

# Draft Financial Results for the One Month Ended 31 July 2016

## Recommendation

That the Board:

- i. Receives the report.

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## Section 1 – Overview

This month's report combines the open and the closed session Board financial reports version previously reported separately. This is in accordance with the Board's request that debate of financial results occur in the open session of the Board meetings.

The over-all result from operations is on budget. Three points are worthy of note:









- Enforcement income is \$1.1 million behind budget and \$0.9 million lower compared with the same period last year. The drop in enforcement income can be attributed to a decrease in the number of parking wardens due to a high level of vacancies. Vacancies are currently being filled and staff trained. It takes four months for a parking officer to be fully trained. This is coupled with a decline in the number of infringement tickets issued per parking warden. A recent deep dive report for the Board highlighted the long term decline in infringements due to higher levels of compliance, changes to rules around Warrants of Fitness and greater use of warnings. Revenue will increase off this current low base as new staff become fully effective, new technology is introduced and special vehicle lane enforcement is increased. The full year impact is yet to be assessed, including the ability to take action to mitigate this month's shortfall.
- NZ Transport Agency capital co-investment is behind budget by \$2.9 million. This is indicative of the overall underspend in the capital programme to date.
- There has been a slow start to the capital programme with only \$28.6 million of the 2016/17 \$765 million programme achieved. Steps have been taken to ensure full delivery of the programme. The Board's Capital Review Committee have asked for a report on the seasonal fluctuation in the capital programme and the risk of under-delivery for the full year.

## Section 2a - Executive Summary

Financial results for the one month ended 31 July 2016:

	Year to date variance to budget	Year to date results	Year to date Actual	Year to date budget	Full Year budget
	\$m		\$m	\$m	\$m
Total operating income	(0.5)	 	57.2	57.7	786.1
Total operating expenditure	0.7	 	81.2	81.9	1,118.7
Surplus/(deficit) from operations	0.1	 	(24.0)	(24.2)	(332.6)
Income for capital projects	(9.1)	 	28.6	37.7	866.1
Net surplus/(deficit) before tax	(9.0)	 	4.5	13.5	533.5
Total direct capital	6.7	 	28.6	35.3	762.2

### Key to symbols used:

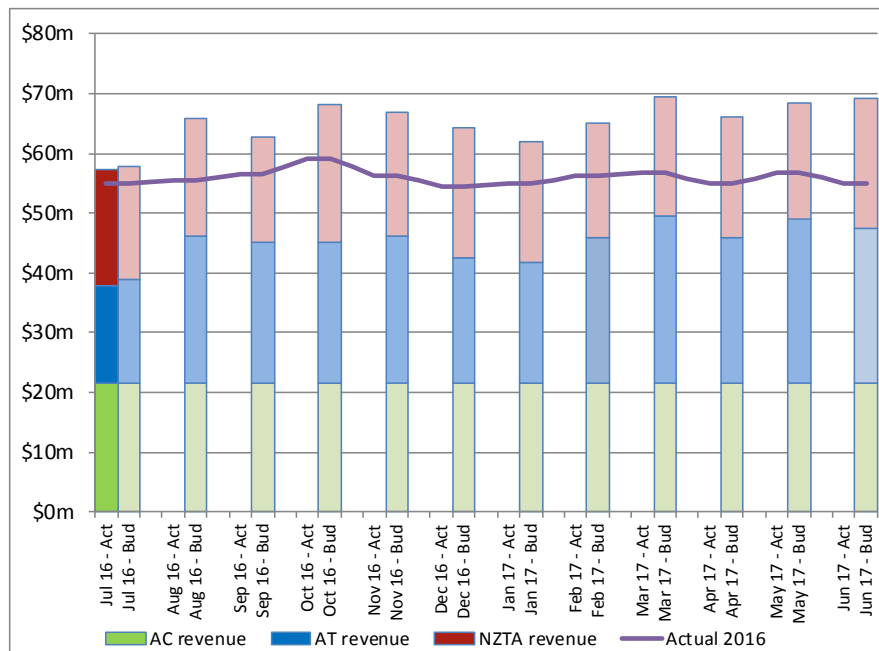
	: Within tolerable range		: Above budget, favourable variance.
	: Below budget, unfavourable variance.		: Largely on track
	: Below budget, favourable variance.		: Monitoring, some action taken
	: Above budget, unfavourable variance.		: Action required

## Section 2b – Financial results for the one month ended 31 July 2016

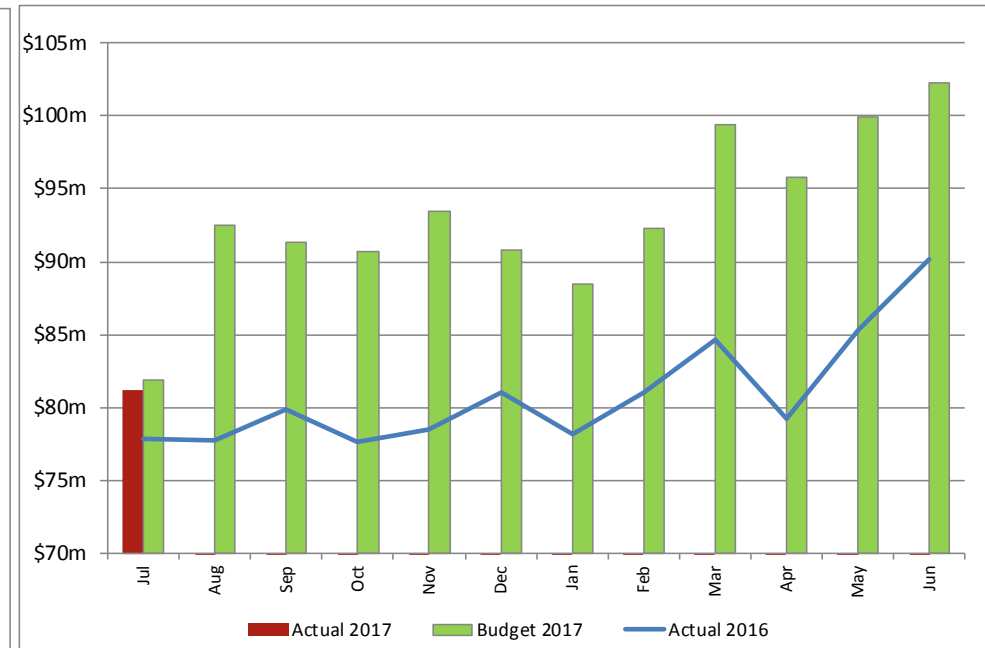
	Year to date			Results achieved	Full year
	Actual \$000	Budget \$000	Variance \$000		Budget \$000
<b>Income</b>					
<u>Operating income</u>					
Auckland Council funding	21,681	21,681	-	●	260,167
NZ Transport Agency operating funding	19,312	18,815	497	●	242,676
Parking and enforcement income	5,970	7,017	(1,047)	●	84,564
AT Metro income	6,932	7,084	(152)	●	169,042
Other revenue incl. other grants and subsidies	3,291	3,130	161	●	29,698
<b>Total operating income</b>	<b>57,186</b>	<b>57,727</b>	<b>(541)</b>	●	<b>786,147</b>
<b>Expenditure</b>					
Personnel costs	11,689	12,017	328	●	149,298
Capitalised personnel costs	(2,125)	(3,151)	(1,026)	●	(39,713)
Depreciation and amortisation	26,545	26,549	4	●	337,978
Other expenditure	42,595	43,929	1,334	●	640,651
Finance costs (Electric Trains)	2,528	2,554	26	●	30,511
<b>Total operating expenditure</b>	<b>81,232</b>	<b>81,898</b>	<b>666</b>	●	<b>1,118,725</b>
<b>Surplus/(deficit) from operations</b>	<b>(24,046)</b>	<b>(24,171)</b>	<b>125</b>	●	<b>(332,578)</b>
<u>Income for capital projects</u>					
NZ Transport Agency capital co-investment	7,086	9,954	(2,868)	●	216,602
Auckland Council capital grant	21,280	27,725	(6,445)	●	548,009
Other Capital Grants	200	-	200	●	-
Vested asset income	-	-	-	●	101,500
	28,566	37,679	(9,113)	●	866,111
<b>Net surplus/(deficit) before tax and derivatives</b>	<b>4,520</b>	<b>13,508</b>	<b>(8,988)</b>	●	<b>533,533</b>
Gains/(losses) on derivatives	4	-	4		-
Profit/(loss) on disposal of assets	-	-	-		(758)
Income tax benefit/(expense)	-	-	-		-
<b>Net surplus/(deficit) after tax and derivatives</b>	<b>4,524</b>	<b>13,508</b>	<b>(8,984)</b>	●	<b>532,775</b>

