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Financial Results for the Twelve Months Ended 30 June 2018

Recommendation

That the Board:

- i. Receives the report

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Section 1 – Overview

This report is prepared referencing the budget reforecast which was approved at the 1 February 2018 Board meeting.

The full year **Deficit from operations** is \$320.6 million, which is \$2.3 million or less than 1% unfavourable to budget. Items which contribute to this result include:

- Total **operating income** is higher than budget. Items to note are:
 - NZ Transport Agency operating funding exceeded budget due to additional public transport service funding to cover the increase in the net cost of implementing the Public Transport Operational Model and higher than budgeted administration subsidy received on fundable capital expenditure.
 - Parking income is lower than budget due to CRL construction unfavourably impacting on Pay & Display parking revenue in the city centre, delays in implementing new parking areas and reduced average yield per parking ticket with increasing usage of the AT Park app. Total parking income is 4% higher compared with last year.
 - Public transport fare income is lower than budget due to continuing pressure on the public transport average yield. The average yield declined during the year due to a number of factors, most notably the impact of continued customer migration from cash to lower AT HOP fares and the success of the new network in migrating customers onto feeder services.
 - Other revenue exceeded budget due to higher than expected rental income on properties acquired for roading projects of \$2.9 million, miscellaneous income (e.g. permit fee, application fee, reimbursements) of \$1.7 million and petrol tax income of \$300,000.
- Total **operating expenditure** excluding depreciation and amortisation year to date is \$8.4 million or 1% higher than budget mainly due to delays in the recovery of current and prior year costs associated with rental properties of \$3.7 million, higher than budget bus contract costs of \$2.7 million, utilities costs of \$1.7 million and IT costs of \$1.4 million. This is offset primarily by an underspend against budget in track and ferry access charges, other service delivery and contractor maintenance costs.

The **capital programme** is lower than budget by \$42.3 million or 6% mainly driven by delays in land acquisition, timing differences in the payments for the additional electric trains and lower than budgeted Safety and Walking & Cycling programme spend. This year's capital spend is \$99 million higher than last year (excluding CRL).

Highlights from June include a number of land acquisitions including 100 Halsey Street for \$13.0 million, design milestone payment for the electric trains of \$12.5 million and renewals spend of \$31.1 million.

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Items to note from the full year are:

- Land purchases for the LRT project were not completed, recognising that the Transport Agency are leading this project.
- Eastern Busway (AMETI) land acquisitions are ahead of budget but non-land expenditure is behind budget due to delays arising from archaeological investigations.
- The EMU project is lower than budget due to a timing difference in the payments to CAF.
- Public Transport is lower than budget primarily due to:
 - The airport access study was delayed due to ongoing discussion around LRT
 - The Parnell Station project started later than planned due to protracted negotiations with land owners
 - The SaFE project was deferred due to ongoing Rail and Maritime Transport Union negotiations
- The overspend in renewals is predominantly in pavement rehabilitation, asphaltic concrete resurfacing and to a lesser extent footpath renewals with cost increases also playing a part in the increase costs on each of these activities.

Vested assets amounting to \$92.4 million were received in June, taking the full year total to \$316.3 million. This is mainly from property development in Hobsonville, Long Bay, Flat Bush, Albany, Silverdale and Totara Heights.

Revaluations were completed on finance lease land and rolling stock in June resulting in a \$20.2 million increase in the value of these assets of which \$12 million was recognised in the net surplus. A revaluation of operational land and building is being concluded for final reporting.

Revaluation movements include:

- \$13.5 million or 3% increase in the value of rolling stock which consists of \$13.3 million for the EMUs and \$3 million for the DMUs offset by a \$2.8 million decrease in the value of other rolling stock assets (i.e. signalling equipment, radios, refurbishments etc.).

The EMUs are currently delivering 25% more mileage per annum than planned and this is forecasted to increase to over 80% post 2018. This will require two additional overhauls over the life of the EMUs to maintain the 35 year useful life.
- \$6.7 million or 35% increase in the value of finance lease land.

Operational land and buildings valuations is being concluded for final reporting. This report has been updated to include interim results which indicate a \$191.4 million or 28% increase in value which primarily reflects changes in land use and zoning in the Auckland Unitary Plan and recent market transactions.

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Section 2a – Executive Summary

Financial results for the twelve months ended 30 June 2018:

	Current month variance to revised budget	Full year variance to revised budget	Full year results	Full year Actual	Full year revised budget
	\$m	\$m		\$m	\$m
Total operating income	(0.5)	6.7	●	823.9	817.3
Total operating expenditure	(5.5)	(9.0)	●	1,144.5	1,135.6
Surplus/(deficit) from operations	(6.0)	(2.3)	●	(320.6)	(318.3)
Income for capital projects	120.0	119.0	●	999.3	880.3
Net surplus/(deficit) before tax	114.0	116.7	●	678.7	562.0
Total direct capital	(39.5)	42.3	●	687.0	729.3

Key to symbols used

●	Favourable budget variance
●	Unfavourable budget variance less than 5%
●	Unfavourable budget variance greater than 5%

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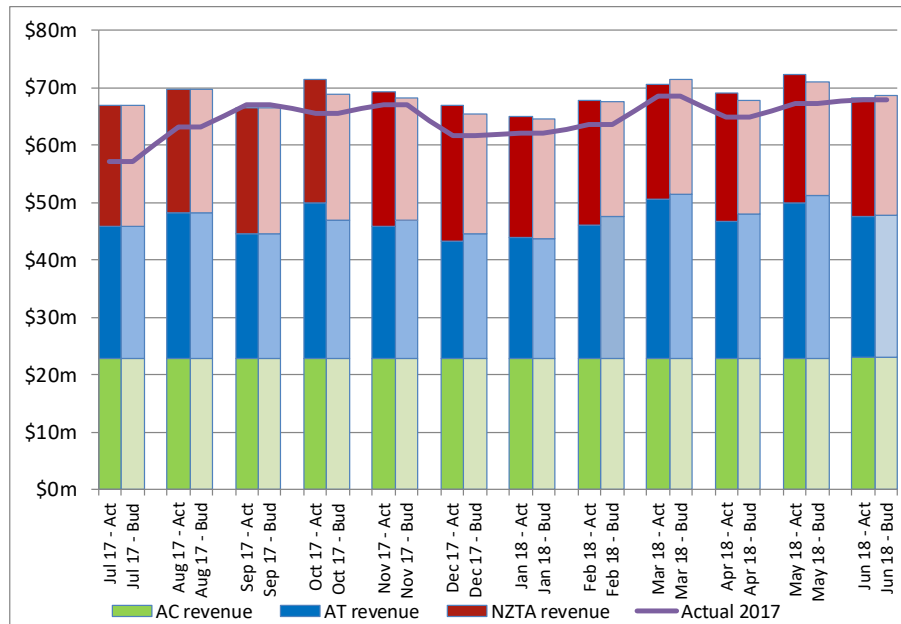
Section 2b – Financial results for the twelve months ended 30 June 2018

