

Financial Results for the Three Months Ended 30 September 2016

Recommendation

That the Board:

- i. Receives the report.

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Section 1 – Overview

Net surplus for the quarter (i.e. including funding and capital items) is \$111 million against a budget of \$96 million, mainly due to vested asset income. Already this year \$40.3 million of vested assets have been received.

Deficit from operations for the first quarter is favourable to budget by \$4.2 million. However, this is not expected to continue. Earlier predictions that revenue targets would prove hard to achieve are becoming an issue. There is a planned realignment scheduled in November and will be reported to the December Board meeting. This will formalise the required actions to be undertaken in order to operate within the funding envelope set at the beginning of the year through a combination of revised revenue budgets, tighter management of expenditure and potential additional revenue sources. The mid-year review will also set the scene for a tighter budget in 2017/18 given commitments from the incoming Mayor to reduce the forecast rates next year.

The following items of financial performance are noteworthy:

- **AT Metro income** (in bus and rail) continues to be behind budget. Simpler Fares has reduced the fares on many routes and, along with other initiatives, has driven more people to use HOP (lower than equivalent cash fares), resulting in a lower average yield per passenger journey. Significant behaviour change of multi-trip journeys has not yet been seen as this is tied also to the introduction of the bus New Network. Patronage is also below budget contributing to a lower income. The impact of lower fares has yet to be seen in increased patronage, which would expect to be seen over a 6 to 18-month period. Following the successful introduction of Simpler Fares and Phase 1 of the communications campaign predominantly targeted existing users, Phase 2 has commenced to broaden the communication to potential new users with localised messaging of fare prices. The focus on patronage and revenue acquisition is in addition to AT Metro also reviewing expenditure forecasts to significantly offset expected year-end revenue deficit through cost savings. A third potential course of action is a fare change as part of the annual fare review to partially off-set revenue reductions.
- **Enforcement income** is behind budget mainly as a result of lower than budget parking infringement notice issuances. Mitigating measures (e.g. special vehicle lane enforcement and license plate recognition) are in place to reduce the impact of the reduced income. The full effects of these measures will be seen in the coming months, however, income is still expected to be lower than budget by approximately \$1 million by the end of the year. Cost savings within the parking and enforcement area will be identified to offset the expected decline in income.
- **NZ Transport Agency operating funding** is above budget mainly due to a one-off \$2.7 million of unbudgeted revenue. This relates to FY2015/16 admin subsidy, where AT was able to claim for administration and corporate overheads at a higher rate than planned. Bus and Rail operations subsidy is more than budget year to date. Revenue shortfalls noted above result in a higher fare subsidy although this factor is likely to result in the capped budget being reached late in the year.
- **Operating expenditure** is below budget by \$5.7 million or 2%
- **Capital expenditure programme** is 2% or \$3 million under budget. This is considerably closer than previous months. Nevertheless, delivery is heavily phased to later in the year and the quarterly review currently underway will be key to ensuring delivery of this year's programme. The Manukau Bus/ Rail interchange has been awarded as anticipated however there is a considerable programme of work to be delivered. AC has yet to approve projects against the Special Housing Area ring-fenced funding.

Section 2a – Executive Summary

Financial results for the three months ended 30 September 2016:

	Current month variance to budget	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	\$m
Total operating income	1.7	(1.5)	↔ ●	187.5	189.0	786.1
Total operating expenditure	1.5	5.7	↓ ●	259.9	265.7	1,118.7
Surplus/(deficit) from operations	3.2	4.2	↓ ●	(72.4)	(76.7)	(332.6)
Income for capital projects	18.0	10.9	↑ ●	183.1	172.2	866.1
Net surplus/(deficit) before tax	21.2	15.1	↑ ●	110.7	95.5	533.5
Total direct capital	(3.1)	3.1	↓ ●	142.7	145.8	764.6

Key to symbols used:

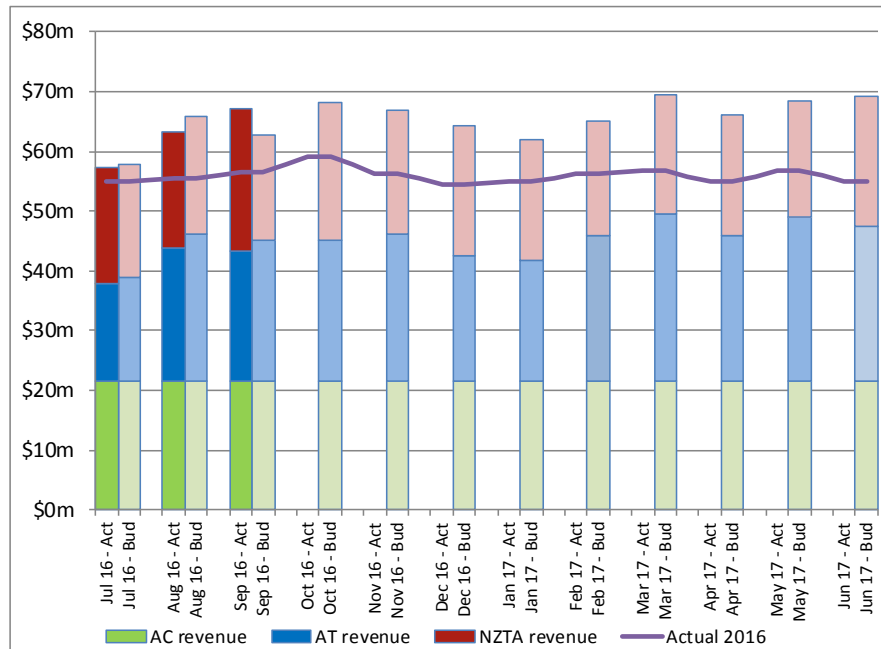
↔	: Within tolerable range	↑	: Above budget, favourable variance.
↓	: Below budget, unfavourable variance.	●	: Largely on track
↓	: Below budget, favourable variance.	●	: Monitoring, some action taken
↑	: Above budget, unfavourable variance.	●	: Action required

