

# Financial Results for the Six Months Ended 31 December 2017

## Recommendation

That the Board:

- i. Receives the report.

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## Section 1 – Overview

For the purposes of this report, actuals have been reported against the original budget and not the budget reforecast.

**Deficit from operations** year to date is \$149.0 million, which is \$17.5 million favourable to budget. The full year deficit from operations is expected to be favourable by \$38.9 million due to continuing lower depreciation as a result of the revised useful life of roading assets. A separate Budget Realignment paper has been tabled to discuss the proposed changes in the budget.

- Total operating income year to date is higher than budget and is forecast to remain higher than budget mainly due to additional revenue from rental, enforcement and petrol tax. Items to note are:
  - Enforcement revenue is higher than budget mainly due to an increase in enforcement tickets issued and reduction of exemptions in traffic infringements as a result of system enhancement. Full year enforcement revenue is forecast to remain higher than budget.
  - Public transport fare income is lower than budget. Both rail and bus fare income have been impacted by an average yield lower than budget. Rail fare income has been further impacted by two major incidents in July (\$60,000) and rail strike action in December (\$218,000). The average yield trend is expected to continue with full year rail fare income forecast \$3 million lower than budget.
  - Other revenue is above budget mainly due to \$3.6 million rental income budgeted within other expenditure and \$0.9 million unbudgeted transitional services revenue from City Rail Link Limited.
- Total operating expenditure excluding depreciation and amortisation year to date is \$8 million or 2% higher than budget mainly due to lower capitalised personnel costs of \$4.4 million, and provision for historical holiday pay (\$1.2 million) and expected Penlink property acquisition legal settlement (\$1.2 million) in December. The trend is forecast to continue for the future.

**The overall capital programme** year to date is lower than budget by \$8.6 million or 3% mainly driven by delays in land acquisition. Full year spend forecast of \$729 million is 4.7% below budget due to continuing delays in land acquisition partially offset by acceleration of public transport projects including additional electric trains and station upgrades. Major projects remain on track for delivery as scheduled.

**Vested assets** amounting to \$13.4 million were received in December, taking the year to date amount to \$93.3 million. This is mainly from property development in Albany, Silverdale and Totara Heights.

## Section 2a – Executive Summary

Financial results for the six months ended 31 December 2017:

	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	1.8	10.4	↑ ●	410.9	400.5	808.7
Total operating expenditure	(0.2)	7.1	↓ ●	559.9	567.0	1,165.9
Surplus/(deficit) from operations	1.5	17.5	↑ ●	(149.0)	(166.5)	(357.2)
Income for capital projects	4.6	37.8	↑ ●	388.8	351.0	868.9
Net surplus/(deficit) before tax	6.1	55.3	↑ ●	239.9	184.5	511.7
Total direct capital	(0.5)	8.6	↔ ●	295.5	304.2	765.9

### Key to symbols used:

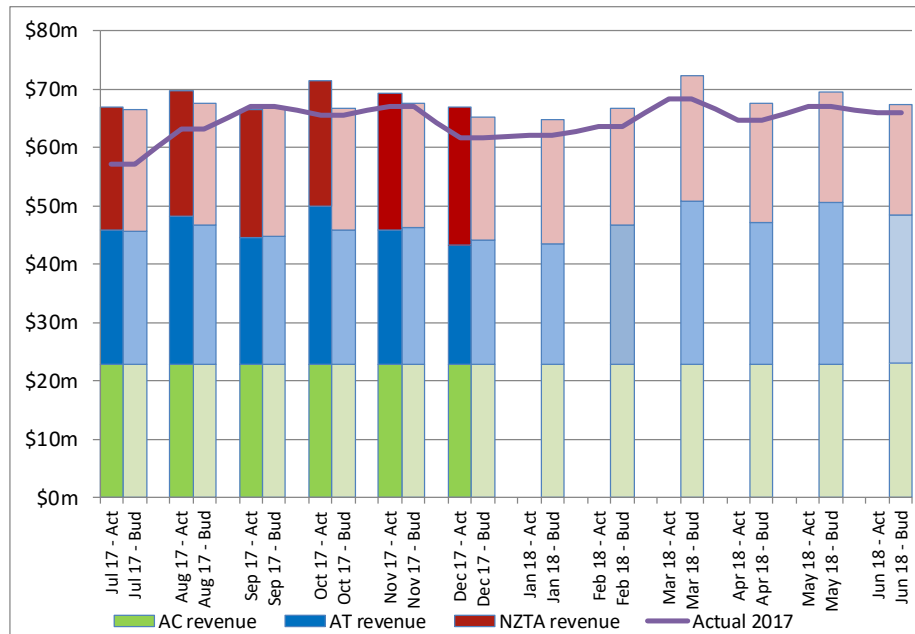
↔	: Within tolerable range	↑	: Above budget, favourable variance.
↓	: Below budget, unfavourable variance.	●	: Largely on track
↓	: Below budget, favourable variance.	●	: Monitoring, some action taken
↑	: Above budget, unfavourable variance.	●	: Action required