	Current month			Full year		
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000
Income						
<u>Operating income</u>						
Auckland Council funding	23,020	23,020	-	275,180	275,179	1
NZ Transport Agency operating funding	20,754	20,812	(58)	260,892	249,869	11,023
Parking and enforcement income	6,823	7,224	(401)	81,885	83,450	(1,565)
Public transport income	14,638	15,389	(751)	172,469	180,187	(7,718)
Other revenue incl. other grants and subsidies	3,040	2,289	751	33,502	28,578	4,924
Total operating income	68,275	68,734	(459)	823,928	817,263	6,665
Expenditure						
Personnel costs	13,526	14,360	834	161,406	162,211	805
Capitalised personnel costs	(4,628)	(3,485)	1,143	(37,829)	(37,972)	(143)
Depreciation and amortisation	28,541	27,767	(774)	324,674	324,081	(593)
Other expenditure	63,615	56,930	(6,685)	665,817	656,807	(9,010)
Finance costs	2,491	2,467	(24)	30,476	30,452	(24)
Total operating expenditure	103,545	98,039	(5,506)	1,144,544	1,135,579	(8,965)
Surplus/(deficit) from operations	(35,270)	(29,305)	(5,965)	(320,616)	(318,316)	(2,300)
<u>Income for capital projects</u>						
NZ Transport Agency capital co-investment	36,328	13,638	22,690	205,230	190,360	14,870
Auckland Council capital grant	79,233	61,134	18,099	480,485	538,175	(57,690)
Other capital grants	73	-	73	1,265	783	482
Vested asset income	92,435	9,366	83,069	316,318	150,996	165,322
Total income for capital projects	208,069	84,138	123,931	1,003,298	880,314	122,984
Net surplus/(deficit) before tax and derivatives	172,799	54,833	117,966	682,682	561,998	120,684
Gains/(losses) on derivatives	3,484	-	3,484	838	817	21
Gain/(loss) on disposal of assets	(1,495)	-	(1,495)	(2,869)	(396)	(2,473)
Revaluation gain/(loss)	11,970	-	11,970	11,970	-	11,970
Income tax benefit/(expense)	1,339	-	1,339	1,597	-	1,597
Net surplus/(deficit) after tax and derivatives	188,097	54,833	133,264	694,218	562,419	131,799

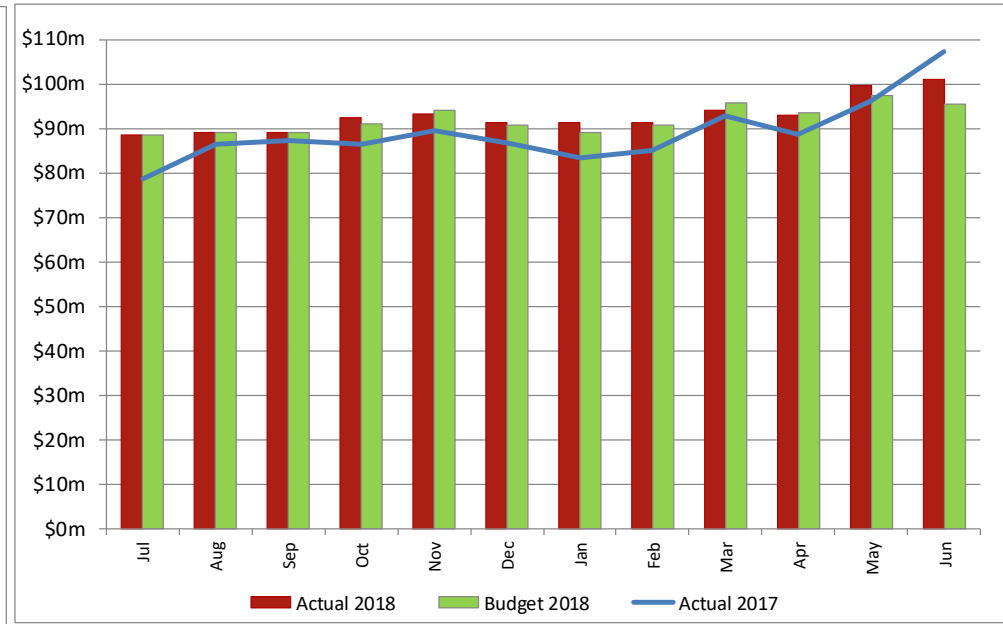
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Section 2b – Financial results for the twelve months ended 30 June 2018 (continued)

Operating revenue



Operating expenditure (excl. disposals and derivatives)



Note: Operating revenue and expenditure reflect the phased introduction of the new bus network and Public Transport Operating Model (PTOM) contracts between October 2016 and September 2018.

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Section 2c – Summary of financial results by activity

	Current month			Full year		
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000
Operating Income						
Rail	9,815	9,407	408	118,710	118,473	237
Bus	18,086	18,516	(430)	203,525	205,607	(2,082)
Ferry	1,342	1,513	(171)	15,736	16,663	(927)
Other public transport	3,124	2,936	188	30,622	32,261	(1,639)
Parking	4,085	4,568	(483)	48,971	50,701	(1,730)
Enforcement	2,738	2,656	82	32,914	32,749	165
Roading and footpaths	6,280	3,492	2,788	66,963	60,563	6,400
Internal support	(216)	2,626	(2,842)	31,308	25,067	6,241
Auckland Council operating funding	23,020	23,020	-	275,180	275,179	1
Total operating income	68,274	68,734	(460)	823,929	817,263	6,666
Operating Expenditure						
Rail	14,426	13,209	(1,217)	169,421	168,187	(1,234)
Bus	26,202	24,942	(1,260)	290,327	287,212	(3,115)
Ferry	1,785	1,956	171	20,487	20,947	460
Other public transport	4,747	4,218	(529)	43,898	45,564	1,666
Parking	1,398	1,133	(265)	13,497	12,489	(1,008)
Enforcement	1,491	2,183	692	20,460	21,152	692
Roading and footpaths	15,219	11,830	(3,389)	146,242	144,121	(2,121)
Internal support	9,735	10,801	1,066	115,539	111,826	(3,713)
Depreciation and amortisation	28,541	27,767	(774)	324,674	324,081	(593)
Total operating expenditure	103,544	98,039	(5,505)	1,144,545	1,135,579	(8,966)
Surplus/(deficit) from Operations	(35,270)	(29,305)	(5,965)	(320,616)	(318,316)	(2,300)

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Section 2d – Rail Operations

	Current month			Full year		
	Actual	Revised	Variance	Actual	Revised	Variance
	\$000	\$000	\$000	\$000	\$000	\$000
Operating Income						
Activity income	3,943	4,513	(570)	49,158	51,957	(2,799)
Other income	175	245	(70)	1,678	1,787	(109)
NZ Transport Agency operating funding	4,111	3,076	1,035	48,304	45,172	3,132
NZ Transport Agency operating funding - Electric Trains	1,586	1,573	13	19,570	19,557	13
Total operating income	9,815	9,407	408	118,710	118,473	237
Operating Expenditure						
Personnel costs	535	606	71	4,400	4,691	291
Capitalised personnel costs	4	-	(4)	126	58	(68)
Service delivery costs and professional services	7,443	6,492	(951)	94,622	94,025	(597)
Utilities costs	429	283	(146)	3,959	3,422	(537)
Track access charges	2,282	2,669	387	26,820	27,549	729
Other expenditure	1,242	692	(550)	9,018	7,990	(1,028)
Finance costs	2,491	2,467	(24)	30,476	30,452	(24)
Total operating expenditure	14,426	13,209	(1,217)	169,421	168,187	(1,234)
Depreciation	3,519	3,497	(22)	41,712	41,793	81
Surplus/(deficit) from Operations	(8,130)	(7,299)	(831)	(92,423)	(91,507)	(916)
Internal support costs	2,903	2,525	(378)	25,979	26,657	679
Surplus/(deficit)	(11,033)	(9,824)	(1,209)	(118,402)	(118,164)	(237)

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Section 2d – Bus Operations

	Current month			Full year		
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000
Operating Income						
Activity income	8,758	9,033	(275)	99,376	103,429	(4,053)
Other income	394	204	190	4,658	5,082	(424)
NZ Transport Agency operating funding	8,934	9,279	(345)	99,491	97,096	2,395
Total operating income	18,086	18,516	(430)	203,525	205,607	(2,082)
Operating Expenditure						
Personnel costs	477	405	(72)	4,767	4,755	(12)
Capitalised personnel costs	(83)	(78)	5	(510)	(816)	(306)
Service delivery costs and professional services	25,334	24,407	(927)	283,273	281,081	(2,192)
Utilities costs	217	95	(122)	1,293	987	(306)
Other expenditure	257	113	(144)	1,504	1,205	(299)
Total operating expenditure	26,202	24,942	(1,260)	290,327	287,212	(3,115)
Depreciation	772	342	(430)	4,015	3,661	(354)
Surplus/(deficit) from Operations	(8,888)	(6,768)	(2,120)	(90,817)	(85,266)	(5,551)
Internal support costs	4,958	4,312	(646)	44,363	45,523	1,159
Surplus/(deficit)	(13,846)	(11,080)	(2,766)	(135,180)	(130,789)	(4,392)