Section 2b – Financial results for the three months ended 30 September 2016

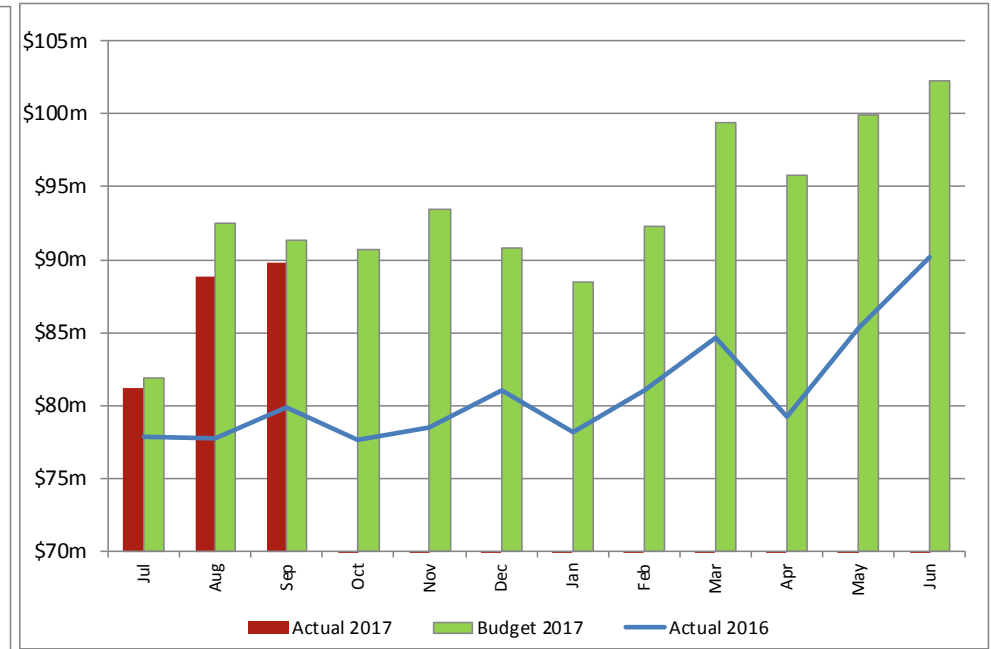
	Current month			Year to date			Full year	
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Results achieved	Budget \$000
Income								
<u>Operating income</u>								
Auckland Council funding	21,681	21,681	-	65,042	65,042	-	●	260,167
NZ Transport Agency operating funding	23,761	20,346	3,415	62,428	58,985	3,443	●	242,676
Parking and enforcement income	6,260	6,787	(527)	19,429	20,595	(1,166)	●	84,564
AT Metro income	12,815	13,927	(1,112)	31,814	36,219	(4,405)	●	169,042
Other revenue incl. other grants and subsidies	2,594	2,659	(65)	8,774	8,162	612	●	29,698
Total operating income	67,111	65,400	1,711	187,487	189,003	(1,516)	●	786,147
Expenditure								
Personnel costs	12,259	12,807	548	36,903	37,897	994	●	149,298
Capitalised personnel costs	(2,893)	(3,311)	(418)	(8,378)	(9,805)	(1,427)	●	(39,713)
Depreciation and amortisation	26,699	26,954	255	80,405	80,301	(104)	●	337,978
Other expenditure	51,319	52,364	1,045	143,478	149,677	6,199	●	640,651
Finance costs (Electric Trains)	2,443	2,476	33	7,497	7,583	86	●	30,511
Total operating expenditure	89,827	91,290	1,463	259,905	265,653	5,748	●	1,118,725
Surplus/(deficit) from operations	(22,716)	(25,890)	3,174	(72,418)	(76,650)	4,232	●	(332,578)
<u>Income for capital projects</u>								
NZ Transport Agency capital co-investment	13,100	16,080	(2,980)	30,455	37,055	(6,600)	●	216,602
Auckland Council capital grant	53,698	48,254	5,444	110,961	109,741	1,220	●	548,009
Other Capital Grants	605	-	605	1,321	-	1,321	●	-
Vested asset income	40,338	25,375	14,963	40,338	25,375	14,963	●	101,500
	107,741	89,709	18,032	183,075	172,171	10,904	●	866,111
Net surplus/(deficit) before tax and derivatives	85,025	63,819	21,206	110,657	95,521	15,136	●	533,533
Gains/(losses) on derivatives	302	-	302	423	-	423		-
Profit/(loss) on disposal of assets	-	-	-	-	-	-		(758)
Income tax benefit/(expense)	-	-	-	-	-	-		-
Net surplus/(deficit) after tax and derivatives	85,327	63,819	21,508	111,080	95,521	15,559	●	532,775

Section 2b – Financial results for the three months ended 30 September 2016 (continued)

Operating revenue



Operating expenditure (excl. disposals and derivatives)



Section 2c – Summary of financial results by activity

	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
Operating Income							
Rail	10,162	10,172	(10)	29,820	30,568	(748)	122,497
Bus	14,959	14,557	402	35,004	37,654	(2,650)	180,655
Ferry	1,151	1,211	(60)	3,004	3,557	(553)	15,094
Other public transport	2,622	2,677	(55)	7,625	7,309	316	32,138
Parking	3,790	3,961	(171)	11,902	11,715	187	52,991
Enforcement	2,470	2,826	(356)	7,527	8,880	(1,353)	31,573
Roading and footpaths	4,887	4,918	(31)	14,772	15,317	(545)	57,159
Internal support	5,388	3,397	1,991	12,791	8,961	3,830	33,872
Auckland Council operating funding	21,681	21,681	-	65,042	65,042	-	260,167
Total operating income	67,110	65,400	1,710	187,487	189,003	(1,516)	786,146
Operating Expenditure							
Rail	14,273	14,185	(88)	42,361	42,747	386	171,304
Bus	20,576	19,955	(621)	52,607	53,889	1,282	249,541
Ferry	1,483	1,682	199	4,316	4,882	566	20,475
Other public transport	3,789	4,464	675	10,879	11,684	805	51,478
Parking	1,040	1,048	8	3,192	3,140	(52)	12,371
Enforcement	1,624	1,847	223	4,904	5,597	693	21,471
Roading and footpaths	10,197	10,620	423	30,618	32,015	1,397	127,790
Internal support	10,146	10,532	386	30,620	31,395	775	126,317
Depreciation	26,699	26,954	255	80,405	80,301	(104)	337,978
Total operating expenditure	89,827	91,287	1,460	259,902	265,650	5,748	1,118,725
Surplus/(deficit) from Operations	(22,717)	(25,887)	3,170	(72,415)	(76,647)	4,232	(332,579)

Section 2d – Rail operations

	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
Operating Income							
Activity Income	4,156	4,611	(455)	12,666	13,749	(1,083)	54,700
Other income	33	95	(62)	95	310	(215)	1,210
NZ Transport Agency operating funding	4,415	3,887	528	12,265	11,661	604	46,837
NZ Transport Agency operating funding - Electric Trains	1,558	1,579	(21)	4,794	4,848	(54)	19,750
Total operating income	10,162	10,172	(10)	29,820	30,568	(748)	122,497
Operating Expenditure							
Personnel costs	211	188	(23)	593	563	(30)	2,284
Capitalised personnel costs	9	-	(9)	18	-	(18)	45
Service delivery costs and professional services	8,692	8,496	(196)	25,418	25,470	52	100,722
Occupancy costs	270	284	14	834	884	50	3,478
Track access charges	2,000	2,121	121	6,153	6,380	227	26,085
Other expenditure	648	620	(28)	1,848	1,868	20	8,179
Finance costs (Electric Trains)	2,443	2,476	33	7,497	7,582	85	30,511
Total operating expenditure	14,273	14,185	(88)	42,361	42,747	386	171,304
Depreciation	3,122	3,147	25	9,399	9,319	(80)	37,695
Surplus/(deficit) from Operations	(7,233)	(7,160)	(73)	(21,940)	(21,498)	(442)	(86,502)
Internal support costs	1,595	2,287	692	5,929	7,084	1,154	31,227
Surplus/(deficit)	(8,828)	(9,447)	619	(27,869)	(28,582)	712	(117,729)