## Section 2b – Financial results for the one month ended 31 July 2016 (continued)

### Operating revenue



### Operating expenditure (excl. disposals and derivatives)



## Section 2c – Summary of financial results by activity

	Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Budget \$000
<b>Operating Income</b>				
Rail	9,986	10,025	(39)	122,497
Bus	7,561	7,555	6	180,655
Ferry	1,014	1,171	(157)	15,094
Other public transport	2,322	2,120	202	32,138
Parking	3,863	3,807	56	52,991
Enforcement	2,108	3,210	(1,102)	31,573
Roading and footpaths	5,358	5,583	(225)	57,159
Internal support	3,294	2,576	718	33,872
Auckland Council operating funding	21,681	21,681	-	260,167
<b>Total operating income</b>	<b>57,187</b>	<b>57,728</b>	<b>(541)</b>	<b>786,146</b>
<b>Operating Expenditure</b>				
Rail	14,384	14,209	(175)	171,304
Bus	12,900	12,958	58	249,541
Ferry	1,353	1,580	227	20,475
Other public transport	3,385	3,459	74	51,478
Parking	907	1,041	134	12,371
Enforcement	1,582	1,823	241	21,471
Roading and footpaths	10,126	10,476	350	127,790
Internal support	10,051	9,800	(251)	126,317
Depreciation	26,545	26,549	4	337,978
<b>Total operating expenditure</b>	<b>81,233</b>	<b>81,895</b>	<b>662</b>	<b>1,118,725</b>
<b>Surplus/(deficit) from Operations</b>	<b>(24,046)</b>	<b>(24,167)</b>	<b>121</b>	<b>(332,579)</b>

## Section 2d – Rail operations

	Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Budget \$000
<b>Operating Income</b>				
Activity Income	4,033	4,233	(200)	54,700
Other income	16	110	(94)	1,210
NZ Transport Agency operating funding	4,294	4,022	272	46,837
NZ Transport Agency operating funding - Electric Trains	1,643	1,660	(17)	19,750
<b>Total operating income</b>	<b>9,986</b>	<b>10,025</b>	<b>(39)</b>	<b>122,497</b>
<b>Operating Expenditure</b>				
Personnel costs	180	179	(1)	2,284
Capitalised personnel costs	7	-	(7)	45
Service delivery costs and professional services	8,659	8,445	(214)	100,722
Occupancy costs	270	288	18	3,478
Track access charges	2,116	2,122	6	26,085
Other expenditure	624	621	(3)	8,179
Finance costs (Electric Trains)	2,528	2,554	26	30,511
<b>Total operating expenditure</b>	<b>14,384</b>	<b>14,209</b>	<b>(175)</b>	<b>171,304</b>
Depreciation	3,139	3,086	(53)	37,695
<b>Surplus/(deficit) from Operations</b>	<b>(7,537)</b>	<b>(7,270)</b>	<b>(267)</b>	<b>(86,502)</b>
Internal support costs	2,145	2,278	133	31,227
<b>Surplus/(deficit)</b>	<b>(9,682)</b>	<b>(9,548)</b>	<b>(134)</b>	<b>(117,729)</b>

## Section 2d – Bus operations

	Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Budget \$000
<b>Operating Income</b>				
Activity Income	1,528	1,491	37	94,158
Other income	64	79	(15)	4,312
NZ Transport Agency operating funding	5,969	5,985	(16)	82,185
<b>Total operating income</b>	<b>7,561</b>	<b>7,555</b>	<b>6</b>	<b>180,655</b>
<b>Operating Expenditure</b>				
Personnel costs	263	301	38	4,003
Capitalised personnel costs	(4)	(21)	(17)	33
Service delivery costs and professional services	12,463	12,519	56	243,535
Occupancy costs	141	99	(42)	1,201
Other expenditure	37	60	23	769
<b>Total operating expenditure</b>	<b>12,900</b>	<b>12,958</b>	<b>58</b>	<b>249,541</b>
Depreciation	265	201	(64)	3,581
<b>Surplus/(deficit) from Operations</b>	<b>(5,604)</b>	<b>(5,604)</b>	<b>-</b>	<b>(72,467)</b>
Internal support costs	3,124	3,318	194	45,488
<b>Surplus/(deficit)</b>	<b>(8,728)</b>	<b>(8,922)</b>	<b>194</b>	<b>(117,955)</b>



## Section 2d – Ferry operations

	Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Budget \$000
<b>Operating Income</b>				
Operator access fees	346	354	(8)	4,857
Activity Income	82	95	(13)	1,210
Other income	65	60	5	948
NZ Transport Agency operating funding	521	662	(141)	8,079
<b>Total operating income</b>	<b>1,014</b>	<b>1,171</b>	<b>(157)</b>	<b>15,094</b>
<b>Operating Expenditure</b>				
Personnel costs	71	85	14	1,211
Capitalised personnel costs	-	-	-	-
Service delivery costs and professional services	1,083	1,285	202	16,491
Occupancy costs	62	63	1	777
Other expenditure	137	147	10	1,996
<b>Total operating expenditure</b>	<b>1,353</b>	<b>1,580</b>	<b>227</b>	<b>20,475</b>
Depreciation	252	249	(3)	2,995
<b>Surplus/(deficit) from Operations</b>	<b>(591)</b>	<b>(658)</b>	<b>67</b>	<b>(8,376)</b>
Internal support costs	256	272	16	3,732
<b>Surplus/(deficit)</b>	<b>(847)</b>	<b>(930)</b>	<b>83</b>	<b>(12,108)</b>

## Section 2d – Other public transport operations

	Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Budget \$000
<b>Operating Income</b>				
Other income	799	661	138	7,646
NZ Transport Agency operating funding	1,523	1,459	64	24,492
<b>Total operating income</b>	<b>2,322</b>	<b>2,120</b>	<b>202</b>	<b>32,138</b>
<b>Operating Expenditure</b>				
Personnel costs	1,438	1,264	(174)	16,073
Capitalised personnel costs	12	60	48	344
Service delivery costs and professional services	1,116	1,219	103	22,571
IT costs	152	182	30	2,201
Other expenditure	667	734	67	10,289
<b>Total operating expenditure</b>	<b>3,385</b>	<b>3,459</b>	<b>74</b>	<b>51,478</b>
Depreciation	1,231	1,272	41	16,856
<b>Surplus/(deficit) from Operations</b>	<b>(2,294)</b>	<b>(2,611)</b>	<b>317</b>	<b>(36,196)</b>
Internal support costs	644	685	40	9,384
<b>Surplus/(deficit)</b>	<b>(2,938)</b>	<b>(3,296)</b>	<b>357</b>	<b>(45,580)</b>