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Section 2d – Ferry Operations

	Current month			Full year		
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000
Operating Income						
Operator access fees	307	433	(126)	5,661	5,873	(212)
Activity income	336	229	107	2,673	2,680	(7)
Other income	67	75	(8)	772	886	(114)
NZ Transport Agency operating funding	632	776	(144)	6,630	7,224	(594)
Total operating income	1,342	1,513	(171)	15,736	16,663	(927)
Operating Expenditure						
Personnel costs	124	117	(7)	1,424	1,443	19
Capitalised personnel costs	(78)	(41)	37	(339)	(428)	(89)
Service delivery costs and professional services	1,585	1,606	21	16,772	17,035	263
Utilities costs	28	70	42	963	922	(41)
Other expenditure	126	204	78	1,667	1,975	308
Total operating expenditure	1,785	1,956	171	20,487	20,947	460
Depreciation	339	328	(11)	3,951	3,925	(26)
Surplus/(deficit) from Operations	(782)	(771)	(11)	(8,702)	(8,209)	(493)
Internal support costs	362	314	(47)	3,236	3,320	85
Surplus/(deficit)	(1,144)	(1,085)	(58)	(11,938)	(11,529)	(408)

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Section 2d – Other Public Transport Operations

	Current month			Full year		
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000
Operating Income						
Other income	658	656	2	8,494	8,492	2
NZ Transport Agency operating funding	2,466	2,280	186	22,128	23,769	(1,641)
Total operating income	3,124	2,936	188	30,622	32,261	(1,639)
Operating Expenditure						
Personnel costs	1,338	1,494	156	17,112	17,601	489
Capitalised personnel costs	47	(48)	(95)	(753)	(996)	(243)
Service delivery costs and professional services	1,948	1,628	(320)	14,642	15,712	1,070
IT costs	423	182	(241)	2,276	2,218	(58)
Other expenditure	991	962	(29)	10,621	11,029	408
Total operating expenditure	4,747	4,218	(529)	43,898	45,564	1,666
Depreciation	1,474	1,409	(65)	17,250	16,815	(435)
Surplus/(deficit) from Operations	(3,097)	(2,691)	(406)	(30,526)	(30,118)	(408)
Internal support costs	787	684	(103)	7,038	7,222	184
Surplus/(deficit)	(3,884)	(3,375)	(509)	(37,564)	(37,340)	(224)

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Section 2d – Parking Operations

	Current month			Full year		
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000
Operating Income						
Other income	142	122	20	1,523	1,478	45
Parking Fees	3,943	4,446	(503)	47,448	49,223	(1,775)
Total operating income	4,085	4,568	(483)	48,971	50,701	(1,730)
Operating Expenditure						
Personnel costs	279	268	(11)	3,248	3,267	19
Capitalised personnel costs	(21)	(4)	17	(27)	(40)	(13)
Service delivery costs and professional services	397	416	19	3,807	3,796	(11)
Utilities costs	572	403	(169)	5,167	4,894	(273)
Other expenditure	171	50	(121)	1,302	572	(730)
Total operating expenditure	1,398	1,133	(265)	13,497	12,489	(1,008)
Depreciation	635	638	3	7,682	7,654	(28)
Surplus/(deficit) from Operations	2,052	2,797	(745)	27,792	30,558	(2,766)
Internal support costs	216	187	(28)	1,929	1,979	50
Surplus/(deficit)	1,836	2,610	(773)	25,863	28,579	(2,716)

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Section 2d – Enforcement Operations

	Current month			Full year		
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000
Operating Income						
Other income	-	(37)	37	(1)	(38)	37
Infringement income	2,738	2,693	45	32,915	32,787	128
Total operating income	2,738	2,656	82	32,914	32,749	165
Operating Expenditure						
Personnel costs	889	1,295	406	10,531	11,058	527
Capitalised personnel costs	13	107	94	175	155	(20)
Service delivery costs and professional services	122	151	29	2,194	1,909	(285)
Utilities costs	-	-	-	-	-	-
Other expenditure	467	630	163	7,560	8,030	470
Total operating expenditure	1,491	2,183	692	20,460	21,152	692
Depreciation	76	50	(26)	728	595	(133)
Surplus/(deficit) from Operations	1,171	423	748	11,726	11,002	724
Internal support costs	365	318	(48)	3,267	3,353	85
Surplus/(deficit)	806	105	700	8,459	7,649	809

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Section 2d – Roading and Footpaths Operations

	Current month			Full year		
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000
Operating Income						
Petrol tax	783	689	94	9,507	9,219	288
Other income	1,042	475	567	8,281	6,446	1,835
NZ Transport Agency operating funding	4,455	2,328	2,127	49,175	44,898	4,277
Total operating income	6,280	3,492	2,788	66,963	60,563	6,400
Operating Expenditure						
Personnel costs	2,921	3,352	431	35,841	36,754	913
Capitalised personnel costs	(1,241)	(1,204)	37	(10,411)	(10,237)	174
Service delivery costs and professional services	10,928	7,077	(3,851)	96,612	93,918	(2,694)
Utilities costs	1,458	1,744	286	15,354	15,356	2
IT Costs	110	34	(76)	705	306	(399)
Other expenditure	1,043	827	(216)	8,141	8,024	(117)
Total operating expenditure	15,219	11,830	(3,389)	146,242	144,121	(2,121)
Depreciation	19,599	19,175	(424)	225,494	225,500	6
Surplus/(deficit) from Operations	(28,538)	(27,513)	(1,025)	(304,773)	(309,058)	4,285
Internal support costs	2,488	2,164	(324)	22,261	22,843	582
Surplus/(deficit)	(31,026)	(29,677)	(1,349)	(327,034)	(331,901)	4,867

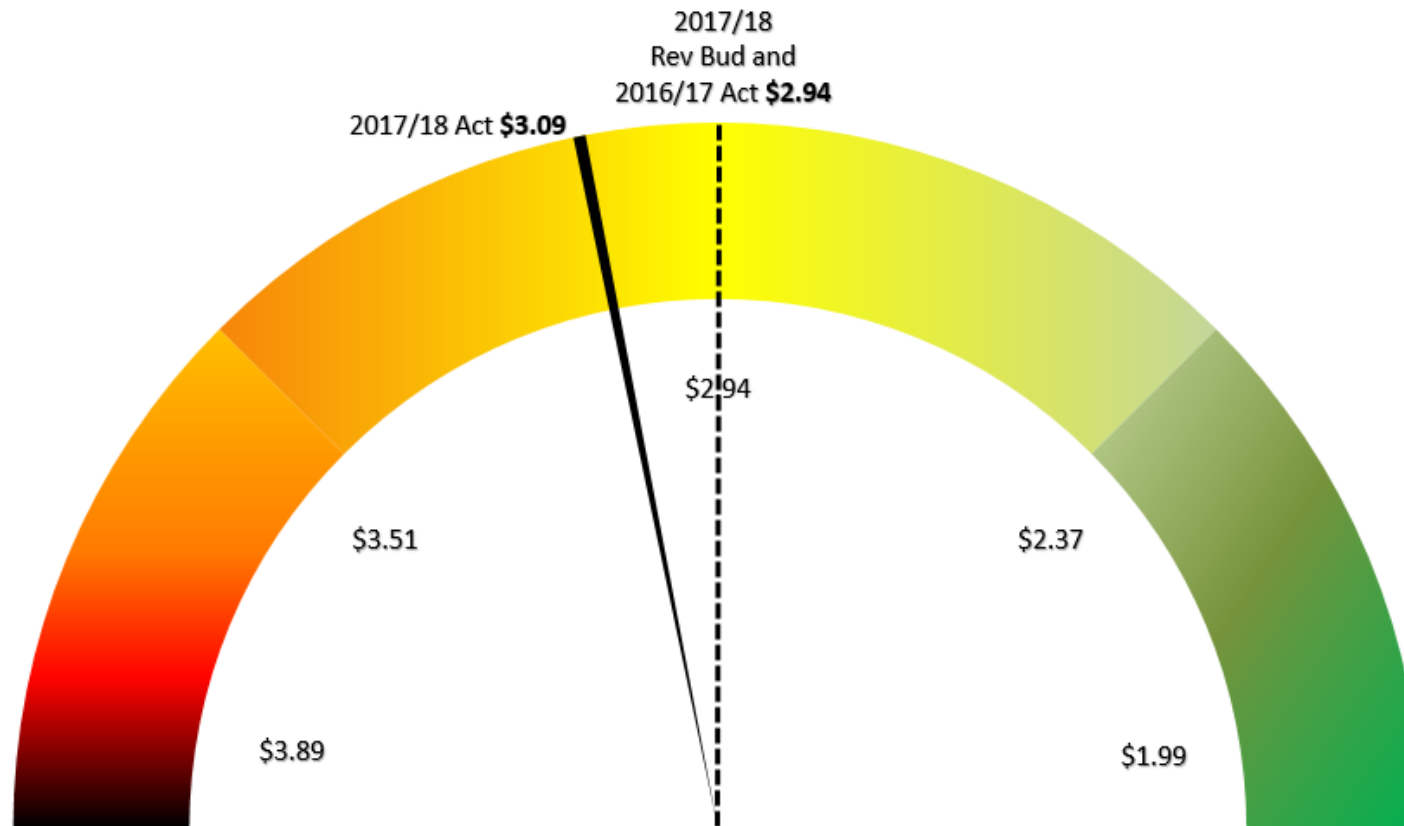
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Section 2d – Internal Support