## Section 2b – Financial results for the six months ended 31 December 2017

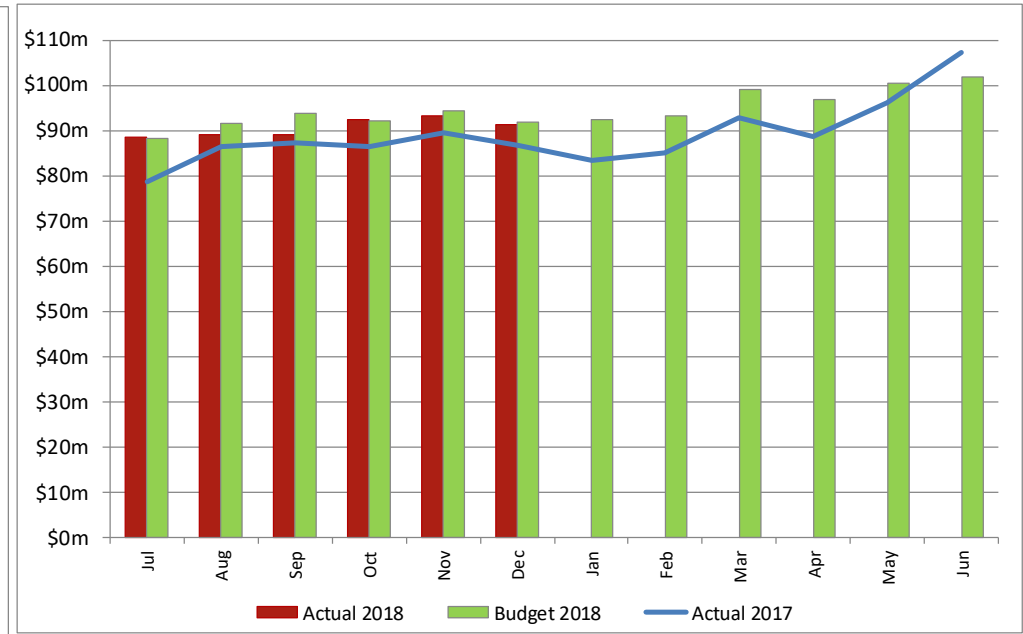
	Current month			Year to date			Results achieved	Full year Budget \$000
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000		
<b>Income</b>								
<u>Operating income</u>								
Auckland Council funding	22,924	22,924	-	137,542	137,542	-	●	275,179
NZ Transport Agency operating funding	23,558	20,926	2,632	133,092	127,040	6,052	●	248,061
Parking and enforcement income	5,412	5,998	(586)	40,713	40,029	684	●	82,210
Public transport income	11,964	13,747	(1,783)	82,721	85,436	(2,715)	●	183,174
Other revenue incl. other grants and subsidies	3,093	1,591	1,502	16,871	10,471	6,400	●	20,111
<b>Total operating income</b>	<b>66,951</b>	<b>65,186</b>	<b>1,765</b>	<b>410,939</b>	<b>400,518</b>	<b>10,421</b>	●	<b>808,735</b>
<b>Expenditure</b>								
Personnel costs	13,264	12,520	(744)	79,014	78,560	(454)	●	159,334
Capitalised personnel costs	(3,115)	(3,539)	(424)	(16,591)	(21,002)	(4,411)	●	(42,324)
Depreciation and amortisation	26,487	30,018	3,531	158,123	173,197	15,074	●	362,975
Other expenditure	54,764	52,783	(1,981)	323,323	320,823	(2,500)	●	655,510
Finance costs	3,215	2,590	(625)	16,032	15,407	(625)	●	30,452
<b>Total operating expenditure</b>	<b>94,615</b>	<b>94,372</b>	<b>(243)</b>	<b>559,901</b>	<b>566,985</b>	<b>7,084</b>	●	<b>1,165,947</b>
<b>Surplus/(deficit) from operations</b>	<b>(27,664)</b>	<b>(29,186)</b>	<b>1,522</b>	<b>(148,962)</b>	<b>(166,467)</b>	<b>17,505</b>	●	<b>(357,212)</b>
<u>Income for capital projects</u>								
NZ Transport Agency capital co-investment	17,946	14,545	3,401	91,073	83,703	7,370	●	174,008
Auckland Council capital grant	29,168	32,018	(2,850)	204,200	220,464	(16,264)	●	591,888
Other capital grants	(7)	-	(7)	274	-	274	●	-
Vested asset income	13,439	9,366	4,073	93,273	46,828	46,445	●	103,023
<b>Total income for capital projects</b>	<b>60,546</b>	<b>55,929</b>	<b>4,617</b>	<b>388,820</b>	<b>350,995</b>	<b>37,825</b>	●	<b>868,919</b>
<b>Net surplus/(deficit) before tax and derivatives</b>	<b>32,882</b>	<b>26,743</b>	<b>6,139</b>	<b>239,858</b>	<b>184,528</b>	<b>55,330</b>	●	<b>511,707</b>
Gains/(losses) on derivatives	(3,529)	-	(3,529)	(1,588)	-	(1,588)	-	-
Gain/(loss) on disposal of assets	(87)	-	(87)	(853)	-	(853)	-	-
Income tax benefit/(expense)	257	-	257	257	-	257	-	-
<b>Net surplus/(deficit) after tax and derivatives</b>	<b>29,523</b>	<b>26,743</b>	<b>2,780</b>	<b>237,674</b>	<b>184,528</b>	<b>53,146</b>	●	<b>511,707</b>

## Section 2b – Financial results for the six months ended 31 December 2017 (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.