## Section 2d – Parking operations

	Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Budget \$000
<b>Operating Income</b>				
Other income	123	60	63	4,188
Parking Fees	3,740	3,747	(7)	48,803
<b>Total operating income</b>	<b>3,863</b>	<b>3,807</b>	<b>56</b>	<b>52,991</b>
<b>Operating Expenditure</b>				
Personnel costs	228	261	33	3,002
Capitalised personnel costs	(14)	(1)	13	(14)
Service delivery costs and professional services	105	239	134	2,871
Occupancy Costs	515	507	(8)	6,088
Other expenditure	73	35	(38)	424
<b>Total operating expenditure</b>	<b>907</b>	<b>1,041</b>	<b>134</b>	<b>12,371</b>
Depreciation	581	583	2	7,000
<b>Surplus/(deficit) from Operations</b>	<b>2,375</b>	<b>2,183</b>	<b>192</b>	<b>33,620</b>
Internal support costs	155	164	10	2,255
<b>Surplus/(deficit)</b>	<b>2,220</b>	<b>2,019</b>	<b>202</b>	<b>31,365</b>

## Section 2d – Enforcement operations

	Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Budget \$000
<b>Operating Income</b>				
Other income	-	-	-	-
Infringement income	2,108	3,210	(1,102)	31,573
<b>Total operating income</b>	<b>2,108</b>	<b>3,210</b>	<b>(1,102)</b>	<b>31,573</b>
<b>Operating Expenditure</b>				
Personnel costs	813	931	118	10,793
Capitalised personnel costs	14	4	(10)	52
Service delivery costs and professional services	192	161	(31)	1,935
Occupancy Costs	-	-	-	-
Other expenditure	563	727	164	8,691
<b>Total operating expenditure</b>	<b>1,582</b>	<b>1,823</b>	<b>241</b>	<b>21,471</b>
Depreciation	9	20	11	241
<b>Surplus/(deficit) from Operations</b>	<b>517</b>	<b>1,367</b>	<b>(850)</b>	<b>9,861</b>
Internal support costs	269	286	17	3,914
<b>Surplus/(deficit)</b>	<b>248</b>	<b>1,081</b>	<b>(833)</b>	<b>5,947</b>

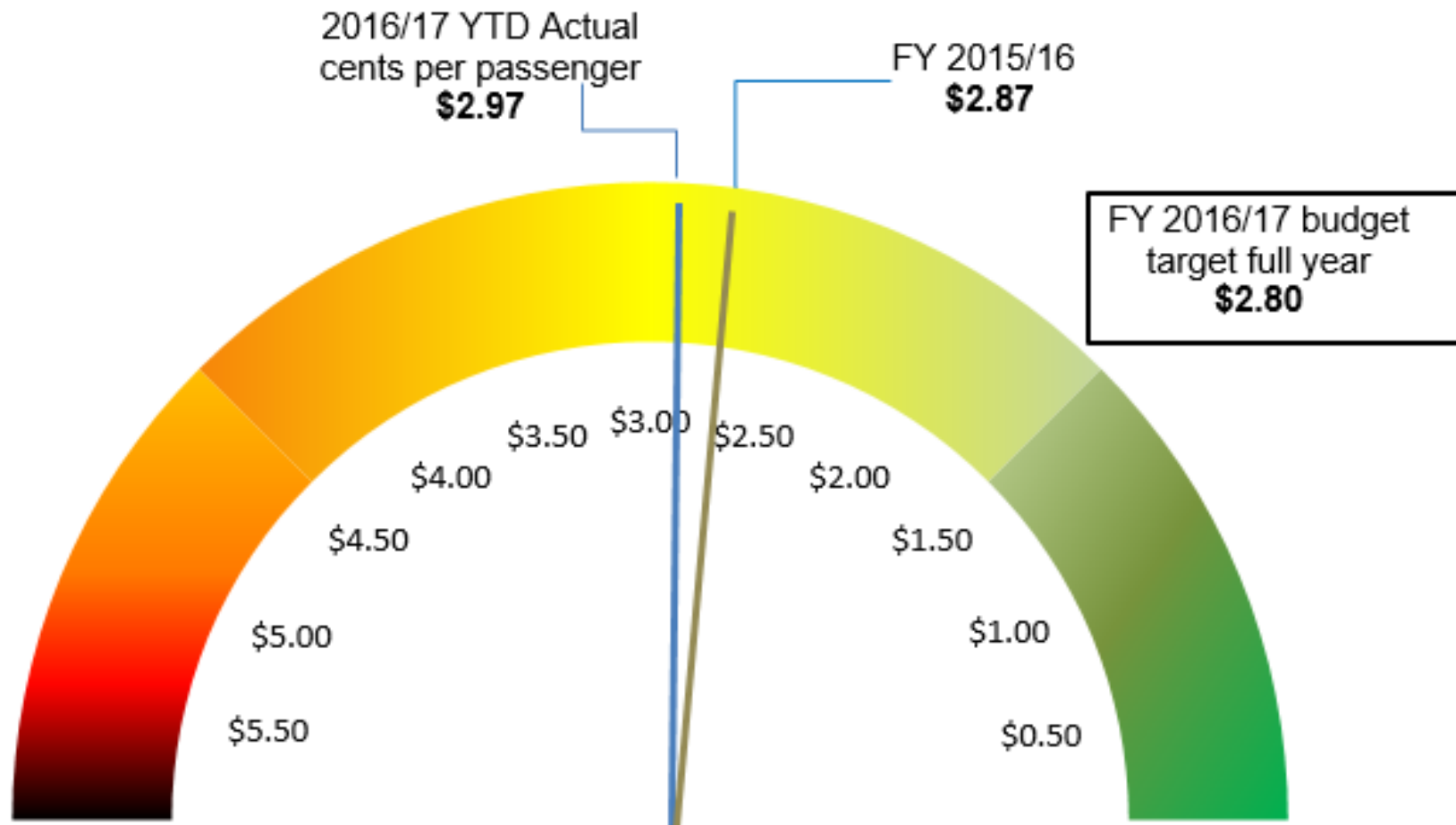
## Section 2d – Roading and footpaths operations

	Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Budget \$000
<b>Operating Income</b>				
Petrol tax	811	730	81	8,737
Other income	1,128	1,170	(42)	5,718
NZ Transport Agency operating funding	3,419	3,683	(264)	42,704
<b>Total operating income</b>	<b>5,358</b>	<b>5,583</b>	<b>(225)</b>	<b>57,159</b>
<b>Operating Expenditure</b>				
Personnel costs	2,170	2,315	145	28,874
Capitalised personnel costs	(243)	(598)	(355)	(8,699)
Service delivery costs and professional services	6,055	6,511	456	84,453
Occupancy Costs	1,573	1,578	5	15,933
IT Costs	4	22	18	316
Other expenditure	567	648	81	6,913
<b>Total operating expenditure</b>	<b>10,126</b>	<b>10,476</b>	<b>350</b>	<b>127,790</b>
Depreciation	19,632	19,661	29	242,760
<b>Surplus/(deficit) from Operations</b>	<b>(24,400)</b>	<b>(24,554)</b>	<b>154</b>	<b>(313,391)</b>
Internal support costs	1,600	1,699	99	23,295
<b>Surplus/(deficit)</b>	<b>(26,000)</b>	<b>(26,253)</b>	<b>253</b>	<b>(336,686)</b>