	Current month			Full year		
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000
Operating Income						
Rental income	1,040	853	187	12,530	9,252	3,278
Other income	174	273	(99)	3,183	3,661	(478)
NZ Transport Agency operating funding	(1,430)	1,500	(2,930)	15,595	12,154	3,441
Total operating income	(216)	2,626	(2,842)	31,308	25,067	6,241
Operating Expenditure						
Personnel costs	6,963	6,824	(139)	84,084	82,642	(1,442)
Capitalised personnel costs	(3,269)	(2,218)	1,051	(26,089)	(25,667)	422
Directors Fees	38	42	4	477	510	33
Service delivery costs and professional services	2,425	4,014	1,589	23,800	27,210	3,410
Other expenditure	3,578	2,139	(1,439)	33,267	27,131	(6,136)
Finance costs	-	-	-	-	-	-
Total operating expenditure	9,735	10,801	1,066	115,539	111,826	(3,713)
Depreciation	2,127	2,329	202	23,842	24,138	296
Surplus/(deficit) from Operations	(12,078)	(10,504)	(1,574)	(108,073)	(110,897)	2,824
Internal support allocated	12,078	10,504	(1,574)	108,073	110,897	2,824
Surplus/(deficit)	-	-	-	-	-	-

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Section 2e – Operational funding requirement per passenger for the twelve months ended 30 June 2018



The operational cost (net of third party revenue) of \$3.09 per passenger on the Public Transport Network is higher than the budget and prior year of \$2.94 per passenger. With annual patronage now at 92 million, each one cent change in operational cost per passenger represents up to \$920,000 operational cost impact to Auckland Transport.

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Section 3a – Summary of Capital Expenditure

	Current month			Full year		
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000
Land						
Mass Transit	-	5,000	5,000	-	17,300	17,300
AMETI	6,037	-	(6,037)	25,168	11,514	(13,654)
Mill Road improvements	54	4,005	3,951	27,550	33,897	6,347
Growth Infrastructure Fund	617	-	(617)	2,657	2,212	(445)
Drury South	-	-	-	3	16	13
Special Housing Areas (SHAs)	714	-	(714)	3,794	6,007	2,213
Other	16,948	419	(16,529)	35,691	31,275	(4,416)
Total land	24,370	9,424	(14,946)	94,863	102,221	7,358
Major new capital projects						
AMETI	2,045	1,698	(347)	14,203	18,061	3,858
Manukau Bus Interchange	631	-	(631)	20,692	20,188	(504)
EMU	12,669	1,154	(11,515)	20,725	28,091	7,366
NorthWest Transformation	255	108	(147)	425	882	457
Dominion Road bus lane improvements	14	728	714	927	3,080	2,153
Franklin Road enhancements	375	783	408	4,600	5,572	972
Murphys Road upgrade	259	450	191	3,893	2,967	(926)
Total major new capital projects	16,248	4,921	(11,327)	65,465	78,841	13,376
Other ring-fenced projects						
Local Board initiatives	681	1,139	458	5,289	9,134	3,845
Special Housing Areas (SHAs)	791	525	(266)	6,323	5,427	(896)
Other	2,405	1,634	(771)	11,655	8,473	(3,182)
Total other ring-fenced projects	3,877	3,298	(579)	23,267	23,034	(233)
Other						
Roads and footpaths	20,197	13,620	(6,577)	133,698	139,911	6,213
Public transport	17,666	22,187	4,521	102,966	132,740	29,774
Parking operations	685	166	(519)	5,220	3,545	(1,675)
Internal support - BT	1,388	240	(1,148)	13,735	5,847	(7,888)
Internal support - Accommodation	111	155	44	3,933	4,553	620
Internal support - Other	41	2,738	2,697	2,007	8,927	6,920
Total other	40,088	39,106	(982)	261,559	295,523	33,964
Renewals	31,050	19,393	(11,657)	241,826	229,700	(12,126)
Total direct capital	115,633	76,142	(39,491)	686,980	729,319	42,339

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Section 3b – Capital Expenditure Funding

	Current month			Full year		
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000
Direct capital funding						
NZ Transport Agency new capital co-investment	30,460	12,632	17,828	128,878	120,264	8,614
NZ Transport Agency renewal co-investment	5,869	1,006	4,863	76,353	70,096	6,257
Other capital grants	73	-	73	1,265	783	482
Auckland Council capital grant	79,233	61,134	18,099	480,485	538,175	(57,690)
Total direct capital funding	115,635	74,772	40,863	686,981	729,318	(42,337)

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Section 3c – Major Capital Projects whole of life forecast

Project description	Notes	What we have spent so far			What we expect to spend in total		Approved funding		
		from Nov 2010 to Jun 2017 \$000	YTD Jun 2018 \$000	Total to date \$000	Forecast remaining \$000	Estimate at completion (EAC) \$000	Approved funding \$000	% spend to date	Variance to EAC \$000
Manukau Station		18,647	20,692	39,339	150	39,489	41,316	95%	(1,827)
Pukekohe Station		5,955	10,217	16,172	270	16,442	14,150	114%	2,292
East West (FN32 Bus, Cycle, Truck Improvements)	1	8,277	2,736	11,013	33,435	44,448	54,000	20%	(9,552)
Mill Road Improvements	2	26,587	28,212	54,799	415,863	470,662	144,440	38%	326,222
Lincoln Road - Corridor Improvements	3	8,355	6,648	15,003	72,558	87,561	56,590	27%	30,971
Murphys Road Upgrade Bridge Improvements (PC20)		2,176	3,904	6,080	18,568	24,648	20,700	29%	3,948
Tamaki Ngapipi Intersection Safety Improvements		2,654	7,691	10,345	4,148	14,493	14,581	71%	(88)
Franklin Road Enhancements		1,273	4,600	5,873	9,169	15,042	16,266	36%	(1,224)
EMU (Rolling Stock Tranche 2017)			19,612	19,612	132,367	146,368	146,368	15%	
Northcote Safe Route Cycleway		2,180	7,595	9,775	8,818	18,593	17,751	55%	842
Nelson Street Downtown Cycleway		3,686	2,496	6,182	261	6,443	6,965	89%	(522)

Notes

1. East West Link was originally planned as a single initiative covering roading and PT elements at an estimated cost of \$135 million. Subsequently this was split into two projects and \$54 million was allocated to the FN32 project as a planned spend.
2. Mill Road was budgeted at \$144 million in the last LTP to deliver the Northern section of Mill Road improvements. The current forecast reflects the February 2018 cost estimates for a different project scope. The revised project is included in 2018 LTP and RLTP at a funding level of \$507 million.
3. Post public consultation the Lincoln Road project footprint has changed compared with the original scope. The cost increases are a combination of scope/design changes and price increases related to land take and construction costs.