## 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
<b>Operating Income</b>							
Rail	9,292	9,670	(378)	59,016	59,262	(246)	121,008
Bus	15,959	15,827	132	98,642	97,896	746	202,138
Ferry	1,362	1,538	(176)	7,354	8,370	(1,016)	17,267
Other public transport	2,365	2,670	(305)	14,814	15,960	(1,146)	32,118
Parking	3,470	3,821	(351)	24,239	24,706	(467)	50,575
Enforcement	1,941	2,177	(236)	16,474	15,323	1,151	31,635
Roading and footpaths	6,657	5,092	1,565	33,817	31,984	1,833	60,451
Internal support	2,981	1,466	1,515	19,040	9,476	9,564	18,364
Auckland Council operating funding	22,924	22,924	-	137,542	137,542	-	275,179
<b>Total operating income</b>	<b>66,951</b>	<b>65,185</b>	<b>1,766</b>	<b>410,938</b>	<b>400,519</b>	<b>10,419</b>	<b>808,735</b>
<b>Operating Expenditure</b>							
Rail	13,543	14,382	839	83,884	84,538	654	171,111
Bus	23,480	22,344	(1,136)	142,170	139,090	(3,080)	282,115
Ferry	1,648	1,945	297	9,636	10,911	1,275	21,945
Other public transport	3,157	3,892	735	20,354	23,096	2,742	46,653
Parking	959	1,021	62	6,134	6,386	252	12,334
Enforcement	1,874	1,687	(187)	10,615	10,233	(382)	20,547
Roading and footpaths	10,927	11,152	225	70,764	68,519	(2,245)	146,819
Internal support	12,539	7,933	(4,606)	58,220	51,017	(7,203)	101,447
Depreciation and amortisation	26,487	30,018	3,531	158,123	173,197	15,074	362,975
<b>Total operating expenditure</b>	<b>94,614</b>	<b>94,374</b>	<b>(240)</b>	<b>559,900</b>	<b>566,987</b>	<b>7,087</b>	<b>1,165,946</b>
<b>Surplus/(deficit) from Operations</b>	<b>(27,663)</b>	<b>(29,189)</b>	<b>1,526</b>	<b>(148,962)</b>	<b>(166,468)</b>	<b>17,506</b>	<b>(357,211)</b>

## 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
<b>Operating Income</b>							
Activity income	3,192	3,731	(539)	24,636	26,279	(1,643)	55,041
Other income	178	137	41	869	692	177	1,437
NZ Transport Agency operating funding	4,246	4,126	120	23,681	22,461	1,220	44,973
NZ Transport Agency operating funding - Electric Trains	1,676	1,676	-	9,830	9,830	-	19,557
<b>Total operating income</b>	<b>9,292</b>	<b>9,670</b>	<b>(378)</b>	<b>59,016</b>	<b>59,262</b>	<b>(246)</b>	<b>121,008</b>
<b>Operating Expenditure</b>							
Personnel costs	260	327	67	1,698	1,793	95	5,346
Capitalised personnel costs	6	-	(6)	(63)	-	63	-
Service delivery costs and professional services	7,665	8,257	592	47,868	48,175	307	95,859
Occupancy costs	254	280	26	1,738	1,655	(83)	3,363
Track access charges	2,118	2,246	128	13,217	13,476	259	27,686
Other expenditure	650	682	32	4,019	4,032	13	8,405
Finance costs	2,590	2,590	-	15,407	15,407	-	30,452
<b>Total operating expenditure</b>	<b>13,543</b>	<b>14,382</b>	<b>839</b>	<b>83,884</b>	<b>84,538</b>	<b>654</b>	<b>171,111</b>
Depreciation	3,466	3,334	(132)	20,792	19,612	(1,180)	40,163
<b>Surplus/(deficit) from Operations</b>	<b>(7,717)</b>	<b>(8,046)</b>	<b>329</b>	<b>(45,660)</b>	<b>(44,888)</b>	<b>(772)</b>	<b>(90,266)</b>
Internal support costs	2,757	2,252	(505)	12,073	13,407	1,334	28,675
<b>Surplus/(deficit)</b>	<b>(10,474)</b>	<b>(10,298)</b>	<b>(176)</b>	<b>(57,733)</b>	<b>(58,295)</b>	<b>562</b>	<b>(118,941)</b>