## Section 2d – Internal support

	Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Budget \$000
<b>Operating Income</b>				
Rental income	1,284	1,195	89	13,934
Other income	67	36	31	1,309
NZ Transport Agency operating funding	1,943	1,345	598	18,629
<b>Total operating income</b>	<b>3,294</b>	<b>2,576</b>	<b>718</b>	<b>33,872</b>
<b>Operating Expenditure</b>				
Personnel costs	6,526	6,680	154	83,057
Capitalised personnel costs	(1,897)	(2,596)	(699)	(31,473)
Directors Fees	42	43	1	510
Service delivery costs and professional services	3,140	3,327	187	41,822
Other expenditure	2,240	2,346	106	32,401
<b>Total operating expenditure</b>	<b>10,051</b>	<b>9,800</b>	<b>(251)</b>	<b>126,317</b>
Depreciation	1,436	1,478	42	26,850
Income tax benefit/(expense)	-	-	-	-
<b>Surplus/(deficit) from Operations</b>	<b>(8,193)</b>	<b>(8,702)</b>	<b>509</b>	<b>(119,295)</b>
Internal support allocated	8,193	8,702	509	119,295
<b>Surplus/(deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Section 2e – Operational funding requirement per passenger for the one month to July 2016



## Section 3a – Summary of Capital Expenditure

	Year to date			Results achieved	Full year
	Actual \$000	Budget \$000	Variance \$000		Budget \$000
<b>Land</b>					
CRL	325	775	450	●	19,255
AMETI	(68)	150	218	●	13,700
Special Housing Areas (SHAs)	1	25	24	●	17,765
Other	251	208	(43)	●	29,547
<b>Total land</b>	<b>509</b>	<b>1,158</b>	<b>649</b>	●	<b>80,267</b>
<b>Major new capital projects</b>					
CRL	8,711	5,420	(3,291)	●	150,242
Albany Highway Upgrade	651	350	(301)	●	3,822
Otahuhu Bus Interchange	1,696	2,430	734	●	3,324
Te Atatu Road Corridor Improvements	222	797	575	●	9,509
NorthWest Transformation	328	361	33	●	6,317
AMETI	520	612	92	●	8,364
Manukau Bus Interchange	(34)	35	69	●	22,600
<b>Total major new capital projects</b>	<b>12,094</b>	<b>10,005</b>	<b>(2,089)</b>	●	<b>204,178</b>
<b>Other ring-fenced projects</b>					
EMU	93	875	782	●	10,499
Local Board initiatives	1,648	2,998	1,350	●	10,537
Special Housing Areas (SHAs)	184	75	(109)	●	18,135
Other	34	480	446	●	9,456
<b>Total other ring-fenced projects</b>	<b>1,959</b>	<b>4,428</b>	<b>2,469</b>	●	<b>48,627</b>
<b>Other</b>					
Roads and footpaths	4,457	7,947	3,490	●	125,964
AT Metro	391	2,650	2,259	●	56,006
Parking operations	128	516	388	●	3,686
Internal support - BT	1,202	1,115	(87)	●	11,825
Internal support - Accommodation	67	-	(67)	●	-
Internal support - Other	105	230	125	●	5,950
<b>Total other</b>	<b>6,350</b>	<b>12,458</b>	<b>6,108</b>	●	<b>203,431</b>
<b>Renewals</b>	<b>7,654</b>	<b>7,253</b>	<b>(401)</b>	●	<b>228,107</b>
<b>Total direct capital</b>	<b>28,566</b>	<b>35,302</b>	<b>6,736</b>	●	<b>764,610</b>



## Section 3b – Capital Expenditure Funding

	Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Budget \$000
<b>Funding</b>				
NZ Transport Agency new capital co-investment	4,013	7,233	(3,220)	153,310
NZ Transport Agency renewal co-investment	3,073	2,721	352	63,292
Other Capital Grants	200	-	200	-
Auckland Council capital grant	21,280	25,348	(4,068)	548,008
<b>Total direct capital funding</b>	<b>28,566</b>	<b>35,302</b>	<b>(6,736)</b>	<b>764,610</b>

## Section 4a – Statement of Financial Position

### As at 31 July 2016

	Note	Actual 31 July 2016 \$000	Actual 30 June 2016 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	1	11,281	3,006
Trade and other receivables	2	212,019	268,373
Inventories		9,704	9,747
Other assets		16,520	1,629
Non-current asset held for sale		6,042	6,000
Total current assets		255,566	288,755
<b>Non-current assets</b>			
Property, plant and equipment		16,311,332	16,330,638
Property, plant and equipment - work-in-progress		591,535	568,955
Intangible assets		126,018	127,315
Total non-current assets		17,028,885	17,026,908
<b>Total assets</b>		<b>17,284,451</b>	<b>17,315,663</b>

## Section 4a – Statement of Financial Position (continued)

As at 31 July 2016

	Note	Actual 31 July 2016 \$000	Actual 30 June 2016 \$000
<b>Liabilities</b>			
<b>Current liabilities</b>			
Derivative financial instruments	3	233	242
Trade and other payables	4	155,985	191,784
Employee benefit liabilities	5	14,108	13,582
Borrowings	6	5,260	5,234
<b>Total current liabilities</b>		<b>175,586</b>	<b>210,842</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	3	3,832	3,578
Trade and other payables	4	19,675	19,924
Employee benefit liabilities	5	624	624
Borrowings	6	490,224	490,708
Deferred tax liability	7	11,425	11,425
<b>Total non-current liabilities</b>		<b>525,780</b>	<b>526,259</b>
<b>Total liabilities</b>		<b>701,366</b>	<b>737,101</b>
<b>Net assets</b>		<b>16,583,085</b>	<b>16,578,562</b>
<b>Equity</b>			
Contributed capital		13,463,871	13,463,871
Accumulated surplus/(deficit)		1,001,756	997,233
Other reserves		2,117,458	2,117,458
<b>Total equity</b>		<b>16,583,085</b>	<b>16,578,562</b>

## Section 4b – Notes to the Financial Statements (continued)

As at 31 July 2016

	Actual 31 July 2016 \$000	Actual 30 June 2016 \$000
<b>1 Cash and cash equivalents</b>		
Cash at bank - Trading	10,986	2,711
Till floats	295	295
<b>Total cash and cash equivalents</b>	<b>11,281</b>	<b>3,006</b>
The carrying value of cash and cash equivalents approximates their fair value.		
<b>2 Trade and other receivables</b>		
Trade debtors	3,425	2,279
Finance lease receivable	55	57
Infringements receivable	32,206	32,092
Amounts due from related parties	159,048	205,510
Accrued income	25,126	42,053
Goods and services tax	5,939	-
	<b>225,799</b>	<b>281,991</b>
Less provision for impairment of receivables	(13,780)	(13,618)
<b>Total trade and other receivables</b>	<b>212,019</b>	<b>268,373</b>

## Section 4b – Notes to the Financial Statements

### As at 31 July 2016

The carrying value of debtors and other receivables approximates their fair value.

There is no concentration of credit risk with respect to receivables as there are a large number of customers.

The maximum exposure to credit risk at reporting date is the carrying value of each class of receivable mentioned above.

The ageing profile of receivables at 31 July 2016 is detailed below:

	<b>Gross</b>	<b>Impaired</b>	<b>Net</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Not past due	194,756	-	194,756
Past due 1 - 30 days	1,718	-	1,718
Past due 31 - 60 days	1,372	-	1,372
Past due 61 - 90 days	1,073	-	1,073
Past due > 90 days	26,880	(13,780)	13,100
	<b>225,799</b>	<b>(13,780)</b>	<b>212,019</b>

All receivables greater than 30 days in age are considered to be past due.

The provision for impairment of receivables has been calculated on an individual basis. The provision is based on a review of significant debtor balances. Receivables are assessed as impaired due to significant financial difficulties being experienced by the debtor, and Auckland Transport management concluding that it is remote that the overdue amounts will be recovered.