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Section 4a – Statement of Financial Position

As at 30 June 2018

	Note	Actual 30 June 2018 \$000	Actual 31 May 2018 \$000
Assets			
Current assets			
Cash and cash equivalents	1	4,567	5,552
Receivables	2	319,554	278,274
Inventories		11,740	11,720
Other assets		4,318	9,328
Non-current assets held for sale		1,952	2,021
Total current assets		342,131	306,895
Non-current assets			
Receivables		801	1,801
Property, plant and equipment (PPE)		18,839,980	18,463,282
Intangible assets		109,372	98,446
Work in progress (PPE and intangible assets)	3	548,131	545,204
Total non-current assets		19,498,284	19,108,733
Total assets		19,840,415	19,415,628

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Section 4a – Statement of Financial Position (continued)

As at 30 June 2018

	Note	Actual 30 June 2018 \$000	Actual 31 May 2018 \$000
Liabilities			
Current liabilities			
Payables and accruals	4	216,363	176,294
Employee entitlements	5	17,020	16,007
Derivative financial instruments		-	541
Borrowings	6	6,123	6,092
Total current liabilities		239,506	198,934
Non-current liabilities			
Payables and accruals	4	16,476	16,743
Employee entitlements	5	427	427
Derivative financial instruments		2,403	5,080
Borrowings	6	496,775	497,252
Deferred tax	7	10,070	11,409
Total non-current liabilities		526,151	530,911
Total liabilities		765,657	729,845
Net assets		19,074,758	18,685,783
Equity			
Contributed capital		12,998,417	12,995,647
Accumulated funds		2,350,180	2,162,079
Other reserves		3,726,161	3,528,057
Total equity		19,074,758	18,685,783

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Section 4b – Notes to the Financial Statements

As at 30 June 2018

	Actual 30 June 2018 \$000	Actual 31 May 2018 \$000
1 Cash and cash equivalents		
Cash at bank	4,187	5,172
Till floats	380	380
Total cash and cash equivalents	4,567	5,552

The carrying value of cash and cash equivalents approximates their fair value.

2 Receivables		
Trade and other debtors	4,293	3,525
Infringement receivable	37,055	36,860
Amounts due from related parties	222,315	212,192
Accrued revenue	63,027	41,743
Goods and services tax	8,862	-
	335,552	294,320
Less provision for impairment of receivables	(15,998)	(16,046)
Total current receivables	319,554	278,274

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

As at 30 June 2018

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 is detailed below:

	Gross \$000	Impaired \$000	Net \$000
Not past due	299,598	-	299,598
Past due 1 - 30 days	2,727	-	2,727
Past due 31 - 60 days	1,762	-	1,762
Past due 61 - 90 days	1,155	-	1,155
Past due > 90 days	30,310	(15,998)	14,312
	335,552	(15,998)	319,554

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 30 June 2018 \$000
Balance at 1 July 2017	15,016
Additional provisions made	1,199
Provisions reversed	(160)
Provisions relating to receivables written-off	(57)
Balance at 30 June 2018	15,998

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

As at 30 June 2018

	Opening Balance 1 July 2017 \$000	Acquisition YTD 30 June 2018 \$000	Capitalisation YTD 30 June 2018 \$000	Closing Balance 30 June 2018 \$000
3 Work in Progress (WIP)				
WIP by activity				
Roads and footpaths	272,498	274,366	(203,973)	342,892
Public Transport	124,059	145,948	(91,688)	178,318
Parking operations	7,209	5,220	(2,686)	9,743
Internal support	28,445	19,703	(30,970)	17,178
Total WIP	\$432,212	\$445,237	(329,318)	548,131
WIP by status				
Current WIP (completion in future)				399,205
Due for capitalisation within policy				126,794
Due for capitalisation not within policy				14,342
Forecast completion date not yet provided (new projects)				7,791
Total WIP				548,131
Top 10 Programmes				WIP Closing Balance 30 June 2018 \$000
AMETI				67,446
Walking And Cycling				22,013
SMART				20,248
EMUJ				19,612
Wynyard Quarter Programme				15,398
MMEWS				15,094
Penlink Toll Road				13,853
Newmarket Crossing				11,327
Growth Infrastructure Fund				11,001
Minor Improvements				10,671
Total				206,665

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

As at 30 June 2018

	Actual 30 June 2018 \$000	Actual 31 May 2018 \$000
4 Payables and accruals		
Current portion		
Creditors	34,543	29,155
Goods and services tax	-	1,568
Accrued expenses	160,042	125,117
Retentions	12,695	13,019
Amounts due to related parties	7,810	5,407
Revenue in advance	1,273	2,028
Total current payables	216,363	176,294
Non-current portion		
Amounts due to related parties	16,476	16,743
Total non-current payables	16,476	16,743

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.

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

As at 30 June 2018

	Actual 30 June 2018 \$000	Actual 31 May 2018 \$000
5 Employee entitlements		
Current portion		
Accrued salaries and wages	5,815	5,154
Accrued leave	11,205	10,853
Total current employee entitlements	17,020	16,007
Non-current portion		
Retirement gratuities	314	314
Long service leave	113	113
Total non-current employee entitlements	427	427
6 Borrowings		
Current portion		
Loans from Auckland Council	6,123	6,092
Total current borrowings	6,123	6,092
Non-current portion		
Loans from Auckland Council	496,775	497,252
Total non-current borrowings	496,775	497,252
Weighted average cost of funds on total borrowings	6.02%	6.02%

Auckland Transport's loan debt of \$503 million is issued at fixed rates of interest ranging from 5.55% to 6.57%.

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

As at 30 June 2018

	Actual
	30 June 2018
	\$000
7 Deferred tax liability	
Balance at 1 July 2017	11,667
Debited to surplus or deficit	(1,597)
Charged to equity	-
Balance 30 June 2018	10,070

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Section 5 – Cashflow

	Full year		
	Actual \$000	Revised Budget \$000	
Cash flows from operating activities			
Total cash provided	1,517,070	1,546,584	Reconciliation of surplus after tax to net cash from operating activities
Cash applied to			
Payments to suppliers and employees	787,549	781,049	Actual \$000
Interest paid	27,246	30,452	
Goods and services tax	2,530	-	
Total cash applied	817,325	811,501	Surplus after tax
Net cash from operating activities	699,745	735,083	694,218
Cash flows from investing activities			Add/(less) non-cash items
Cash provided from			Depreciation and amortisation
Sale of property, plant and equipment	5,545	-	324,674
Cash applied to:			Vested asset income
Purchase of property, plant and equipment	700,650	729,319	(316,318)
Net cash from investing activities	(695,105)	(729,319)	Loss on disposal of property, plant and equipment
			1,865
			(Gains)/losses on derivatives
			2,403
			Revaluation (gain)/loss
			(11,970)
			Income tax (benefit)/expense
			(1,597)
			(943)
			Add/(less) movements in balance sheet items
			Receivables
			3,498
			Inventories
			(104)
			Other assets
			(950)
			Payables and accruals
			2,333
			Employee entitlements
			1,693
			6,470
			Net cash from operating activities
			699,745
Net (decrease)/increase in cash and cash equivalents	(1,125)	-	
Opening cash and cash equivalents	5,692	-	
Closing cash balance	4,567	-	