Section 2d – Bus operations

	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
Operating Income							
Activity Income	7,267	7,972	(705)	14,068	17,772	(3,704)	94,158
Other income	62	81	(19)	887	885	2	4,312
NZ Transport Agency operating funding	7,630	6,504	1,126	20,049	18,997	1,052	82,185
Total operating income	14,959	14,557	402	35,004	37,654	(2,650)	180,655
Operating Expenditure							
Personnel costs	287	315	28	873	946	73	4,003
Capitalised personnel costs	25	(14)	(39)	(8)	(51)	(43)	33
Service delivery costs and professional services	20,080	19,489	(591)	51,259	52,511	1,252	243,535
Occupancy costs	80	100	20	252	298	46	1,201
Other expenditure	104	65	(39)	231	185	(46)	769
Total operating expenditure	20,576	19,955	(621)	52,607	53,889	1,282	249,541
Depreciation	265	294	29	795	696	(99)	3,581
Surplus/(deficit) from Operations	(5,882)	(5,692)	(190)	(18,398)	(16,931)	(1,467)	(72,467)
Internal support costs	2,323	3,331	1,008	8,637	10,319	1,681	45,488
Surplus/(deficit)	(8,205)	(9,023)	818	(27,035)	(27,250)	214	(117,955)

Section 2d – Ferry operations

	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
Operating Income							
Operator access fees	382	351	31	1,104	1,054	50	4,857
Activity Income	87	101	(14)	266	297	(31)	1,210
Other income	61	69	(8)	189	196	(7)	948
NZ Transport Agency operating funding	621	690	(69)	1,445	2,010	(565)	8,079
Total operating income	1,151	1,211	(60)	3,004	3,557	(553)	15,094
Operating Expenditure							
Personnel costs	86	104	18	254	280	26	1,211
Capitalised personnel costs	1	-	(1)	2	-	(2)	-
Service delivery costs and professional services	1,170	1,354	184	3,435	3,956	521	16,491
Occupancy costs	69	63	(6)	194	189	(5)	777
Other expenditure	157	161	4	431	457	26	1,996
Total operating expenditure	1,483	1,682	199	4,316	4,882	566	20,475
Depreciation	253	250	(3)	758	748	(10)	2,995
Surplus/(deficit) from Operations	(585)	(721)	136	(2,070)	(2,073)	3	(8,376)
Internal support costs	191	273	83	709	847	138	3,732
Surplus/(deficit)	(776)	(994)	219	(2,779)	(2,920)	141	(12,108)

Section 2d – Other public transport operations

	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
Operating Income							
Other income	767	647	120	2,539	1,956	583	7,646
NZ Transport Agency operating funding	1,855	2,030	(175)	5,086	5,353	(267)	24,492
Total operating income	2,622	2,677	(55)	7,625	7,309	316	32,138
Operating Expenditure							
Personnel costs	1,341	1,335	(6)	4,221	3,975	(246)	16,073
Capitalised personnel costs	4	45	41	34	158	124	344
Service delivery costs and professional services	1,400	2,015	615	3,539	4,644	1,105	22,571
IT costs	219	182	(37)	530	545	15	2,201
Other expenditure	825	887	62	2,555	2,362	(193)	10,289
Total operating expenditure	3,789	4,464	675	10,879	11,684	805	51,478
Depreciation	1,279	1,155	(124)	3,741	3,698	(43)	16,856
Surplus/(deficit) from Operations	(2,446)	(2,942)	496	(6,995)	(8,073)	1,078	(36,196)
Internal support costs	479	687	208	1,782	2,129	347	9,384
Surplus/(deficit)	(2,925)	(3,629)	704	(8,777)	(10,202)	1,425	(45,580)

Section 2d – Parking operations

	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
Operating Income							
Other income	66	139	(73)	374	295	79	4,188
Parking Fees	3,724	3,822	(98)	11,528	11,420	108	48,803
Total operating income	3,790	3,961	(171)	11,902	11,715	187	52,991
Operating Expenditure							
Personnel costs	248	266	18	742	797	55	3,002
Capitalised personnel costs	(1)	(1)	-	(13)	(4)	9	(14)
Service delivery costs and professional services	179	239	60	643	718	75	2,871
Occupancy Costs	473	507	34	1,570	1,522	(48)	6,088
Other expenditure	141	37	(104)	250	107	(143)	424
Total operating expenditure	1,040	1,048	8	3,192	3,140	(52)	12,371
Depreciation	791	583	(208)	1,953	1,750	(203)	7,000
Surplus/(deficit) from Operations	1,959	2,330	(371)	6,757	6,825	(68)	33,620
Internal support costs	115	165	50	428	512	83	2,255
Surplus/(deficit)	1,844	2,165	(321)	6,329	6,313	15	31,365

Section 2d – Enforcement operations

	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
Operating Income							
Other income	-	-	-	-	-	-	-
Infringement income	2,470	2,826	(356)	7,527	8,880	(1,353)	31,573
Total operating income	2,470	2,826	(356)	7,527	8,880	(1,353)	31,573
Operating Expenditure							
Personnel costs	879	957	78	2,564	2,856	292	10,793
Capitalised personnel costs	11	4	(7)	38	13	(25)	52
Service delivery costs and professional services	93	161	68	447	484	37	1,935
Occupancy Costs	-	-	-	-	-	-	-
Other expenditure	641	725	84	1,855	2,244	389	8,691
Total operating expenditure	1,624	1,847	223	4,904	5,597	693	21,471
Depreciation	10	20	10	27	60	33	241
Surplus/(deficit) from Operations	836	959	(123)	2,596	3,223	(627)	9,861
Internal support costs	200	287	87	743	888	145	3,914
Surplus/(deficit)	636	672	(36)	1,853	2,335	(482)	5,947

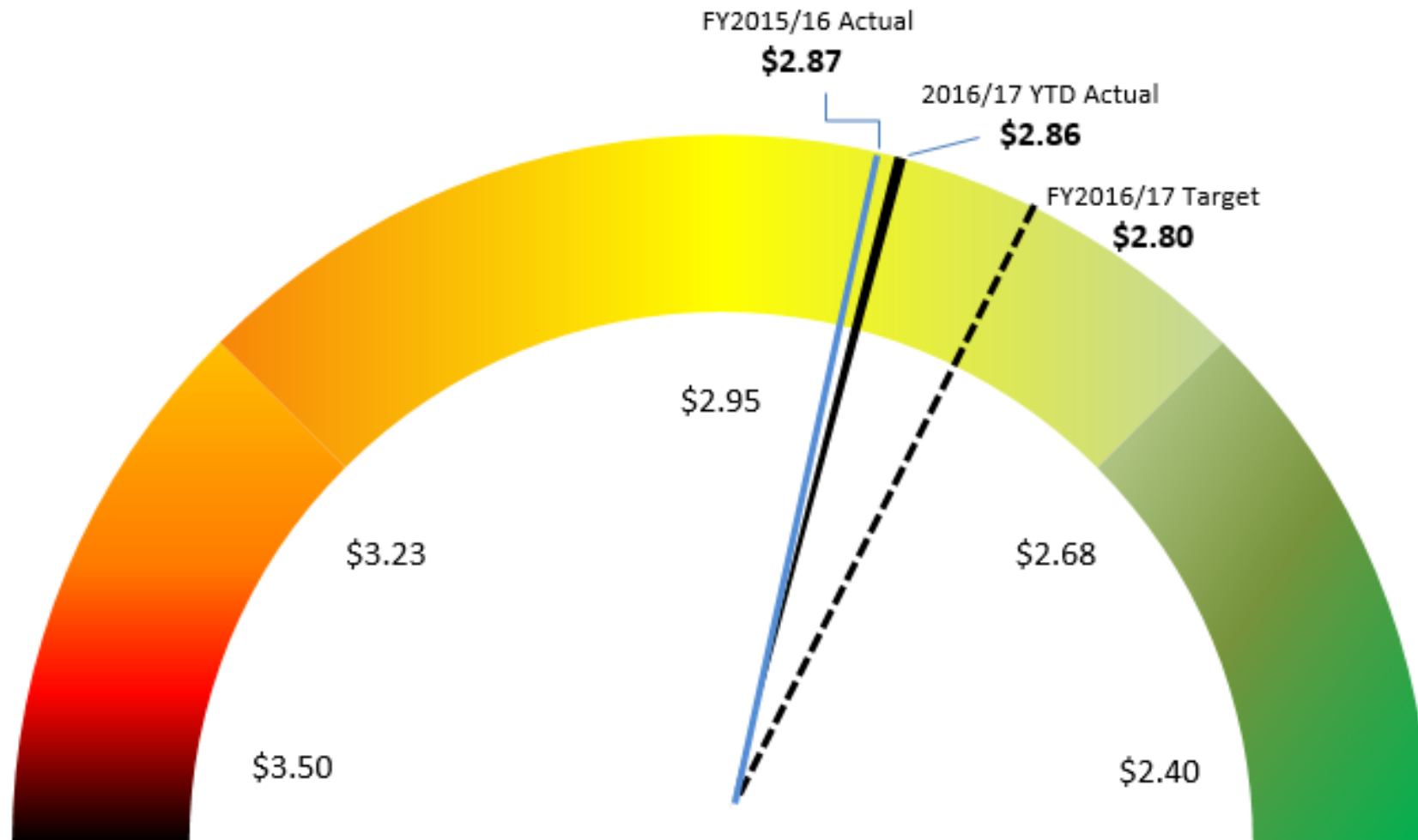
Section 2d – Roading and footpaths operations