## 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
<b>Operating Income</b>							
Activity income	6,758	7,869	(1,111)	46,118	47,429	(1,311)	103,429
Other income	414	486	(72)	2,425	2,509	(84)	5,388
NZ Transport Agency operating funding	8,787	7,472	1,315	50,099	47,958	2,141	93,321
<b>Total operating income</b>	<b>15,959</b>	<b>15,827</b>	<b>132</b>	<b>98,642</b>	<b>97,896</b>	<b>746</b>	<b>202,138</b>
<b>Operating Expenditure</b>							
Personnel costs	340	375	35	2,141	1,999	(142)	4,310
Capitalised personnel costs	(79)	(20)	59	(158)	(127)	31	(250)
Service delivery costs and professional services	23,077	21,771	(1,306)	139,084	135,969	(3,115)	275,660
Occupancy costs	10	90	80	460	544	84	1,118
Other expenditure	132	128	(4)	643	705	62	1,277
<b>Total operating expenditure</b>	<b>23,480</b>	<b>22,344</b>	<b>(1,136)</b>	<b>142,170</b>	<b>139,090</b>	<b>(3,080)</b>	<b>282,115</b>
Depreciation	285	324	39	1,712	1,914	202	3,907
<b>Surplus/(deficit) from Operations</b>	<b>(7,806)</b>	<b>(6,841)</b>	<b>(965)</b>	<b>(45,240)</b>	<b>(43,108)</b>	<b>(2,132)</b>	<b>(83,884)</b>
Internal support costs	4,545	3,713	(832)	19,905	22,105	2,200	47,278
<b>Surplus/(deficit)</b>	<b>(12,351)</b>	<b>(10,554)</b>	<b>(1,797)</b>	<b>(65,145)</b>	<b>(65,213)</b>	<b>68</b>	<b>(131,162)</b>



## 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
<b>Operating Income</b>							
Operator access fees	529	558	(29)	2,768	2,762	6	5,819
Activity income	249	221	28	1,218	1,329	(111)	3,004
Other income	55	86	(31)	405	512	(107)	1,037
NZ Transport Agency operating funding	529	673	(144)	2,963	3,767	(804)	7,407
<b>Total operating income</b>	<b>1,362</b>	<b>1,538</b>	<b>(176)</b>	<b>7,354</b>	<b>8,370</b>	<b>(1,016)</b>	<b>17,267</b>
<b>Operating Expenditure</b>							
Personnel costs	105	101	(4)	734	630	(104)	1,268
Capitalised personnel costs	(43)	(21)	22	(163)	(131)	32	(262)
Service delivery costs and professional services	1,291	1,619	328	7,665	8,760	1,095	17,800
Occupancy costs	153	71	(82)	619	575	(44)	973
Other expenditure	142	175	33	781	1,077	296	2,166
<b>Total operating expenditure</b>	<b>1,648</b>	<b>1,945</b>	<b>297</b>	<b>9,636</b>	<b>10,911</b>	<b>1,275</b>	<b>21,945</b>
Depreciation	326	262	(64)	1,957	1,550	(407)	3,150
<b>Surplus/(deficit) from Operations</b>	<b>(612)</b>	<b>(669)</b>	<b>57</b>	<b>(4,239)</b>	<b>(4,091)</b>	<b>(148)</b>	<b>(7,828)</b>
Internal support costs	354	289	(65)	1,548	1,719	171	3,678
<b>Surplus/(deficit)</b>	<b>(966)</b>	<b>(958)</b>	<b>(8)</b>	<b>(5,787)</b>	<b>(5,810)</b>	<b>23</b>	<b>(11,506)</b>

## 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
<b>Operating Income</b>							
Other income	589	658	(69)	4,282	3,924	358	8,019
NZ Transport Agency operating funding	1,776	2,012	(236)	10,532	12,036	(1,504)	24,099
<b>Total operating income</b>	<b>2,365</b>	<b>2,670</b>	<b>(305)</b>	<b>14,814</b>	<b>15,960</b>	<b>(1,146)</b>	<b>32,118</b>
<b>Operating Expenditure</b>							
Personnel costs	1,362	1,450	88	8,356	9,270	914	18,408
Capitalised personnel costs	(138)	(82)	56	(631)	(382)	249	(892)
Service delivery costs and professional services	1,218	1,484	266	6,194	8,033	1,839	16,458
IT costs	168	179	11	1,019	1,077	58	2,300
Other expenditure	547	861	314	5,416	5,098	(318)	10,379
<b>Total operating expenditure</b>	<b>3,157</b>	<b>3,892</b>	<b>735</b>	<b>20,354</b>	<b>23,096</b>	<b>2,742</b>	<b>46,653</b>
Depreciation	1,396	1,399	3	8,362	8,283	(79)	16,835
<b>Surplus/(deficit) from Operations</b>	<b>(2,188)</b>	<b>(2,621)</b>	<b>433</b>	<b>(13,902)</b>	<b>(15,419)</b>	<b>1,517</b>	<b>(31,370)</b>
Internal support costs	752	614	(138)	3,292	3,655	364	7,818
<b>Surplus/(deficit)</b>	<b>(2,940)</b>	<b>(3,235)</b>	<b>295</b>	<b>(17,194)</b>	<b>(19,074)</b>	<b>1,881</b>	<b>(39,188)</b>