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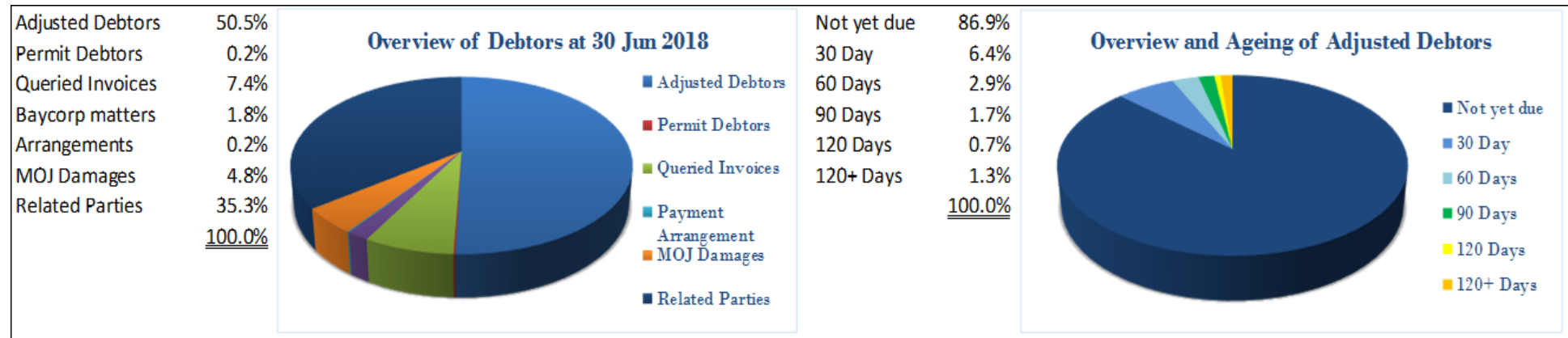
Section 6 – Accounts Receivable Report

Accounts Receivable

An overview of Debtors as at 30 June has 96.3% (96.4% May) of adjusted Debtors in 30 and 60 days, or not yet due.

<u>Debtors Ageing Analysis as at 30 June 2018</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 Jun	156	4,732,859	3,262,287	269,157	391,472	67,120	30,902	711,921	1
Parking Permit Debtors	39	7,285	3,400	0	0	0	3,885	0	2
Total Debtors		4,740,144	3,265,687	269,157	391,472	67,120	34,787	711,921	
		100.0%	68.9%	5.7%	8.3%	1.4%	0.7%	15.0%	
O/s Related Parties	78	1,674,342	1,174,476	68,362	8,922	16,451	7,769	398,362	3
Trade Debtors	129	3,065,802	2,091,211	200,794	382,550	50,669	27,019	313,559	
		100.0%	68.2%	6.5%	12.5%	1.7%	0.9%	10.2%	
Queried Invoices	191	350,185	2,960	111	298,060	7,154	5,477	36,424	4
To Baycorp (Collection)	669	85,310	188	520	9,288	887	573	73,855	5
Payment Arrangement	195	7,695	4,374	810	0	0	0	2,510	6
Lodged Courts (Damages)	716	225,915	0	45,865	5,173	898	4,455	169,524	7
Adjusted Debtors		2,396,698	2,083,690	153,489	70,030	41,730	16,513	31,247	8
		100.0%	86.9%	6.4%	2.9%	1.7%	0.7%	1.3%	

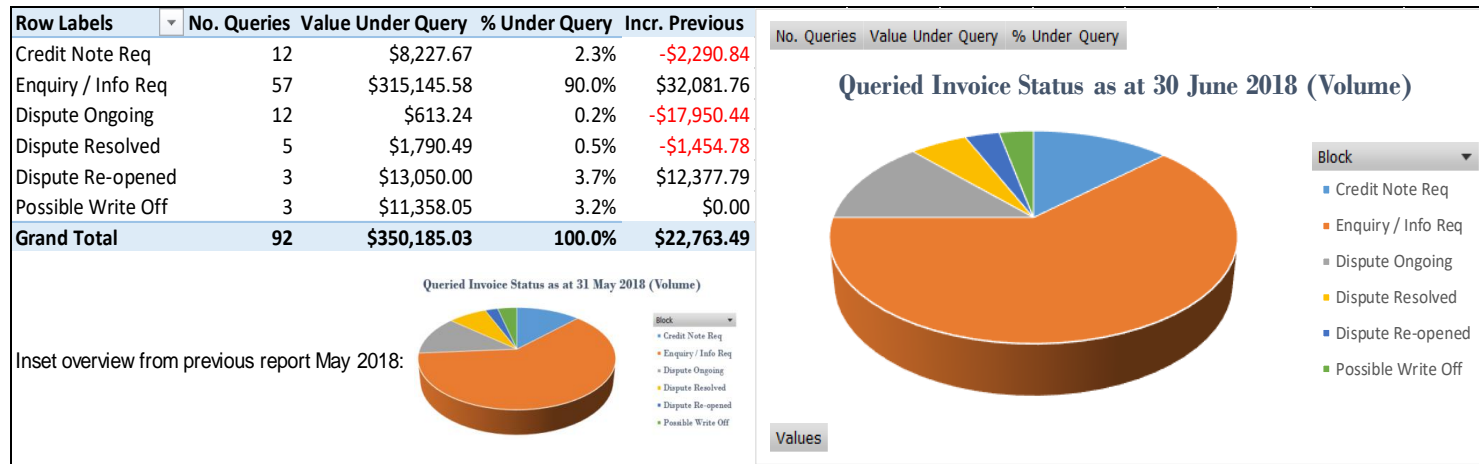
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Notes relating to the Debtors Ageing Analysis:

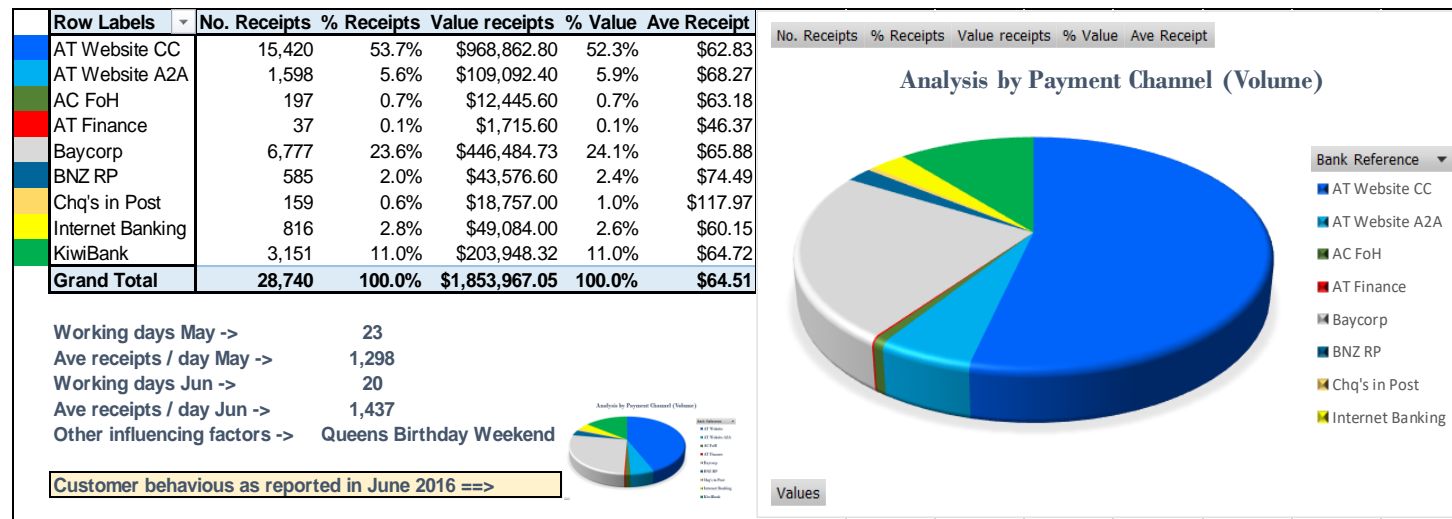
1. Sundry Debtors administered in the SAP system.
2. Parking Permit Debtors administered in the Pathway system. These invoices are for on street permits issued. Amounts not collected within 60 days are lodged with Baycorp for collection. Debtors not paying on time are blocked for further permits.
3. Inter-Council Group debts.
4. Relates to invoices which have been queried or disputed by customers. The \$76,000 matter mentioned in earlier reports has been referred to the internal legal team who continue to investigate the 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. A number of Harbourmaster infringements, administered in SAP have now been lodged with Baycorp for collection.
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.
8. Debtors in total have increased by \$216,000 in June 2018 compared with May 2018.