	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
Operating Income							
Petrol tax	776	737	39	2,332	2,194	138	8,737
Other income	510	478	32	2,089	1,994	95	5,718
NZ Transport Agency operating funding	3,601	3,703	(102)	10,351	11,129	(778)	42,704
Total operating income	4,887	4,918	(31)	14,772	15,317	(545)	57,159
Operating Expenditure							
Personnel costs	2,341	2,549	208	7,131	7,483	352	28,874
Capitalised personnel costs	(664)	(747)	(83)	(1,492)	(2,001)	(509)	(8,699)
Service delivery costs and professional services	6,501	7,024	523	18,933	20,509	1,576	84,453
Occupancy Costs	1,436	1,341	(95)	4,618	4,410	(208)	15,933
IT Costs	40	37	(3)	46	91	45	316
Other expenditure	543	416	(127)	1,382	1,523	141	6,913
Total operating expenditure	10,197	10,620	423	30,618	32,015	1,397	127,790
Depreciation	19,644	19,904	260	58,909	59,403	494	242,760
Surplus/(deficit) from Operations	(24,954)	(25,606)	652	(74,755)	(76,101)	1,346	(313,391)
Internal support costs	1,190	1,706	516	4,423	5,284	861	23,295
Surplus/(deficit)	(26,144)	(27,312)	1,168	(79,178)	(81,385)	2,207	(336,686)

Section 2d – Internal support

	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
Operating Income							
Rental income	1,212	1,203	9	4,003	3,646	357	13,934
Other income	96	240	(144)	350	329	21	1,309
NZ Transport Agency operating funding	4,080	1,954	2,126	8,438	4,986	3,452	18,629
Total operating income	5,388	3,397	1,991	12,791	8,961	3,830	33,872
Operating Expenditure							
Personnel costs	6,865	7,092	227	20,524	20,996	472	83,057
Capitalised personnel costs	(2,277)	(2,599)	(322)	(6,957)	(7,921)	(964)	(31,473)
Directors Fees	42	43	1	127	128	1	510
Service delivery costs and professional services	2,843	3,524	681	9,124	10,581	1,457	41,822
Other expenditure	2,673	2,472	(201)	7,802	7,611	(191)	32,401
Total operating expenditure	10,146	10,532	386	30,620	31,395	775	126,317
Depreciation	1,335	1,601	266	4,823	4,627	(196)	26,850
Income tax benefit/(expense)	-	-	-	-	-	-	-
Surplus/(deficit) from Operations	(6,093)	(8,736)	2,643	(22,652)	(27,061)	4,409	(119,295)
Internal support allocated	6,093	8,736	2,643	22,652	27,061	4,409	119,295
Surplus/(deficit)	-	-	-	-	-	-	-

Section 2e – Operational funding requirement per passenger for the three months to September 2016



Section 3a – Summary of Capital Expenditure

	Current month			Year to date			Results achieved	Full year Budget \$000
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000		
Land								
CRL	301	484	183	2,078	2,487	409	●	19,255
AMETI	2,976	130	(2,846)	4,441	1,693	(2,748)	●	13,700
Special Housing Areas (SHAs)	1	15	14	4	55	51	●	17,765
Other	16,935	13,095	(3,840)	19,271	13,724	(5,547)	●	29,987
Total land	20,213	13,724	(6,489)	25,794	17,959	(7,835)	●	80,707
Major new capital projects								
CRL	10,434	7,846	(2,588)	30,163	19,957	(10,206)	●	150,242
Albany Highway Upgrade	1,073	350	(723)	3,173	1,050	(2,123)	●	3,822
Otahuhu Bus Interchange	2,547	840	(1,707)	6,090	5,680	(410)	●	3,324
Te Atatu Road Corridor Improvements	602	844	242	1,654	2,432	778	●	9,509
NorthWest Transformation	585	229	(356)	1,089	1,025	(64)	●	6,317
AMETI	501	813	312	1,501	2,034	533	●	8,364
Manukau Bus Interchange	178	235	57	434	352	(82)	●	22,600
Total major new capital projects	15,920	11,157	(4,763)	44,104	32,530	(11,574)	●	204,178
Other ring-fenced projects								
EMU	178	875	697	405	2,625	2,220	●	10,499
Local Board initiatives	2,395	3,943	1,548	6,519	10,475	3,956	●	10,537
Special Housing Areas (SHAs)	45	92	47	383	251	(132)	●	18,135
Other	411	396	(15)	931	1,274	343	●	9,456
Total other ring-fenced projects	3,029	5,306	2,277	8,238	14,625	6,387	●	48,627
Other								
Roads and footpaths	9,343	11,082	1,739	20,978	30,225	9,247	●	125,524
AT Metro	2,810	3,729	919	5,336	9,401	4,065	●	56,006
Parking operations	179	466	287	719	1,340	621	●	3,686
Internal support - BT	1,087	1,068	(19)	3,617	3,247	(370)	●	11,825
Internal support - Accommodation	142	180	38	491	600	109	●	4,000
Internal support - Other	(34)	225	259	56	325	269	●	1,950
Total other	13,527	16,750	3,223	31,197	45,138	13,941	●	202,991
Renewals	14,715	17,397	2,682	33,404	35,537	2,133	●	228,107
Total direct capital	67,404	64,334	(3,070)	142,737	145,789	3,052	●	764,610

