to items such as rebates and price concessions.

The impact of these differences may result in revenue recognised earlier/later in the contract period however it should not impact on the total revenue recognised during the contract term.

Service Concession Arrangement (also known as Public Private Partnership Arrangements)

PBE

PBE IPSAS 32 *Service Concession Arrangements* deals with the accounting for service concession arrangements from the grantor's perspective. Service concession arrangements are more commonly known as Public Private Partnership (PPP) arrangements. Broadly, service concession arrangements are arrangements between the public and private sectors whereby public services are provided by the private sector using public infrastructure (service concession asset).

PBE IPSAS 32 requires the grantor (public entity) to recognise the service concession asset and a corresponding liability on its statement of financial position. The liability can be a financial or other liability or a combination of the two depending on the nature of the compensation of the operator.

A financial liability is recognised if the grantor compensates the operator by the delivery of cash or another financial asset. A non-financial liability is recognised if a right is granted to the operator to charge the users of the public service related to the service concession asset (liability for unearned revenue).

IFRS

IFRS contains no specific guidance addressing the accounting by the grantor (public entity) in a service concession arrangement. However, IFRS contains guidance for the operator's accounting (private entity).

Impact

Applying IFRS to service concession arrangements would not result in a significant impact on the group's financial position or financial performance as, in absence of specific guidance in NZ IFRS, prior to the adoption of PBE Accounting Standards, NZ practice has been to 'mirror' the accounting treatment of the private entity under IFRS which is consistent with the requirements of the PBE Accounting Standards.

Fair Value Measurement

PBE

There is no specific standard in the PBE Accounting Standards, however a number of PBE Accounting Standards contain guidance on the measurement of fair value in specific context (for example PBE IPSAS 17 *Property, Plant and Equipment* and PBE IPSAS 41 *Financial Instruments*).

IFRS

IFRS 13 *Fair Value Measurement* does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

Impact

The application of IFRS 13 may result in differences in the measurement of certain property, plant and equipment compared to PBE IPSAS 17 and financial assets and liabilities compared to PBE IPSAS 41.

Lease accounting

PBE

Under PBE IPSAS 13 *Leases*, the group's current accounting policy is to make a distinction between finance leases and operating leases.

Finance leases are recognised on the statement of financial position.

Operating leases are not recognised on the statement of financial position, instead, payments are recognised in the statement of financial performance on a straight-line basis or another systematic basis that is more representative of the pattern of the lessee's benefit.

IFRS

IFRS 16 *Leases* requires the lessee to recognise almost all lease contracts on the statement of financial position; the only optional exemptions are for certain short-term leases and leases of low-value assets.

There is no significant difference in respect of the accounting treatment applicable to lessors, or for lessees in contracts classified as finance leases under PBE IPSAS 13.

Impact

Where the group is the lessee in contracts classified as operating leases under its current accounting policy, applying IFRS 16 would result in the group having to recognise a 'right-of-use' asset (that is, the asset that reflects the right to use the leased asset) and a corresponding lease liability (obligation to make lease payments) on its statement of financial position.

Further, applying IFRS 16 would result in the group having to recognise interest expense on the lease liability and depreciation on the 'right-of-use' asset. Due to this, for lease contracts currently classified as operating leases, the total amount of expenses at the beginning of the lease period would be higher than under the current accounting policy of the group.

There is no significant difference where the group is a lessor in the lease arrangement or a lessee in contracts classified as a finance lease under PBE IPSAS 13.



▲ Cyclists riding on Te Hā Noa Cycleway

Te papakupu whāiti

Glossary

Activity or service

The services the council provides to the community. This includes things like running buses, collecting rubbish and maintaining parks.

Annual report

A document that tracks the group and the council's annual performance and reports against the relevant annual budget.

Asset Renewal

Work undertaken to restore existing assets—like roads, playgrounds, libraries, and pipes—to a safe and serviceable condition. Renewals maintain service levels rather than expand them.

Auckland Council

The local government of Auckland established on 1 November 2010. Auckland Council is made up of the Governing Body, 21 local boards and the Auckland Council organisation (operational staff).

Auckland Council Group

The group consists of the council, and its subsidiaries (council-controlled organisations and Port of Auckland Limited), associates and joint ventures.

Capital expenditure

Spending on buying or building new assets and renewing existing assets. The capital expenditure includes 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.