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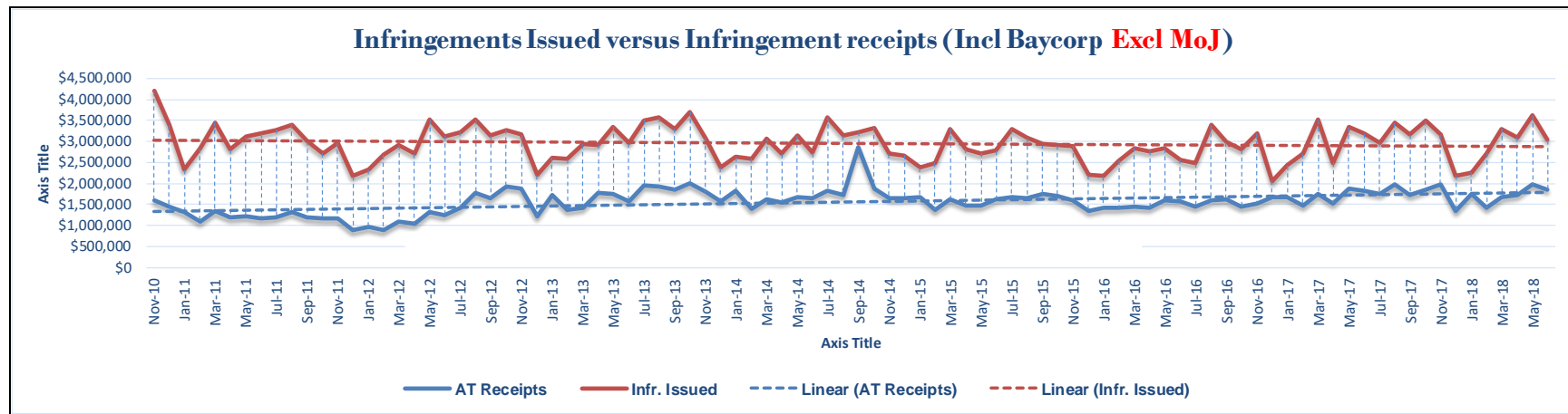
Infringement Overview:

June’s Infringement receipts by volume are down 3.7% on May primarily as a result of fewer working days and the Queen’s Birthday weekend. Of the customers not paying in response to a Baycorp demand, 81.2% are making use of electronic payment methods (79.5% in May). The AT website recorded 59.2% of all receipts (58.7% in May). The inset graph compares customer behaviour as reported in June 2016.

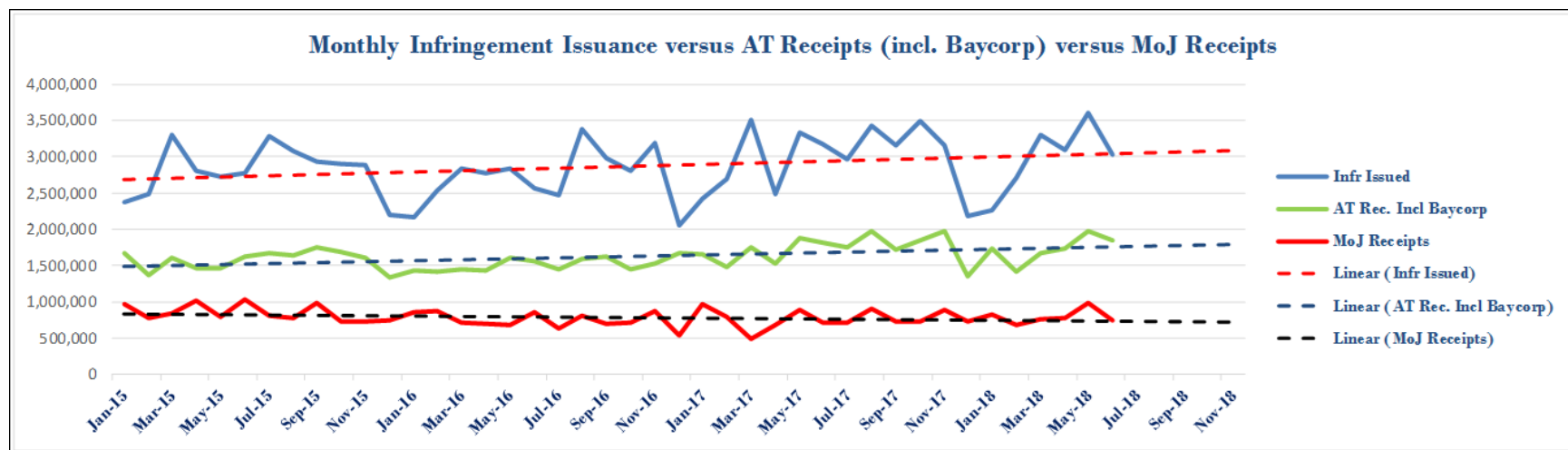


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When comparing infringements issued against AT receipts (including Baycorp but excluding MoJ) over the long term (seven year period), the trend for receipts is increasing while the trend for infringements issued is decreasing.



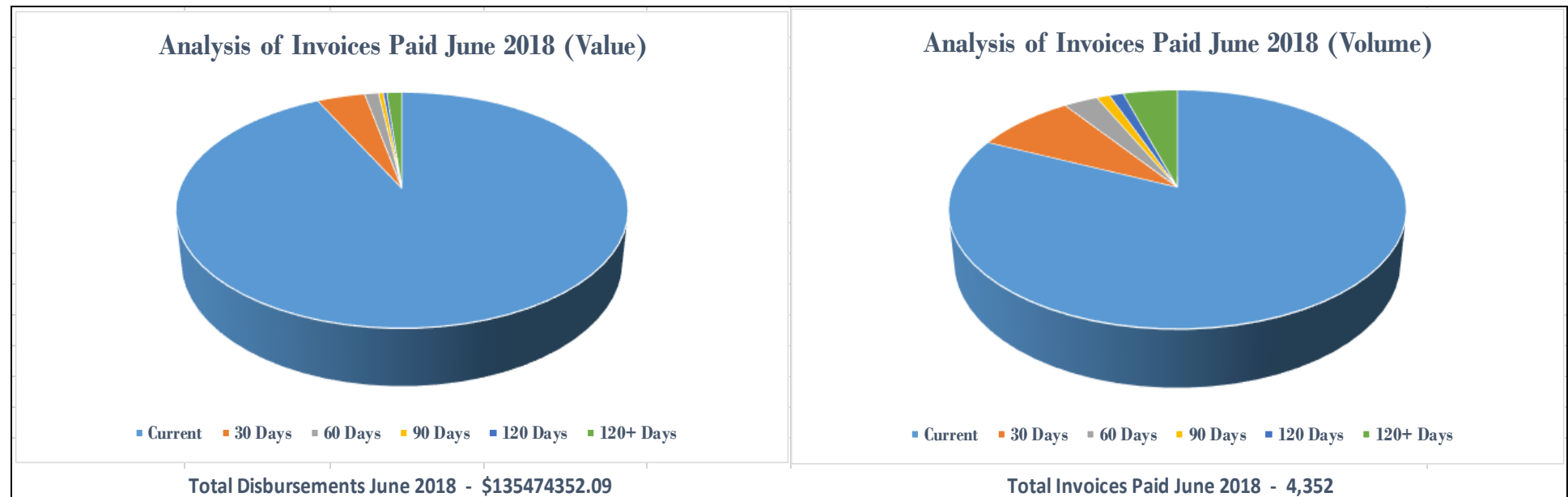
Over a shorter period, 42 months (January 2015 to June 2018), the trend for both infringements issues and receipted (incl. Baycorp) is positive while the trend for receipts by MoJ has remained relatively static.