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

	<b>Actual</b>
	<b>\$000</b>
At 1 July 2016	13,618
Additional provisions made	162
Provisions reversed	-
Receivables written-off	-
At 31 July 2016	13,780

## Section 4b – Notes to the Financial Statements (continued)

As at 31 July 2016

	Actual 31 July 2016 \$000	Actual 30 June 2016 \$000
<b>3 Derivative financial instruments</b>		
<b>Current liability portion</b>		
Forward foreign exchange contracts - not hedge accounted	233	242
<b>Current derivative financial instruments</b>	<b>233</b>	<b>242</b>
<b>Non-current liability portion</b>		
Interest rate swaps - not hedge accounted	3,832	3,578
<b>Non-current derivative financial instruments</b>	<b>3,832</b>	<b>3,578</b>
<b>Total derivative financial instrument liabilities</b>	<b>4,065</b>	<b>3,820</b>

### Forward foreign exchange contracts

The fair values of forward foreign exchange contracts have been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from forward foreign exchange contract prices.

#### *Forward foreign exchange contracts*

The notional principal amount of outstanding forward foreign exchange contract cash flow hedges was NZD \$4.8 million. The foreign currency principal amount was USD \$3.2 million. The cash flow hedge gain of \$9,000 on the revaluation has been recorded in the Statement of Financial Performance.

### Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices. The notional principal amount of the outstanding interest rate swap contracts was \$18 million. At 31 July 2016 the fixed interest rates of cash flow hedge interest rate swaps varied from 5.81% to 5.96%. The loss on their revaluation of \$254,000 has been recorded in the Statement of Financial Performance.

## Section 4b – Notes to the Financial Statements (continued)

As at 31 July 2016

	Actual 31 July 2016 \$000	Actual 30 June 2016 \$000
<b>4 Trade and other payables</b>		
<b>Current portion</b>		
Creditors	20,333	23,314
Goods and services tax	-	2,306
Accrued expenses	109,752	139,195
Retentions	11,210	10,502
Amounts due to related parties	5,697	7,280
Income in advance	8,993	9,187
<b>Total current trade and other payables</b>	<b>155,985</b>	<b>191,784</b>
<b>Non-current portion</b>		
Amounts due to related parties	19,675	19,924
<b>Total non-current trade and other payables</b>	<b>19,675</b>	<b>19,924</b>
Creditors and other payables are non-interest bearing and are normally settled on 20-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.		
<b>5 Employee benefit liabilities</b>		
<b>Current portion</b>		
Accrued salaries and wages	5,007	4,463
Accrued leave	9,101	9,119
<b>Current employee benefit liabilities</b>	<b>14,108</b>	<b>13,582</b>
<b>Non-current portion</b>		
Retirement gratuities	383	383
Long service leave	241	241
<b>Non-current employee benefit liabilities</b>	<b>624</b>	<b>624</b>

## Section 4b – Notes to the Financial Statements (continued)

### As at 31 July 2016

	Actual 31 July 2016 \$000	Actual 30 June 2016 \$000
<b>6 Borrowings</b>		
<b>Current portion</b>		
Loans from Auckland Council	5,260	5,234
<b>Current borrowings</b>	<b>5,260</b>	<b>5,234</b>
<b>Non-current portion</b>		
Loans from Auckland Council	490,224	490,708
<b>Non-current borrowings</b>	<b>490,224</b>	<b>490,708</b>
Weighted average cost of funds on total borrowings	6.01%	6.01%

Auckland Transport's loan debt of \$495 million is issued at fixed rates of interest ranging from 5.55% to 6.22%.

### 7 Deferred tax liability

	Property, Plant and Equipment \$000	Other Provisions \$000	Tax Losses \$000	Actual 31 July 2016 Total \$000
<b>Deferred tax liability</b>				
Balance at 1 July 2016	(11,425)	-	-	(11,425)
Charged to profit and loss		-	-	-
Charged to equity		-	-	-
<b>Balance at 31 July 2016</b>	<b>(11,425)</b>	<b>-</b>	<b>-</b>	<b>(11,425)</b>



## Section 5 – Cash Flow

	Year to date	Full year	
	Actual \$000	Budget \$000	Budget \$000
<b>Cash flows from operating activities</b>			
<b>Total cash provided</b>	147,929	121,406	1,550,758
<b>Cash applied to:</b>			
Payments to suppliers, employees and directors	67,781	57,087	750,237
Interest paid	2,199	2,554	30,511
Goods and services tax (net)	8,245	-	-
<b>Total cash applied</b>	<b>78,225</b>	<b>59,641</b>	<b>780,748</b>
<b>Net cash from operating activities</b>	<b>69,704</b>	<b>61,765</b>	<b>770,010</b>
<b>Cash flows from investing activities</b>			
<b>Cash provided from:</b>			
Sale of property, plant and equipment	44	-	-
<b>Total cash provided</b>	<b>44</b>	<b>-</b>	<b>-</b>
<b>Cash applied to:</b>			
Capital expenditure projects	61,014	61,302	764,611
<b>Total cash applied</b>	<b>61,014</b>	<b>61,302</b>	<b>764,611</b>
<b>Net cash from investing activities</b>	<b>(60,970)</b>	<b>(61,302)</b>	<b>(764,611)</b>
<b>Cash flows from financing activities</b>			
<b>Total cash provided</b>	-	-	-
<b>Cash applied to:</b>			
Repayments of EMU loan from Auckland Council	458	463	5,399
<b>Total cash applied</b>	<b>458</b>	<b>463</b>	<b>5,399</b>
<b>Net cash from financing activities</b>	<b>(458)</b>	<b>(463)</b>	<b>(5,399)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>8,276</b>	<b>-</b>	<b>-</b>
Opening cash balance	3,005	-	-
<b>Closing cash balance</b>	<b>11,281</b>	<b>-</b>	<b>-</b>

Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities	Actual \$000
<b>Surplus/(deficit) after tax</b>	<b>4,524</b>
<b>Add/(less) non cash items</b>	
Depreciation and amortisation	26,545
Foreign exchange loss	(9)
Gain on interest rate swaps	254
	<b>26,790</b>
<b>Add/(less) movements in working capital</b>	
Decrease/(Increase) in debtors and other receivables	68,230
Decrease/(Increase) in inventories	43
(Decrease)/Increase in creditors and other payables	(15,477)
(Decrease)/Increase in employee benefits payable	527
(Decrease)/Increase in other assets	(14,891)
(Decrease)/Increase in non current asset held for sale	(42)
	<b>38,390</b>
<b>Net cash flow from operating activities</b>	<b>69,704</b>

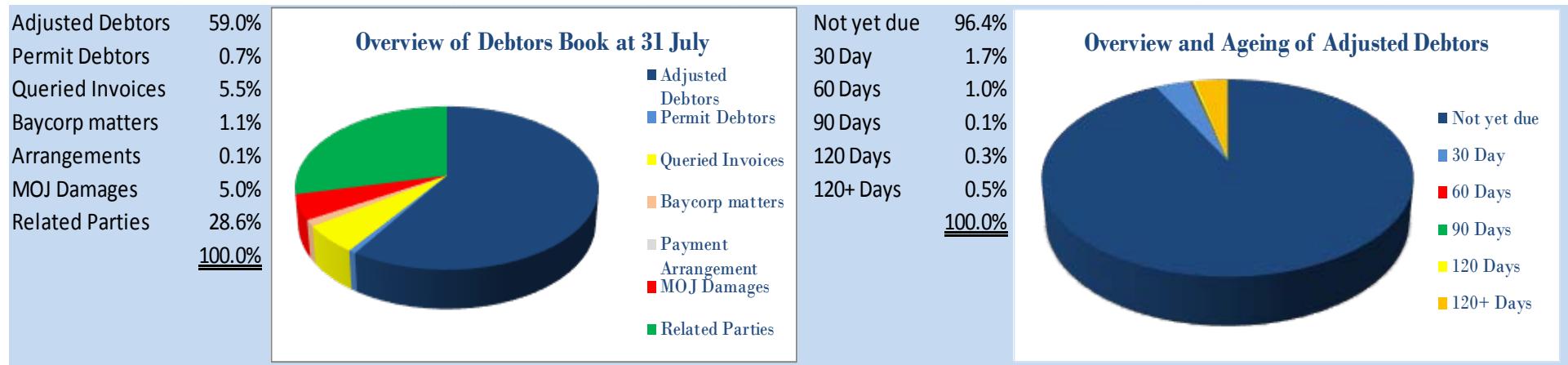
## Section 6 – Accounts Receivable Report

### Accounts Receivable

An overview of the Debtors as at 31 July has 96.3% (99.1% June) of adjusted Debtors in 30 and 60 days, or not yet due.