Capital Investment

Money spent to build or upgrade long-term assets such as roads, water pipes, buildings, and public transport infrastructure. These investments provide benefits over many years.

City Rail Link (CRL)

A major transport infrastructure project creating a new underground rail line and upgraded stations through central Auckland. It will increase capacity and improve travel times across the rail network.

Contingent Liability / Contingent Asset

Possible future obligations or benefits that depend on uncertain events. They are disclosed when potentially significant but not yet certain enough to record as actual amounts.

Council-controlled organisation (CCO)

A company or other entity under the control of local authorities through their shareholding of 50 per cent or more, voting rights of 50 per cent or more, or right to appoint 50 per cent or more of the directors. Some organisations may meet this definition but are exempted as CCOs.

Deferred Tax Asset / Deferred Tax Liability

Accounting entries that represent tax effects expected in future years. A deferred tax asset is a future tax benefit; a deferred tax liability is future tax that may be owed.

Depreciation and Amortisation

Non-cash expenses that spread the cost of assets over their useful lifespans. Depreciation applies to physical assets such as buildings; amortisation applies to intangible assets like software.

Derivatives / Hedging

Financial contracts used to manage interest rate and foreign exchange risk on borrowings. They help stabilise costs but can create gains or losses on paper even when no cash changes hands.

Development and Financial Contributions

Payments made by developers to help fund infrastructure needed for new housing and commercial growth, such as roads, parks, and pipes.

Direct operating expenditure

Costs involved in the day-to-day running of the organisation, excluding accounting and finance-related items such as depreciation, interest expenses, and changes in provisions.

Fair Value

The estimated price an asset or liability could be exchanged for today in an open and informed market. Used to update the value of financial instruments, investment properties, and some physical assets.

Grants and Subsidies

Funding received from central government or other agencies to support specific services or projects, including transport upgrades and storm recovery.

Investment Property

Land or buildings held primarily to earn rental income or capital gains, rather than for delivering public services.

Joint Ventures and Associates

Organisations in which the council shares ownership and decision-making responsibilities with other parties. The council reports its share of their financial results.

Local boards

There are 21 local boards which share responsibility for decision-making with the Governing Body. They represent their local communities and make decisions on local issues, activities, and facilities.

Local Government Act 2002

Legislation that defines the powers and responsibilities of territorial local authorities, such as Auckland Council.

Local Government (Auckland Council) Act 2009

The Act establishes Auckland Council as a unitary authority for Auckland; and sets out its structure, functions, duties, and powers that differ from the general provisions applying to local authorities under the Local Government Act 2002 and related legislation. It also sets out requirements relating to substantive council-controlled organisations.

Local Government (Rating) Act 2002

Defines how territorial local authorities such as Auckland Council can set, assess and collect rates.

Local Government (Water Services) Act 2025

The Act sets out how councils must organise, manage, and fund drinking water, wastewater, and stormwater services so they are delivered efficiently, transparently, and in the best interests of communities.

Net Debt / Net Debt-to-Asset Ratio

Net debt is total borrowings minus cash and short-term deposits. The net debt-to-asset ratio shows the proportion of the group's assets funded by debt — a key indicator of financial strength.

Operating expenditure

Money that the council spends on providing services in the current financial year, as opposed to building things that will provide services for years to come. It also includes paying grants spending money on staff and contractors to do process building consents, open libraries, run buses and maintain parks. It also includes things like paying grants to community organisations and paying interest on money the council has borrowed.

Public Benefit Entity (PBE)

An organisation that exists to provide services to the community rather than to generate profit. This classification determines which accounting standards the council uses.

PBE IAS 34 (Interim Financial Reporting)

The accounting standard that sets the rules for preparing half-year financial statements for PBEs. It ensures clear, reliable reporting between annual reports.

Rates (General and Targeted Rates)

A tax against the property to help fund services and assets that the council provides. General rates support a broad range of activities, while targeted rates fund specific initiatives such as water quality or transport improvements.

Risk Category 2P

Grant funding is provided for properties where there is assessed to be an intolerable risk to life from a future storm event for which there is a feasible mitigation at a property level.

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 category 3 are eligible for a buy-out.

Subsidiaries

Entities over which the group and the council have the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Vested Assets

Assets, such as pipes, roads, or open spaces, built by developers or other parties and transferred to council ownership at no cost.

► Galway Street, Britomart



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