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Accounts Payable:

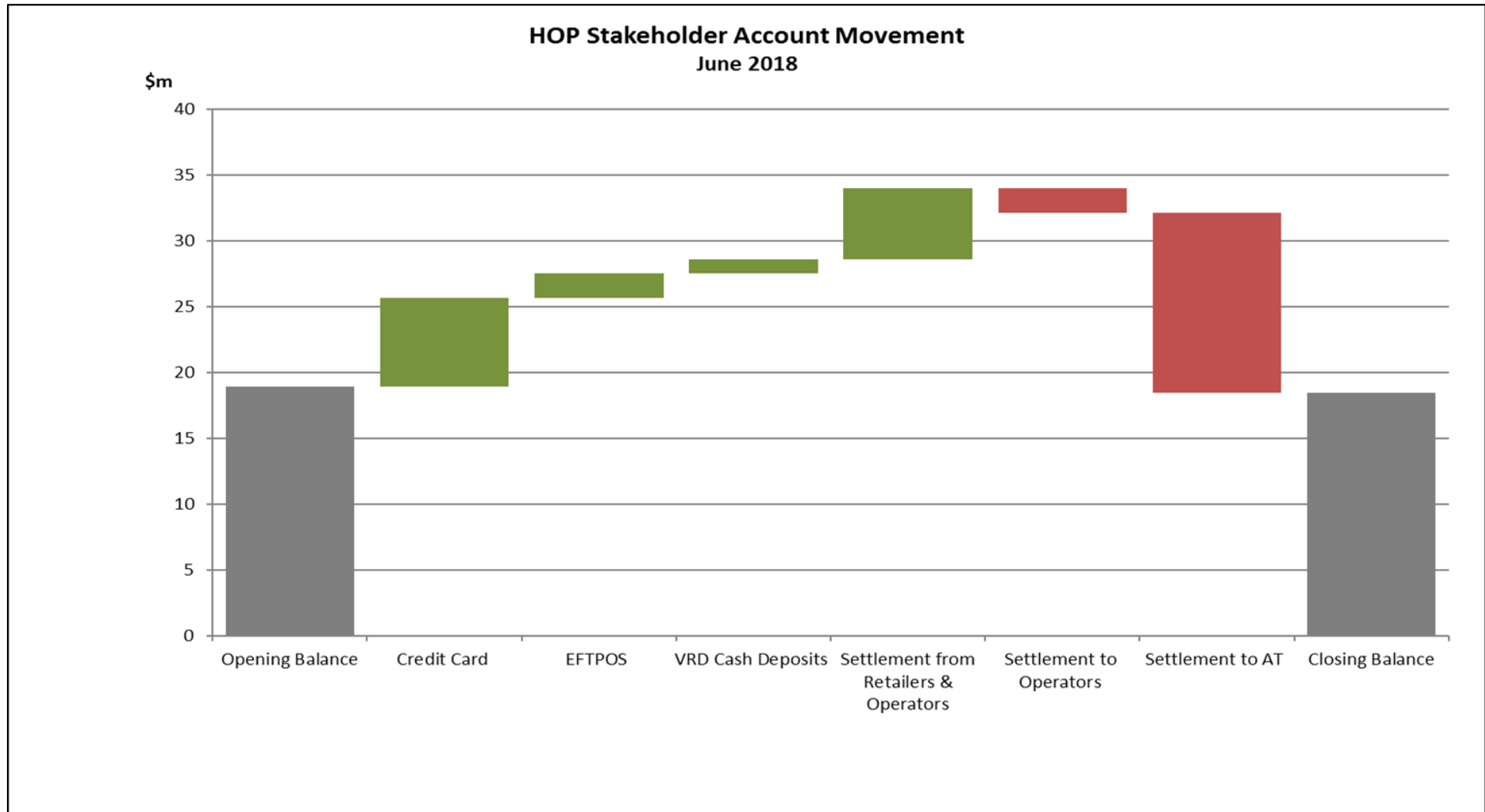
The following analysis of all invoices disbursed in June with the focus on the age of the invoice at time of payment. The graph comparing value by age, shows that AT has paid 97% of invoices on time or within 30 days of due date (96% May). The invoices by volume shows that 90% of invoices have been paid on time or within 30 days of due date (86% May). Value comparison June \$135 million / May \$118 million. Volume comparison June 4,352 / May 3,366 invoices.



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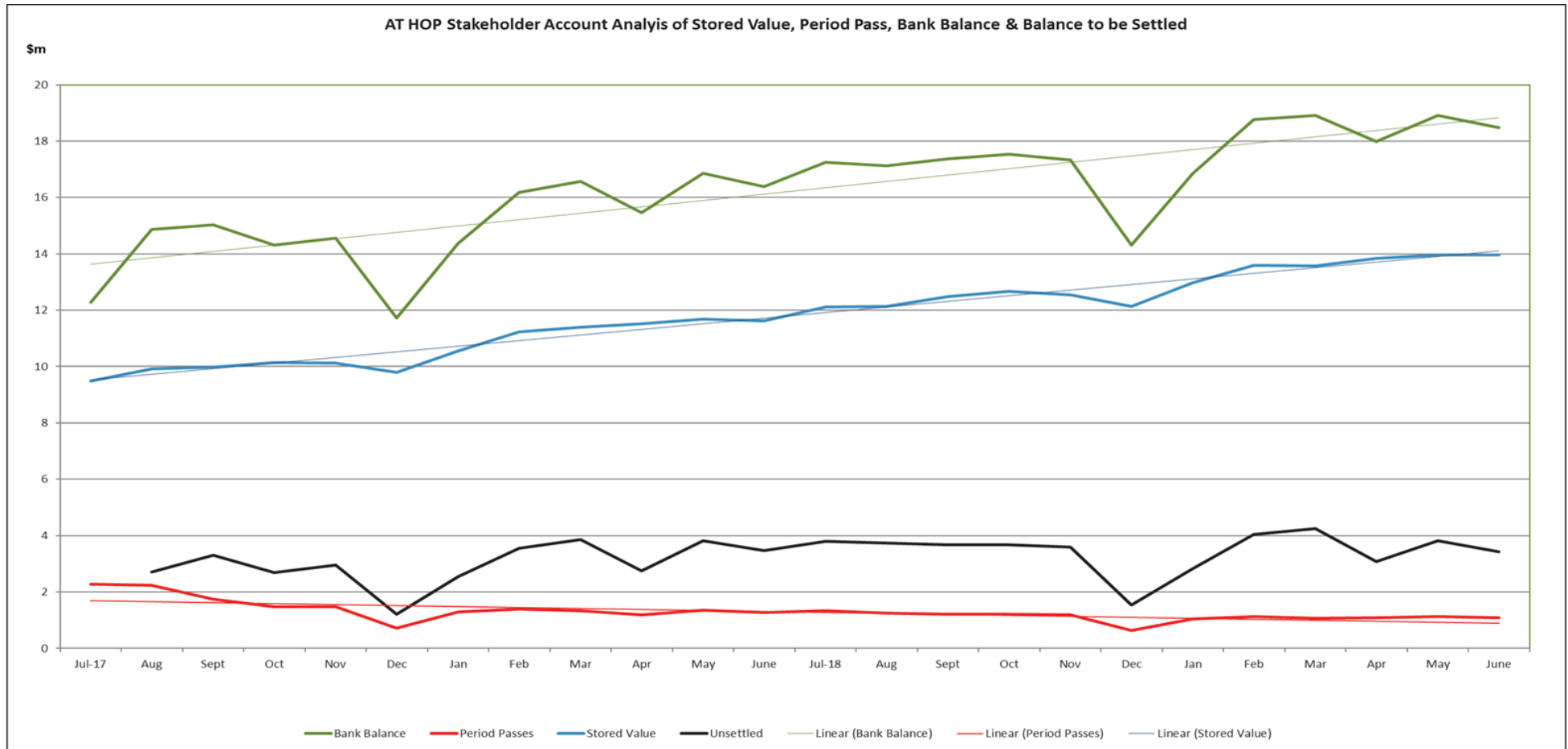
Section 7 – AT HOP Stakeholder Monthly Report

The AT HOP Stakeholder bank account as of June 2018 decreased by 2% from \$18.9 million in May to \$18.4 million.



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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. The unsettled HOP money reflects the seven-day delay with the introduction of Simpler Fares.



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Document Ownership

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