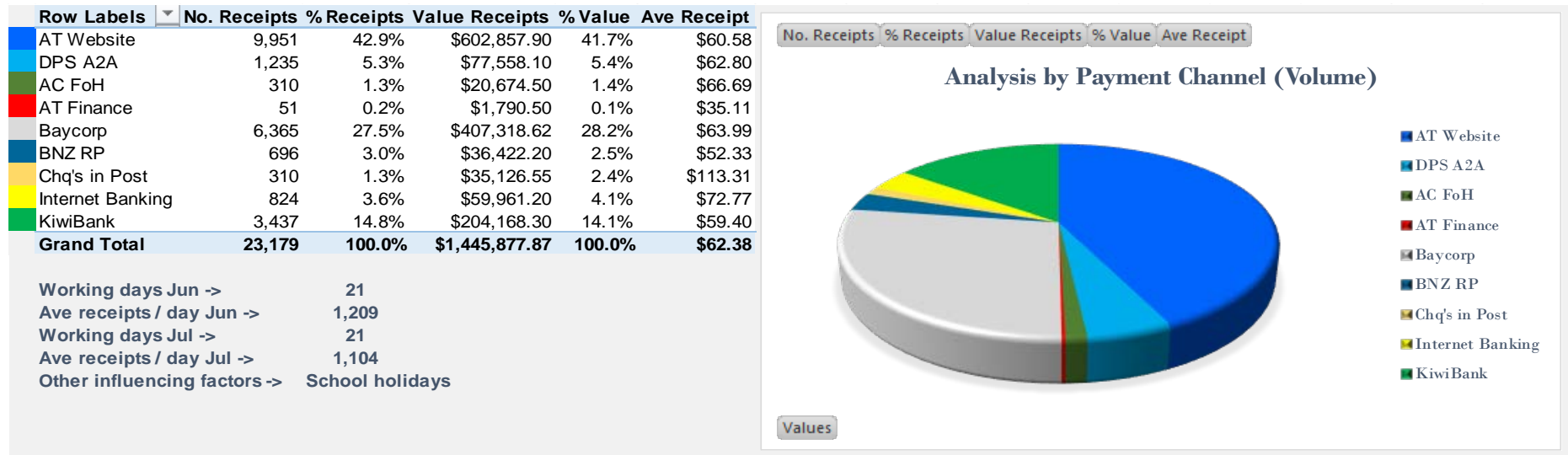
<u>Debtors Ageing Analysis as at 31 July 2016</u>									
<u>Description</u>	<u>Ave Days</u>	<u>Total O/s</u>	<u>Not Yet Due</u>	<u>30 Days</u>	<u>60 Days</u>	<u>90 Days</u>	<u>120 Days</u>	<u>120+ Days</u>	<u>Notes</u>
Debtors Ageing 31 July	60	4,771,090	3,905,116	217,493	63,835	44,583	39,884	500,179	1
Parking Permit Debtors	18	32,508	25,790	419	473	420	5,406	0	2
<b>Total Debtors</b>		<b>4,803,598</b>	<b>3,930,906</b>	<b>217,912</b>	<b>64,308</b>	<b>45,003</b>	<b>45,290</b>	<b>500,179</b>	
		100.0%	81.8%	4.5%	1.3%	0.9%	0.9%	10.4%	
O/s Related Parties	22	1,384,858	1,284,661	70,850	23,532	292	1,294	4,229	3
<b>Trade Debtors</b>	<b>151</b>	<b>3,418,740</b>	<b>2,646,246</b>	<b>147,062</b>	<b>40,775</b>	<b>44,711</b>	<b>43,997</b>	<b>495,949</b>	
		100.0%	77.4%	4.3%	1.2%	1.3%	1.3%	14.5%	
Queried Invoices	129	267,531	6,854	36,029	29,058	18,163	32,764	144,664	4
To Baycorp (Collection)	338	55,467	2,721	0	0	0	0	52,746	5
Payment Arrangement	146	3,867	0	0	0	0	0	3,867	6
Lodged Courts (Damages)	282	240,563	0	6,381	8,108	22,656	5,162	198,256	7
<b>Adjusted Debtors</b>		<b>2,851,311</b>	<b>2,636,670</b>	<b>104,652</b>	<b>3,609</b>	<b>3,892</b>	<b>6,071</b>	<b>96,416</b>	
		100.0%	92.5%	3.7%	0.1%	0.1%	0.2%	3.4%	

- 1) Sundry Debtors administered in the SAP system.
- 2) Parking Permit Debtors administered in the Pathway system. These invoices are for on street permits issued. Amounts not collected within 60 days are lodged with Baycorp for collection. Accounts not paying on time are blocked for further permits.
- 3) Inter-Council Group debts.
- 4) Relates to invoices which have been queried or disputed by customers. The AR Team and various AT Departments are engaged in an effort to resolve these queries.
- 5) Relates to accounts lodged with Baycorp for collection. All these amounts have been impaired in full and some may be written off in the future. All amounts written off are approved by the CFO in accordance with policy.
- 6) Relates to customers where an arrangement to pay has been agreed to. These are monitored until full payment has been received.
- 7) Relates to matters where AT is recovering damages from road accidents investigated by the Police. Many of the matters are being paid off at a nominal amount per week as instructed by the Courts.