Section 3b – Capital Expenditure Funding

	Current month			Year to date			Full year
	Actual	Budget	Variance	Actual	Budget	Variance	Budget
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Funding							
NZ Transport Agency new capital co-investment	6,810	8,822	(2,012)	16,804	22,947	(6,143)	153,310
NZ Transport Agency renewal co-investment	6,290	7,257	(967)	13,651	14,109	(458)	63,292
Other Capital Grants	605	-	605	1,321	-	1,321	-
Auckland Council capital grant	53,699	48,255	5,444	110,961	108,733	2,228	548,008
Total direct capital funding	67,404	64,334	3,070	142,737	145,789	(3,052)	764,610

Section 4a – Statement of Financial Position

As at 30 September 2016

	Note	Actual 30 September 2016 \$000	Actual 31 August 2016 \$000
Assets			
Current assets			
Cash and cash equivalents	1	3,917	5,471
Trade and other receivables	2	258,442	230,796
Inventories		9,712	9,671
Other assets		23,869	9,672
Non-current asset held for sale		6,297	6,193
Total current assets		302,237	261,803
Non-current assets			
Property, plant and equipment		16,347,447	16,301,799
Property, plant and equipment - work-in-progress		654,875	619,882
Intangible assets		126,263	125,973
Total non-current assets		17,128,585	17,047,654
Total assets		17,430,822	17,309,457

Section 4a – Statement of Financial Position (continued)

As at 30 September 2016

	Note	Actual 30 September 2016 \$000	Actual 31 August 2016 \$000
Liabilities			
Current liabilities			
Derivative financial instruments	3	263	278
Trade and other payables	4	198,970	162,100
Employee benefit liabilities	5	12,114	12,253
Borrowings	6	5,314	5,296
Total current liabilities		216,661	179,927
Non-current liabilities			
Derivative financial instruments	3	3,873	3,919
Trade and other payables	4	19,185	19,426
Employee benefit liabilities	5	624	624
Borrowings	6	489,410	489,818
Deferred tax liability	7	11,425	11,425
Total non-current liabilities		524,517	525,212
Total liabilities		741,178	705,139
Net assets		16,689,644	16,604,318
Equity			
Contributed capital		13,463,871	13,463,871
Accumulated surplus/(deficit)		1,108,315	1,022,989
Other reserves		2,117,458	2,117,458
Total equity		16,689,644	16,604,318

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

As at 30 September 2016

	Actual 30 September 2016 \$000	Actual 31 August 2016 \$000
1 Cash and cash equivalents		
Cash at bank - Trading	3,623	5,176
Till floats	294	295
Total cash and cash equivalents	3,917	5,471
The carrying value of cash and cash equivalents approximates their fair value.		
2 Trade and other receivables		
Trade debtors	2,789	3,367
Finance lease receivable	51	53
Infringements receivable	33,068	32,818
Amounts due from related parties	196,336	177,078
Accrued income	38,631	31,306
Goods and services tax	1,430	-
	272,305	244,622
Less provision for impairment of receivables	(13,863)	(13,826)
Total trade and other receivables	258,442	230,796

Section 4b – Notes to the Financial Statements

As at 30 September 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 30 September 2016 is detailed below:

	Gross	Impaired	Net
	\$000	\$000	\$000
Not past due	240,492	-	240,492
Past due 1 - 30 days	2,109	-	2,109
Past due 31 - 60 days	1,426	-	1,426
Past due 61 - 90 days	1,048	-	1,048
Past due > 90 days	27,230	(13,863)	13,367
	272,305	(13,863)	258,442

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:

	Actual
	\$000
At 1 July 2016	13,618
Additional provisions made	245
Provisions reversed	-
Receivables written-off	-
At 30 September 2016	13,863

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

As at 30 September 2016

	Actual 30 September 2016 \$000	Actual 31 August 2016 \$000
3 Derivative financial instruments		
Current liability portion		
Forward foreign exchange contracts - not hedge accounted	263	278
Current derivative financial instruments	263	278
Non-current liability portion		
Interest rate swaps - not hedge accounted	3,873	3,919
Non-current derivative financial instruments	3,873	3,919
Total derivative financial instrument liabilities	4,136	4,197

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 \$3.7 million. The foreign currency principal amount was USD \$2.5 million. The cash flow hedge loss of \$20,300 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 30 September 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 \$295,000 has been recorded in the Statement of Financial Performance.

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

As at 30 September 2016

	Actual 30 September 2016 \$000	Actual 31 August 2016 \$000
4 Trade and other payables		
Current portion		
Creditors	33,406	15,303
Goods and services tax	-	1,044
Accrued expenses	141,416	120,732
Retentions	10,947	11,485
Amounts due to related parties	5,167	4,888
Income in advance	8,034	8,648
Total current trade and other payables	198,970	162,100
Non-current portion		
Amounts due to related parties	19,185	19,426
Total non-current trade and other payables	19,185	19,426
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.		
5 Employee benefit liabilities		
Current portion		
Accrued salaries and wages	2,586	2,888
Accrued leave	9,528	9,365
Current employee benefit liabilities	12,114	12,253
Non-current portion		
Retirement gratuities	383	383
Long service leave	241	241
Non-current employee benefit liabilities	624	624

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

As at 30 September 2016

	Actual 30 September 2016 \$000	Actual 31 August 2016 \$000
6 Borrowings		
Current portion		
Loans from Auckland Council	5,314	5,296
Current borrowings	5,314	5,296
Non-current portion		
Loans from Auckland Council	489,410	489,818
Non-current borrowings	489,410	489,818
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 30 September 2016 Total \$000
Deferred tax liability				
Balance at 1 July 2016	(11,425)	-	-	(11,425)
Charged to profit and loss		-	-	-
Charged to equity		-	-	-
Balance at 30 September 2016	(11,425)	-	-	(11,425)

Section 5 – Cash Flow

	Year to date	Full year	
	Actual \$000	Budget \$000	Budget \$000
Cash flows from operating activities			
Total cash provided	340,975	363,299	1,550,758
Cash applied to:			
Payments to suppliers, employees and directors	182,867	182,695	750,237
Interest paid	6,760	7,583	30,511
Goods and services tax (net)	3,735	-	-
Total cash applied	193,362	190,278	780,748
Net cash from operating activities	147,613	173,021	770,010
Cash flows from investing activities			
Cash provided from:			
Sale of property, plant and equipment	995	-	-
Total cash provided	995	-	-
Cash applied to:			
Capital expenditure projects	146,477	171,789	764,611
Total cash applied	146,477	171,789	764,611
Net cash from investing activities	(145,482)	(171,789)	(764,611)
Cash flows from financing activities			
Total cash provided	-	-	-
Cash applied to:			
Repayments of EMU loan from Auckland Council	1,219	1,232	5,399
Total cash applied	1,219	1,232	5,399
Net cash from financing activities	(1,219)	(1,232)	(5,399)
Net (decrease)/increase in cash and cash equivalents	912	-	-
Opening cash balance	3,005	-	-
Closing cash balance	3,917	-	-

Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities	Actual \$000
Surplus/(deficit) after tax	111,080
Add/(less) non cash items	
Depreciation and amortisation	80,405
Vested assets	(40,338)
Foreign exchange loss	20
Gain on interest rate swaps	295
	40,382
Decrease/(Increase) in debtors and other receivables	11,359
Decrease/(Increase) in inventories	35
(Decrease)/Increase in creditors and other payables	8,762
(Decrease)/Increase in employee benefits payable	(1,468)
(Decrease)/Increase in other assets	(22,240)
(Decrease)/Increase in non current asset held for sale	(297)
	(3,849)
Net cash flow from operating activities	147,613