## 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
<b>Operating Income</b>							
Other income	144	120	24	824	684	140	1,412
Parking Fees	3,326	3,701	(375)	23,415	24,022	(607)	49,163
<b>Total operating income</b>	<b>3,470</b>	<b>3,821</b>	<b>(351)</b>	<b>24,239</b>	<b>24,706</b>	<b>(467)</b>	<b>50,575</b>
<b>Operating Expenditure</b>							
Personnel costs	250	248	(2)	1,570	1,535	(35)	3,071
Capitalised personnel costs	18	(14)	(32)	24	(86)	(110)	(173)
Service delivery costs and professional services	257	304	47	1,883	2,037	154	3,637
Occupancy Costs	377	397	20	2,371	2,384	13	4,768
Other expenditure	57	86	29	286	516	230	1,031
<b>Total operating expenditure</b>	<b>959</b>	<b>1,021</b>	<b>62</b>	<b>6,134</b>	<b>6,386</b>	<b>252</b>	<b>12,334</b>
Depreciation	641	650	9	3,846	3,874	28	7,809
<b>Surplus/(deficit) from Operations</b>	<b>1,870</b>	<b>2,150</b>	<b>(280)</b>	<b>14,259</b>	<b>14,446</b>	<b>(187)</b>	<b>30,432</b>
Internal support costs	199	162	(36)	870	966	96	2,067
<b>Surplus/(deficit)</b>	<b>1,671</b>	<b>1,988</b>	<b>(316)</b>	<b>13,389</b>	<b>13,480</b>	<b>(91)</b>	<b>28,365</b>

## 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
<b>Operating Income</b>							
Other income	-	-	-	(1)	-	(1)	-
Infringement income	1,941	2,177	(236)	16,475	15,323	1,152	31,635
<b>Total operating income</b>	<b>1,941</b>	<b>2,177</b>	<b>(236)</b>	<b>16,474</b>	<b>15,323</b>	<b>1,151</b>	<b>31,635</b>
<b>Operating Expenditure</b>							
Personnel costs	873	848	(25)	5,326	5,243	(83)	10,486
Capitalised personnel costs	12	7	(5)	46	44	(2)	87
Service delivery costs and professional services	172	160	(12)	1,076	961	(115)	1,924
Occupancy Costs	-	-	-	-	-	-	-
Other expenditure	817	672	(145)	4,167	3,985	(182)	8,050
<b>Total operating expenditure</b>	<b>1,874</b>	<b>1,687</b>	<b>(187)</b>	<b>10,615</b>	<b>10,233</b>	<b>(382)</b>	<b>20,547</b>
Depreciation	51	29	(22)	281	153	(128)	363
<b>Surplus/(deficit) from Operations</b>	<b>16</b>	<b>461</b>	<b>(445)</b>	<b>5,578</b>	<b>4,937</b>	<b>641</b>	<b>10,725</b>
Internal support costs	331	270	(61)	1,450	1,610	160	3,443
<b>Surplus/(deficit)</b>	<b>(315)</b>	<b>191</b>	<b>(506)</b>	<b>4,128</b>	<b>3,327</b>	<b>801</b>	<b>7,282</b>

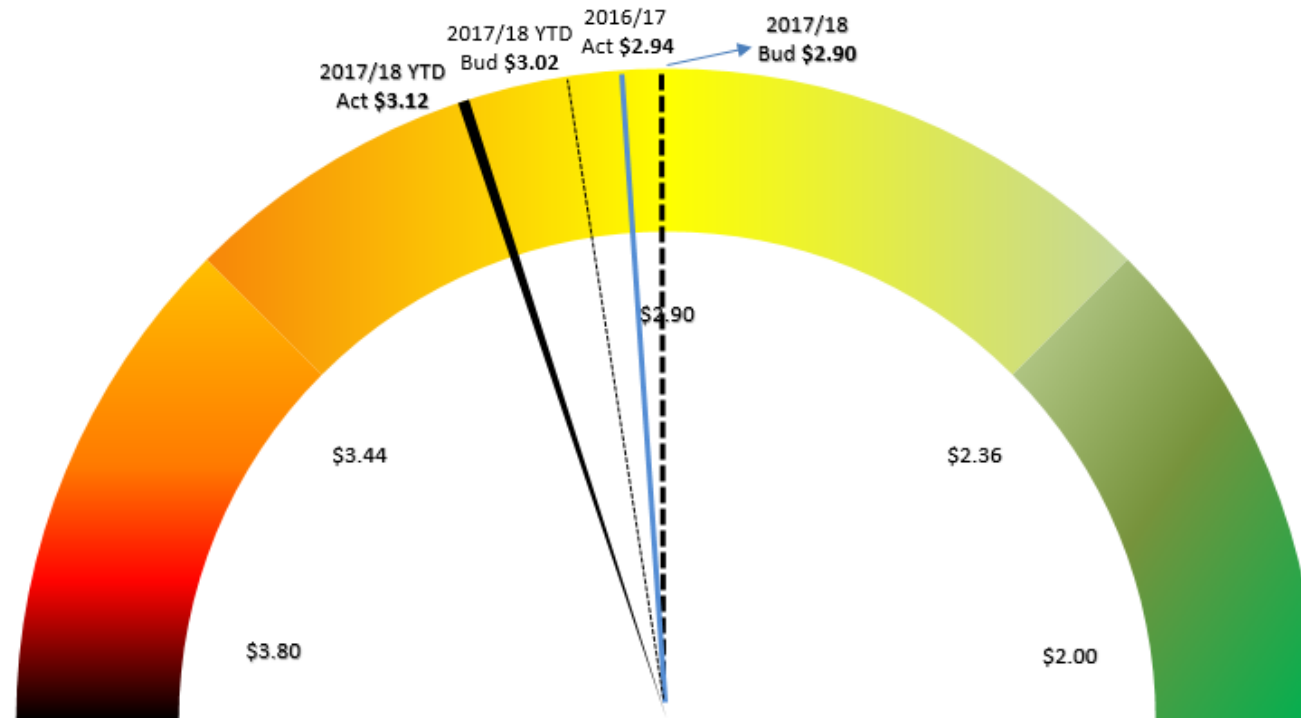
## Section 2d – Roading and footpaths operations