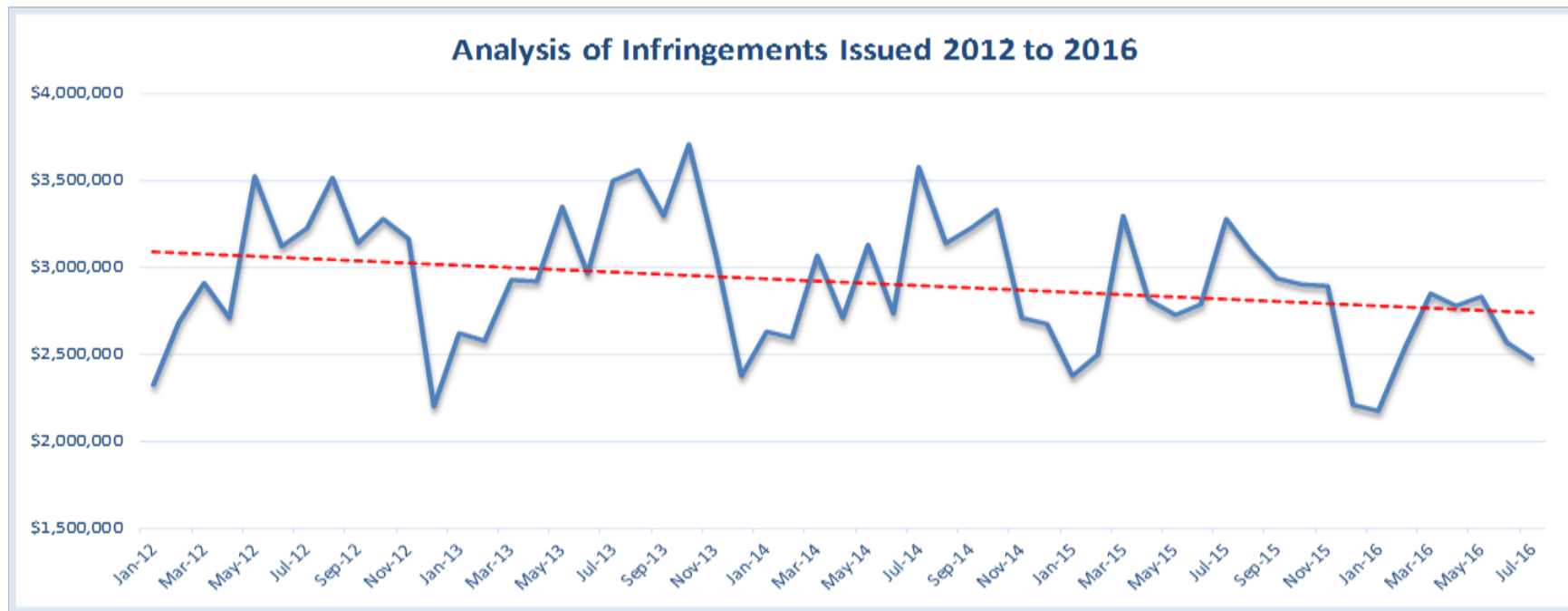


**Infringement Overview:**

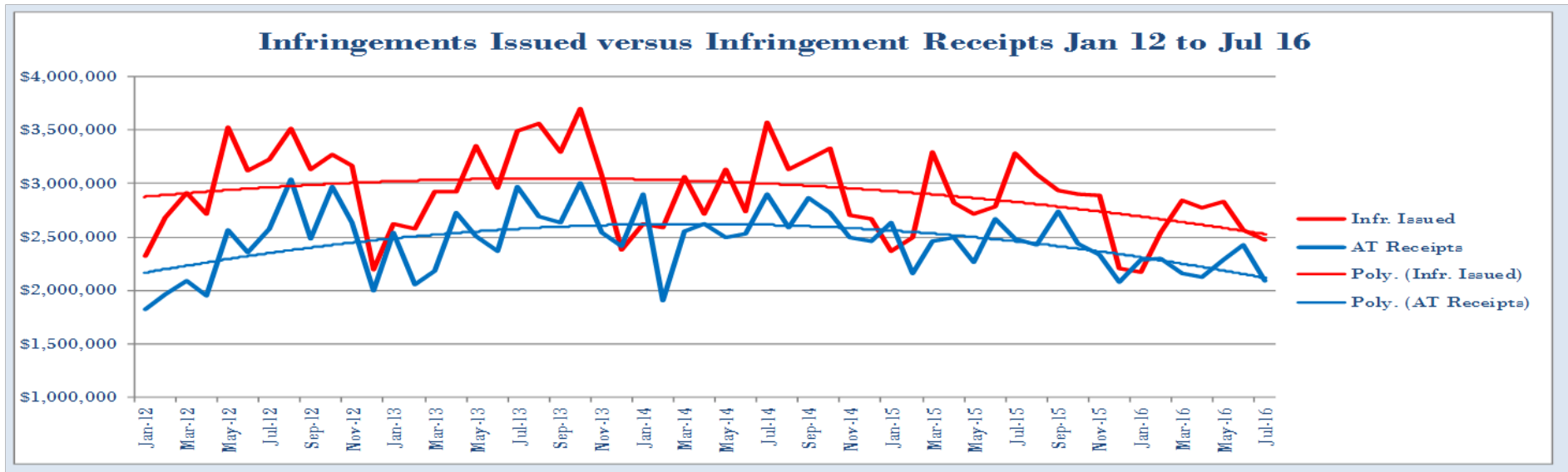
July's Infringement receipts by volume are down 8.7% on June (21 working days in both June and July). Of the customers not paying in response to a Baycorp demand, 71.4% are making use of our electronic payment methods (72.7% in June). The AT website recorded 48.2% of all receipts. The highest average receipt by value was once again received via cheque payments in the post.



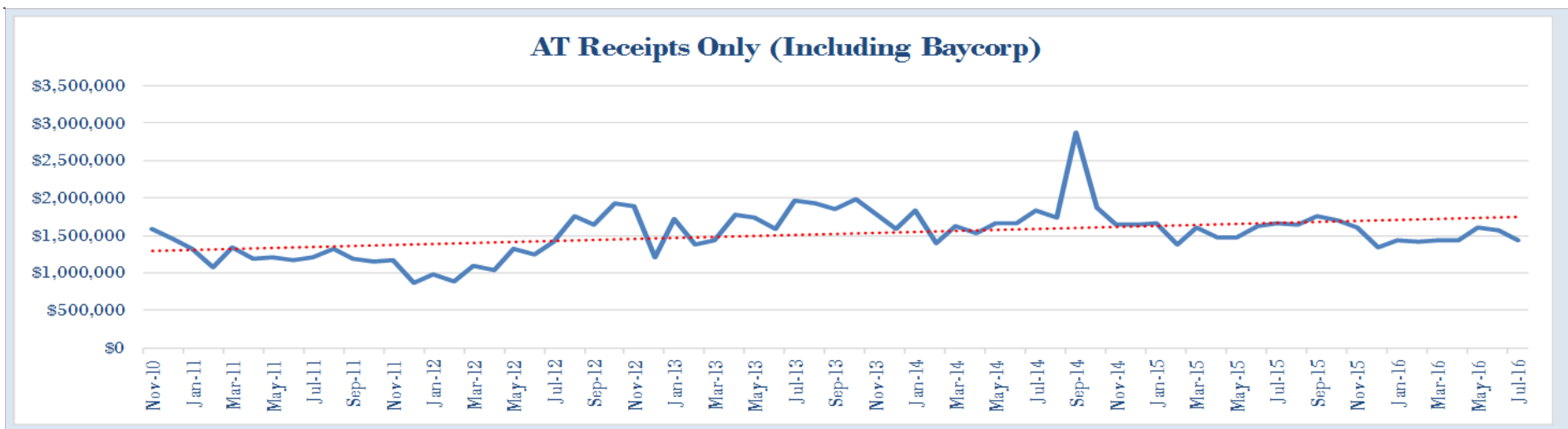
The following graph illustrates the seasonal issuance of infringements. Average infringements issued per month from January to July over the last 4 years is \$2.9 million, while average issued per month in 2016 to 31 July is \$2.6 million.



Analysis of receipts by value show that infringements issued over the past 24 months have decreased. While collections follow the issue trend two to three months later, the collection lines over time continue to move closer as a result of improved collection rates. Analysis of MoJ's collection statistics show that average receipts in 2016 is down 10.8% on the 2015 average. AT's receipts (Jan to Jul 2016 average) are down 5.1% compared with the same period in 2015. This is in line with the 7.6% decrease in infringements issued for the same periods.