Section 6 – Accounts Receivable Report

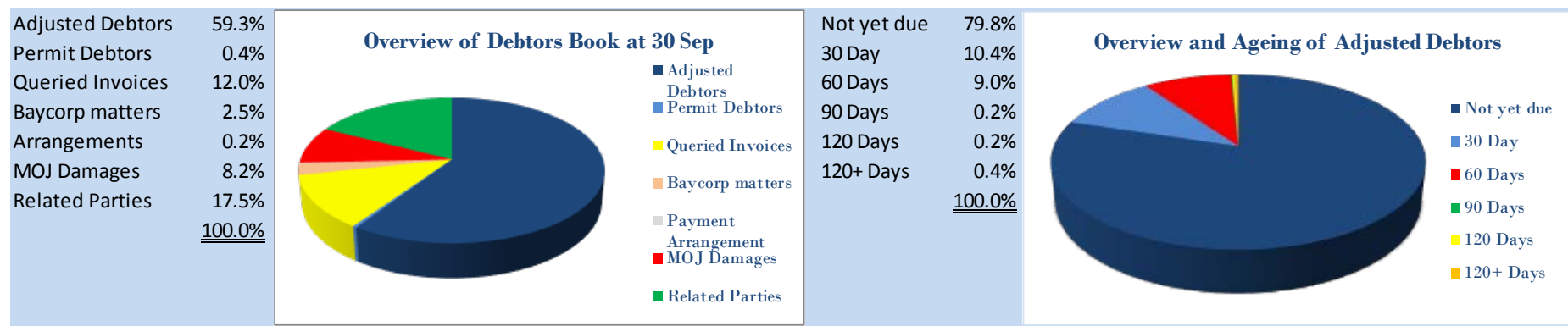
Accounts Receivable

An overview of the Debtors as at 30 September has 99.2% (97.5% August) of adjusted Debtors in 30 and 60 days, or not yet due.

<u>Debtors Ageing Analysis as at 30 September 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 30 Sep	124	3,362,504	2,111,244	227,457	280,674	178,792	42,114	522,223	1
Parking Permit Debtors	21	12,215	0	1,320	5,640	600	4,655	0	2
Total Debtors		3,374,719	2,111,244	228,777	286,314	179,392	46,769	522,223	
		100.0%	62.6%	6.8%	8.5%	5.3%	1.4%	15.5%	
O/s Related Parties	20	592,806	481,225	13,248	80,496	5,515	8,532	3,789	3
Trade Debtors	151	2,781,913	1,630,020	215,529	205,817	173,877	38,237	518,433	
		100.0%	58.6%	7.7%	7.4%	6.3%	1.4%	18.6%	
Queried Invoices	118	405,045	13,014	3,432	20,225	163,550	26,666	178,158	4
To Baycorp (Collection)	441	83,798	2,000	0	4,023	929	224	76,622	5
Payment Arrangement	112	5,944	0	0	0	0	0	5,944	6
Lodged Courts (Damages)	271	279,301	12,971	2,857	220	6,623	7,728	248,901	7
Adjusted Debtors		2,007,826	1,602,035	209,240	181,349	2,776	3,618	8,808	
		100.0%	79.8%	10.4%	9.0%	0.1%	0.2%	0.4%	

Notes relating to the Debtors Ageing Analysis:

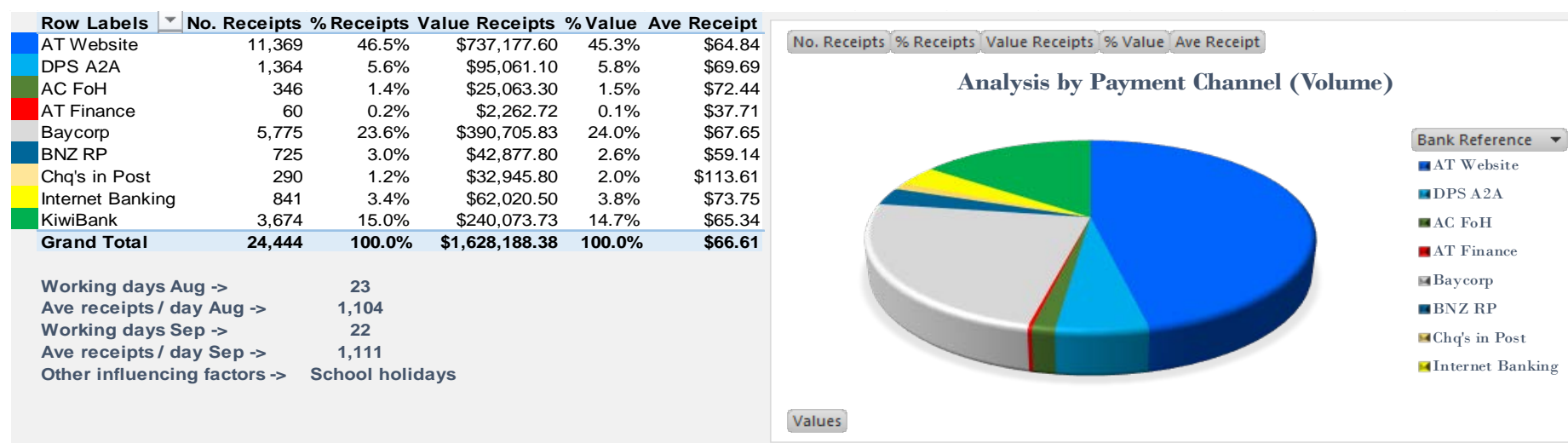
- 1) Sundry Debtors administered in the SAP system
- 2) Parking Permit Debtors administered in the Pathway system. These invoices are for on street permits issued. Amounts not collected within 60 days are lodged with Baycorp for collection. Accounts not paying on time are blocked for further permits.
- 3) Inter-Council Group debts
- 4) Relates to invoices which have been queried or disputed by customers. There has been a noticeable increase in September due to one query for \$115,000 for one debtor. The AR Team are working with the department concerned in an effort to resolve this matter.
- 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.