	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
<b>Operating Income</b>							
Petrol tax	792	743	49	4,695	4,459	236	8,919
Other income	851	448	403	4,081	3,505	576	6,361
NZ Transport Agency operating funding	5,014	3,901	1,113	25,041	24,020	1,021	45,171
<b>Total operating income</b>	<b>6,657</b>	<b>5,092</b>	<b>1,565</b>	<b>33,817</b>	<b>31,984</b>	<b>1,833</b>	<b>60,451</b>
<b>Operating Expenditure</b>							
Personnel costs	2,578	2,961	383	17,412	18,270	858	37,257
Capitalised personnel costs	(901)	(988)	(87)	(4,037)	(5,577)	(1,540)	(11,048)
Service delivery costs and professional services	7,407	7,367	(40)	45,460	43,762	(1,698)	96,212
Occupancy Costs	1,057	1,125	68	7,866	7,888	22	15,348
IT Costs	10	19	9	117	159	42	438
Other expenditure	776	668	(108)	3,946	4,017	71	8,612
<b>Total operating expenditure</b>	<b>10,927</b>	<b>11,152</b>	<b>225</b>	<b>70,764</b>	<b>68,519</b>	<b>(2,245)</b>	<b>146,819</b>
Depreciation	18,575	21,251	2,676	110,857	124,386	13,529	256,267
<b>Surplus/(deficit) from Operations</b>	<b>(22,845)</b>	<b>(27,311)</b>	<b>4,466</b>	<b>(147,804)</b>	<b>(160,921)</b>	<b>13,117</b>	<b>(342,635)</b>
Internal support costs	2,366	1,933	(433)	10,359	11,504	1,145	24,604
<b>Surplus/(deficit)</b>	<b>(25,211)</b>	<b>(29,244)</b>	<b>4,033</b>	<b>(158,163)</b>	<b>(172,425)</b>	<b>14,262</b>	<b>(367,239)</b>

## 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
<b>Operating Income</b>							
Rental income	1,081	320	761	6,123	2,031	4,092	3,879
Other income	369	80	289	1,972	476	1,496	952
NZ Transport Agency operating funding	1,531	1,066	465	10,945	6,969	3,976	13,533
<b>Total operating income</b>	<b>2,981</b>	<b>1,466</b>	<b>1,515</b>	<b>19,040</b>	<b>9,476</b>	<b>9,564</b>	<b>18,364</b>
<b>Operating Expenditure</b>							
Personnel costs	7,496	6,210	(1,286)	41,777	39,819	(1,958)	79,188
Capitalised personnel costs	(1,991)	(2,420)	(429)	(11,610)	(14,741)	(3,131)	(29,787)
Directors Fees	43	42	(1)	255	255	-	510
Service delivery costs and professional services	2,410	2,086	(324)	11,001	13,285	2,284	26,704
Other expenditure	3,956	2,015	(1,941)	16,172	12,399	(3,773)	24,832
Finance costs	625	-	(625)	625	-	(625)	-
<b>Total operating expenditure</b>	<b>12,539</b>	<b>7,933</b>	<b>(4,606)</b>	<b>58,220</b>	<b>51,017</b>	<b>(7,203)</b>	<b>101,447</b>
Depreciation	1,745	2,767	1,022	10,316	13,426	3,110	34,481
<b>Surplus/(deficit) from Operations</b>	<b>(11,303)</b>	<b>(9,234)</b>	<b>(2,069)</b>	<b>(49,496)</b>	<b>(54,967)</b>	<b>5,471</b>	<b>(117,564)</b>
Internal support allocated	11,303	9,234	(2,069)	49,496	54,967	5,471	117,564
<b>Surplus/(deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Section 2e – Operational funding requirement per passenger for the six months ended 31 December 2017



Operational funding requirement of \$3.12 per passenger is higher than the budget of \$3.02 and prior year funding requirement of \$2.94 per passenger. With annual patronage now at 90 million, each one cent change in funding requirement represents \$900,000.

Patronage is higher than budget on bus (+0.6%) but lower than budget on rail (-1.3%). Patronage is higher than the prior year which is helping to offset a lower than budgeted yield per passenger, but is unable to offset a continuing decline against the prior year. This impact is included in the 2017/18 Budget Realignment and will be monitored throughout the balance of the year.