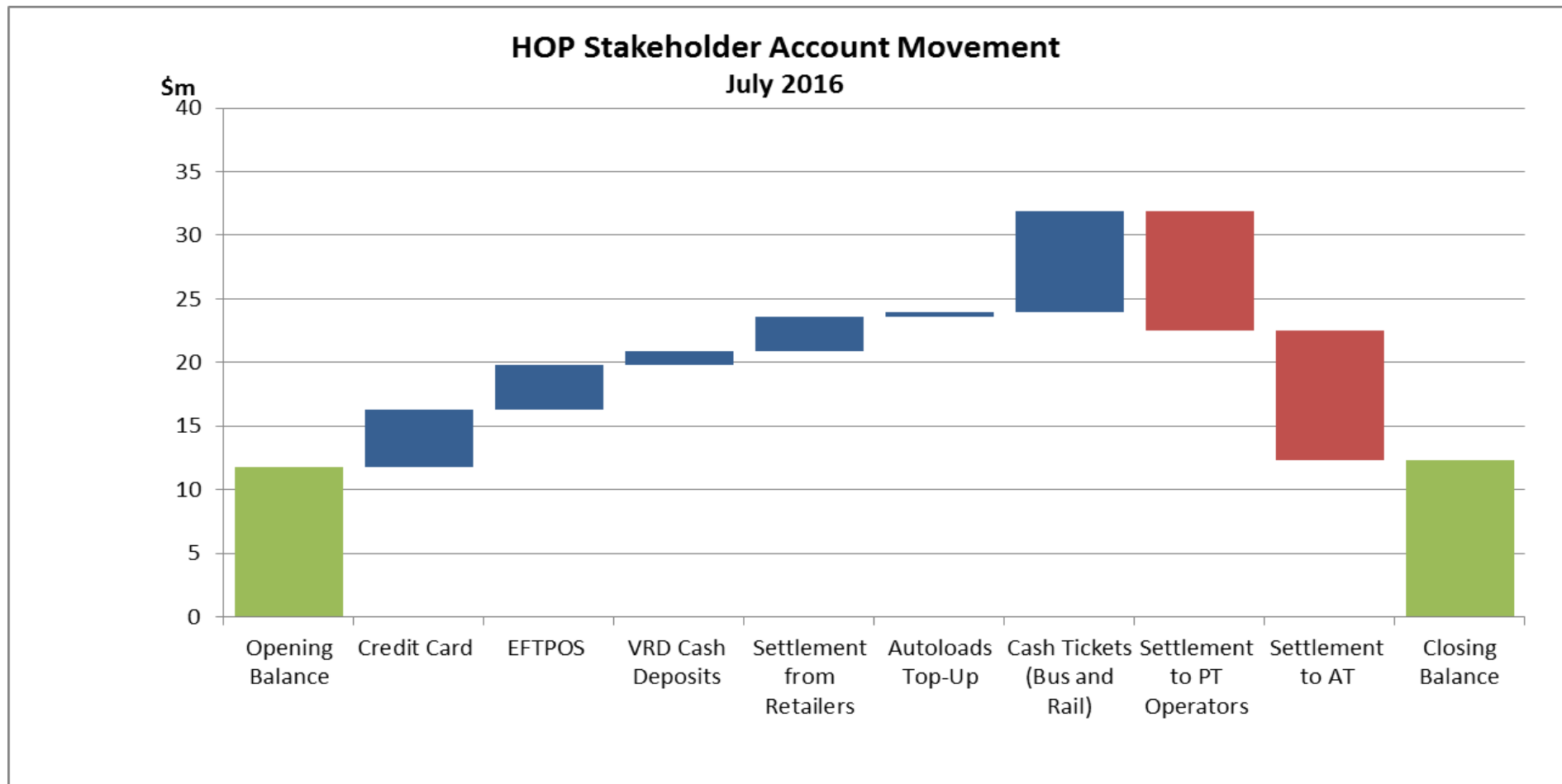
Direct receipts prior to lodging with MoJ continue to show an upward trend as a result of the Baycorp arrangement.



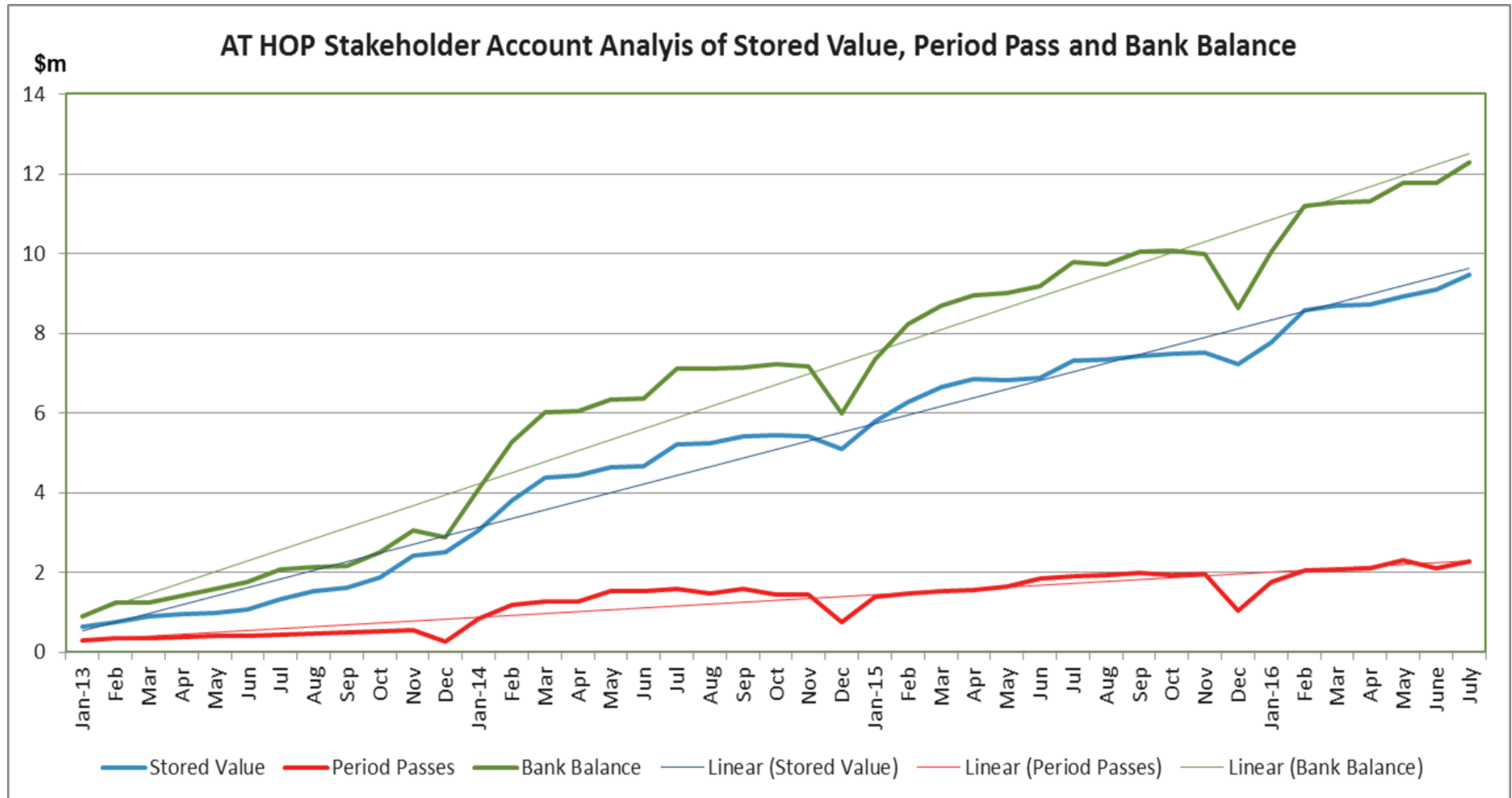
## Section 7 – AT HOP Stakeholder Monthly Report

(Does not form part of AT results)

The AT HOP Stakeholder bank account increased by 4%, from \$11.76 million to \$12.28 million.







The following graph provides an overview of monthly balances for Stored Value, Period Passes, and the AT HOP Stakeholder Account together with trend lines.





## Document ownership

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