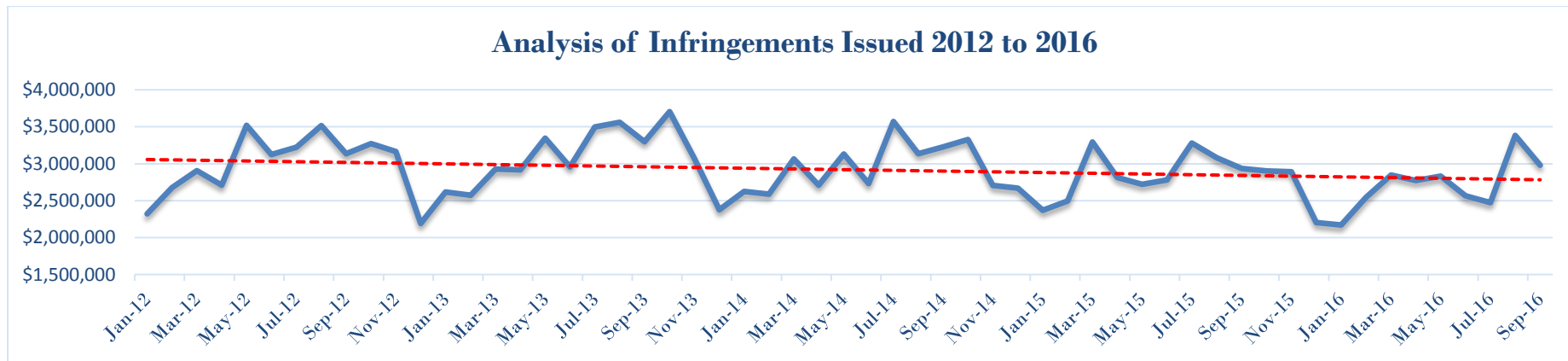
Infringement Overview:

September's Infringement receipts by volume are down 3.7% on August (22 working days in September compared with 23 in August). Of the customers not paying in response to a Baycorp demand, 72.7% are making use of electronic payment methods (72.6% in August). The AT website recorded 52.1% of all receipts (50.3% in August). The highest average receipt by value was received via cheque payments.

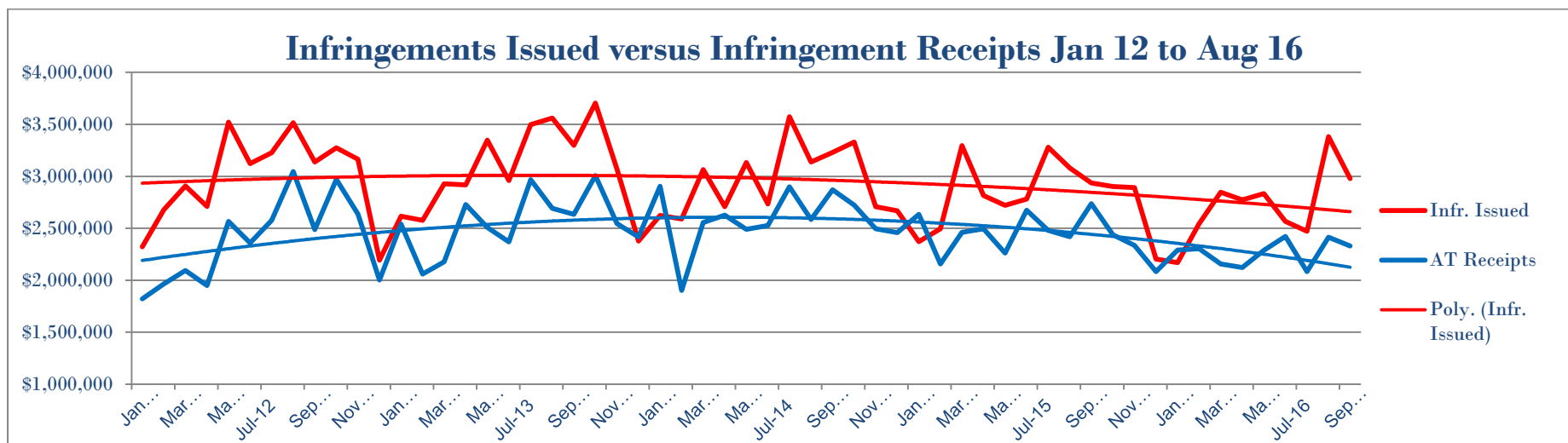
The following graph illustrates the seasonal issuance of infringements. Average infringements issued per month from January to July over the last four years is \$2.96 million, while average issued per month in 2016 to 31 August is \$2.7 million.



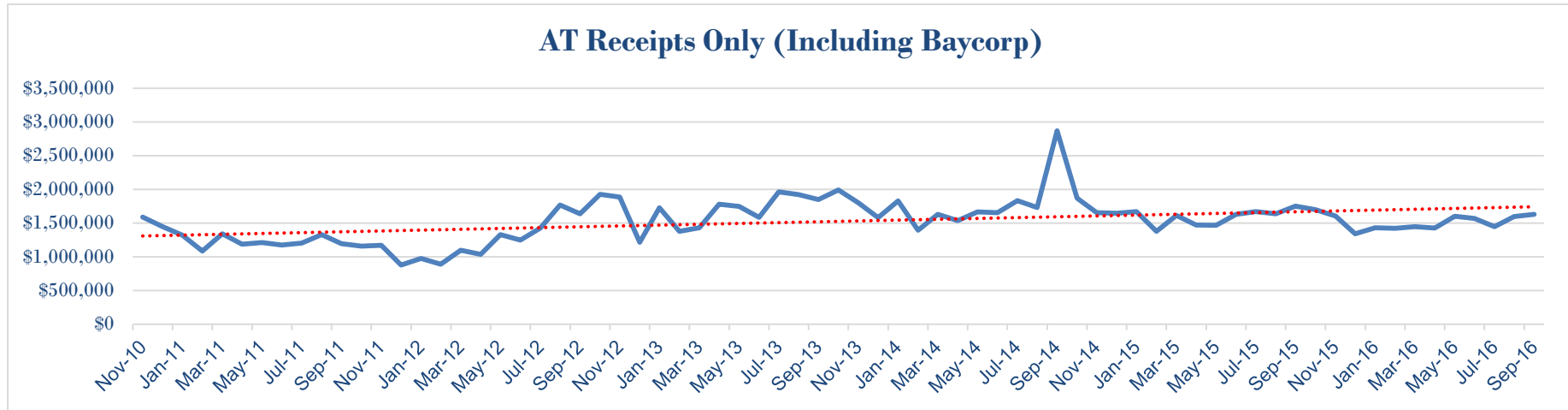
The following graph illustrates the seasonal issuance of infringements. Average infringements issued per month from January to September over the last four years is \$2.98 million, while the average issued to 30 September 2016 is \$2.73 million. Total issued in August and September are the highest since August 2015.



Analysis of receipts by value show that infringements issued over the past 24 months have decreased. Analysis of MoJ's collection statistics show that average receipts in 2016 are down 14.8% on 2015. AT's receipts (January to September 2016 average) are down 5.0% compared with the same period in 2015. This is in line with the 4.7% decrease in infringements issued for the same periods. The trend lines in the graph below have started moving apart slightly as a result of lower MoJ collections and two months of record infringements issued (August and September).