## 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		
<b>Land</b>								
Mass Transit	21	-	(21)	21	-	(21)	●	44,323
AMETI	1,974	900	(1,074)	9,763	8,943	(820)	●	27,874
Mill Road improvements	(1,366)	-	1,366	18,902	24,930	6,028	●	40,830
Growth Infrastructure Fund	25	-	(25)	132	5,140	5,008	●	15,260
Drury South	(23)	-	23	2	-	(2)	●	14,000
Special Housing Areas (SHAs)	1	-	(1)	8	-	(8)	●	19,500
Other	1,521	583	(938)	8,663	14,751	6,088	●	24,178
<b>Total land</b>	<b>2,153</b>	<b>1,483</b>	<b>(670)</b>	<b>37,491</b>	<b>53,764</b>	<b>16,273</b>	●	<b>185,965</b>
<b>Major new capital projects</b>								
AMETI	415	1,160	745	4,348	5,371	1,023	●	6,727
Manukau Bus Interchange	2,971	1,753	(1,218)	17,245	14,354	(2,891)	●	16,108
EMU	6,348	-	(6,348)	7,029	-	(7,029)	●	-
NorthWest Transformation	86	117	31	184	622	438	●	8,974
Dominion Road bus lane improvements	15	724	709	864	2,713	1,849	●	13,907
Franklin Road enhancements	(13)	71	84	1,165	1,448	283	●	6,200
Murphys Road upgrade	(16)	350	366	1,548	1,040	(508)	●	9,840
<b>Total major new capital projects</b>	<b>9,806</b>	<b>4,175</b>	<b>(5,631)</b>	<b>32,383</b>	<b>25,548</b>	<b>(6,835)</b>	●	<b>61,756</b>
<b>Other ring-fenced projects</b>								
Local Board initiatives	72	419	347	2,367	2,285	(82)	●	13,942
Special Housing Areas (SHAs)	670	305	(365)	2,542	1,988	(554)	●	19,651
Other	42	746	704	1,927	3,231	1,304	●	7,364
<b>Total other ring-fenced projects</b>	<b>784</b>	<b>1,470</b>	<b>686</b>	<b>6,836</b>	<b>7,504</b>	<b>668</b>	●	<b>40,957</b>
<b>Other</b>								
Roads and footpaths	5,827	11,257	5,430	51,012	52,442	1,430	●	139,545
Public transport	8,332	9,352	1,020	41,508	51,772	10,264	●	96,503
Parking operations	83	212	129	1,636	2,429	793	●	3,520
Internal support - BT	1,110	(26)	(1,136)	5,918	910	(5,008)	●	700
Internal support - Accommodation	(217)	283	500	4,185	1,497	(2,688)	●	7,000
Internal support - Other	468	125	(343)	3,219	250	(2,969)	●	250
<b>Total other</b>	<b>15,603</b>	<b>21,203</b>	<b>5,600</b>	<b>107,478</b>	<b>109,300</b>	<b>1,822</b>	●	<b>247,518</b>
<b>Renewals</b>	<b>18,760</b>	<b>18,231</b>	<b>(529)</b>	<b>111,360</b>	<b>108,050</b>	<b>(3,310)</b>	●	<b>229,700</b>
<b>Total direct capital</b>	<b>47,106</b>	<b>46,562</b>	<b>(544)</b>	<b>295,548</b>	<b>304,166</b>	<b>8,618</b>	●	<b>765,896</b>



## Section 3b – Capital Expenditure Funding

	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
<b>Direct capital funding</b>							
NZ Transport Agency new capital co-investment	10,313	7,133	3,180	46,992	42,742	4,250	108,759
NZ Transport Agency renewal co-investment	7,632	7,412	220	44,080	40,961	3,119	65,249
Other capital grants	(7)	-	(7)	274	-	274	-
Auckland Council capital grant	29,168	32,018	(2,850)	204,200	220,464	(16,264)	591,888
<b>Total direct capital funding</b>	<b>47,106</b>	<b>46,563</b>	<b>543</b>	<b>295,546</b>	<b>304,167</b>	<b>(8,621)</b>	<b>765,896</b>

## Section 4a – Statement of Financial Position

As at 31 December 2017

	Note	Actual 31 December 2017 \$000	Actual 30 November 2017 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	1	15,935	4,824
Receivables	2	233,946	273,834
Inventories		11,512	11,575
Other assets		24,357	16,247
Non-current assets held for sale		3,996	4,753
Derivative financial instruments		-	138
<b>Total current assets</b>		<b>289,746</b>	<b>311,371</b>
<b>Non-current assets</b>			
Receivables		1,801	1,801
Property, plant and equipment (PPE)		18,223,236	18,200,300
Intangible assets		101,768	103,815
Work in progress (PPE and intangible assets)	3	522,767	509,590
Derivative financial instruments		-	444
<b>Total non-current assets</b>		<b>18,849,572</b>	<b>18,815,950</b>
<b>Total assets</b>		<b>19,139,318</b>	<b>19,127,321</b>

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

As at 31 December 2017

	Note	Actual 31 December 2017 \$000	Actual 30 November 2017 \$000
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables and accruals	4	157,547	177,999
Employee entitlements	5	16,550	15,800
Derivative financial instruments		310	-
Borrowings	6	5,942	5,913
Total current liabilities		180,349	199,712
<b>Non-current liabilities</b>			
Payables and accruals	4	18,083	18,359
Employee entitlements	5	494	505
Derivative financial instruments		2,912	-
Borrowings	6	499,924	500,467
Deferred tax	7	11,410	11,667
Total non-current liabilities		532,823	530,998
<b>Total liabilities</b>		<b>713,172</b>	<b>730,710</b>
<b>Net assets</b>		<b>18,426,146</b>	<b>18,396,611</b>
<b>Equity</b>			
Contributed capital		13,004,453	13,004,453
Accumulated funds		1,860,846	1,831,311
Other reserves		3,560,847	3,560,847
<b>Total equity</b>		<b>18,426,146</b>	<b>18,396,611</b>