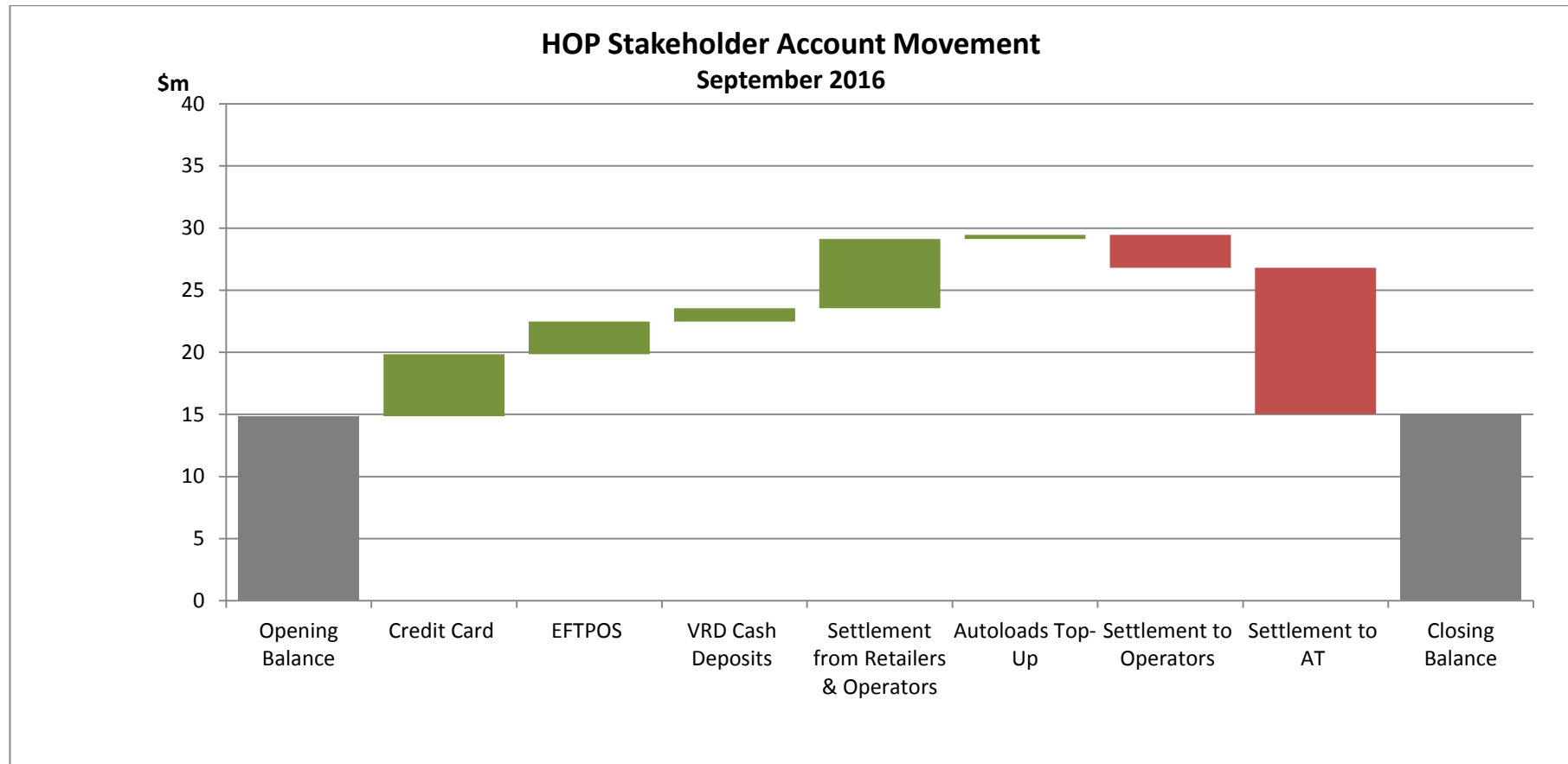
Direct receipts prior to lodging with MoJ continue to show an upward trend as a result of the Baycorp arrangement.



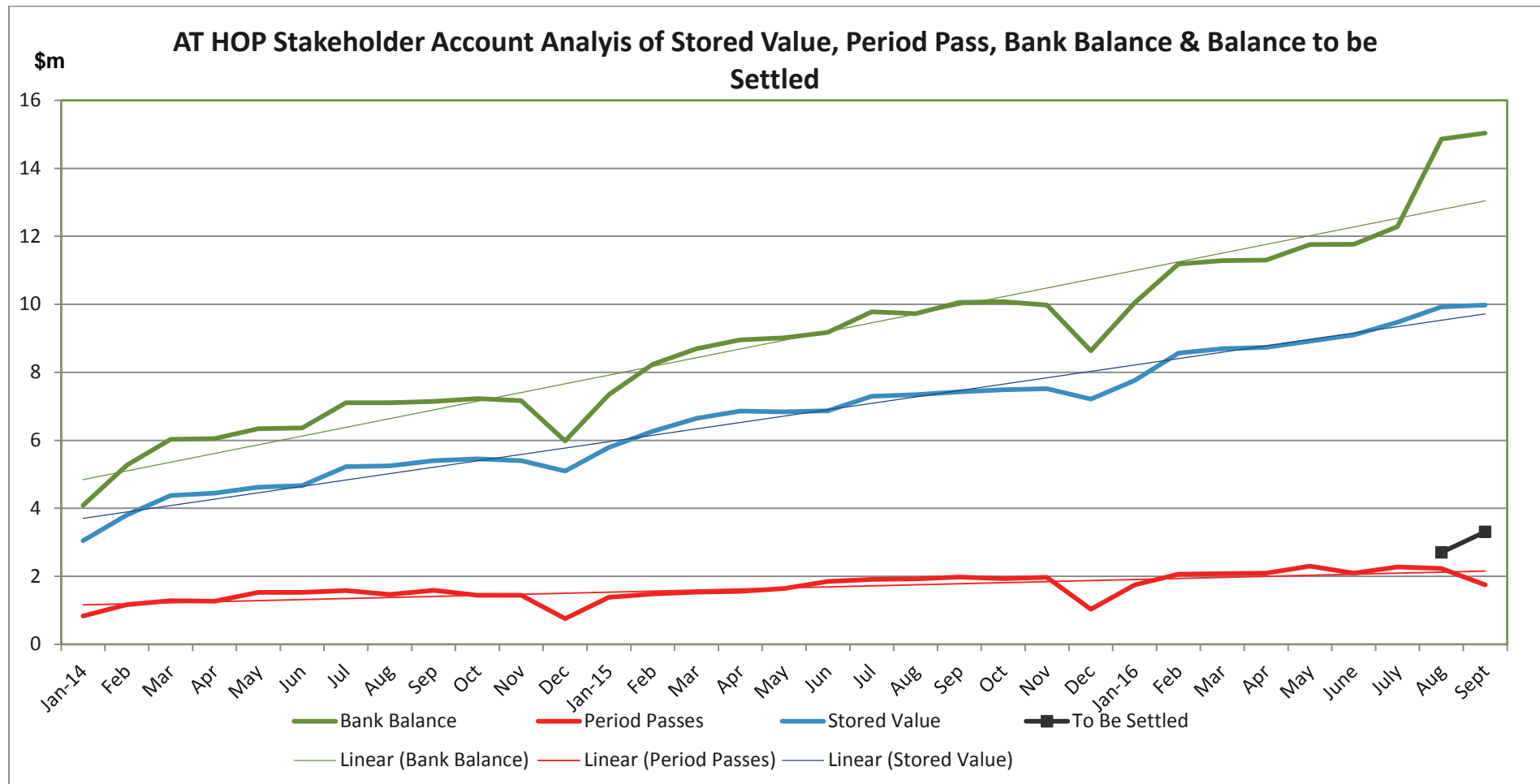
Section 7 – AT HOP Stakeholder Monthly Report

(Does not form part of AT results)




The AT HOP Stakeholder bank account increased by 1.2%, from \$14.85 million to \$15 million.



The following graph provides an overview of monthly balances for Stored Value, Period Passes, the AT HOP Stakeholder Account and the amount yet to be settled to operators and AT. A “to be settled” line has been added to the graph to show the unsettled HOP money due to the seven day delay with the introduction of Simpler Fares.



Document ownership

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