## Section 4b – Notes to the Financial Statements

As at 31 December 2017

	Actual 31 December 2017 \$000	Actual 30 November 2017 \$000
<b>1 Cash and cash equivalents</b>		
Cash at bank	15,616	4,505
Till floats	319	319
<b>Total cash and cash equivalents</b>	<b>15,935</b>	<b>4,824</b>

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

<b>2 Receivables</b>		
Trade debtors	3,924	5,222
Infringement receivable	35,791	35,946
Amounts due from related parties	160,966	195,271
Accrued revenue	45,316	49,136
Goods and services tax	3,637	3,676
	<b>249,634</b>	<b>289,251</b>
Less provision for impairment of receivables	(15,688)	(15,417)
<b>Total current receivables</b>	<b>233,946</b>	<b>273,834</b>

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

### As at 31 December 2017

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:

	<b>Gross</b>	<b>Impaired</b>	<b>Net</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Not past due	214,805	-	214,805
Past due 1 - 30 days	2,207	-	2,207
Past due 31 - 60 days	1,828	-	1,828
Past due 61 - 90 days	1,188	-	1,188
Past due > 90 days	29,606	(15,688)	13,918
	<b>249,634</b>	<b>(15,688)</b>	<b>233,946</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>31 December 2017</b>
	<b>\$000</b>
Balance at 1 July 2017	15,016
Additional provisions made	672
Provisions reversed	-
Provisions relating to receivables written-off	-
<b>Balance at 31 December 2017</b>	<b>15,688</b>

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

As at 31 December 2017

	Opening Balance 1 July 2017 \$000	Acquisition YTD 31 December 2017 \$000	Capitalisation YTD 31 December 2017 \$000	Closing Balance 31 December 2017 \$000
<b>3 Work in Progress (WIP)</b>				
<b>WIP by activity</b>				
Roads and footpaths	270,896	103,369	(67,492)	306,773
Public Transport	123,657	65,859	(18,236)	171,279
Parking operations	7,209	1,636	(1,965)	6,880
Internal support	30,450	13,349	(5,964)	37,834
<b>Total WIP</b>	<b>\$432,212</b>	<b>\$184,212</b>	<b>(93,658)</b>	<b>522,767</b>
<b>WIP by status</b>				
Current WIP (completion in future)				393,522
Forecast completed - awaiting confirmation for capitalisation / writeoff / new forecast finish date				111,251
Forecast completion date not yet provided (new projects)				17,994
<b>Total WIP</b>				<b>522,767</b>
<b>Top 10 Programmes</b>				<b>WIP Closing Balance 31 December 2017 \$000</b>
Walking And Cycling				68,890
AMETI				47,706
Bus Interchange				37,882
Te Atatu Rd : Corridor Improvements				26,133
SMART				20,248
Mill Road Improvements				17,762
Penlink Toll Road				11,856
Minor Safety				11,836
Double decker network mitigation works				11,835
AT On The Move				10,795
<b>Total</b>				<b>264,943</b>

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

As at 31 December 2017

	Actual 31 December 2017 \$000	Actual 30 November 2017 \$000
<b>4 Payables and accruals</b>		
<b>Current portion</b>		
Creditors	5,189	23,076
Accrued expenses	127,015	126,099
Retentions	12,698	12,760
Amounts due to related parties	5,893	8,125
Revenue in advance	6,752	7,939
<b>Total current payables</b>	<b>157,547</b>	<b>177,999</b>
<b>Non-current portion</b>		
Amounts due to related parties	18,083	18,359
<b>Total non-current payables</b>	<b>18,083</b>	<b>18,359</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.

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

As at 31 December 2017

	Actual 31 December 2017 \$000	Actual 30 November 2017 \$000
<b>5 Employee entitlements</b>		
<b>Current portion</b>		
Accrued salaries and wages	5,588	4,916
Accrued leave	10,962	10,884
<b>Total current employee entitlements</b>	<b>16,550</b>	<b>15,800</b>
<b>Non-current portion</b>		
Retirement gratuities	314	314
Long service leave	180	191
<b>Total non-current employee entitlements</b>	<b>494</b>	<b>505</b>
<b>6 Borrowings</b>		
<b>Current portion</b>		
Loans from Auckland Council	5,942	5,913
<b>Total current borrowings</b>	<b>5,942</b>	<b>5,913</b>
<b>Non-current portion</b>		
Loans from Auckland Council	499,924	500,467
<b>Total non-current borrowings</b>	<b>499,924</b>	<b>500,467</b>
Weighted average cost of funds on total borrowings	6.02%	6.02%

Auckland Transport's loan debt of \$506 million is issued at fixed rates of interest ranging from 5.55% to 6.57%.



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

As at 31 December 2017

	<b>Actual</b>
	<b>31 December 2017</b>
	<b>\$000</b>
<b>7 Deferred tax liability</b>	
Balance at 1 July 2017	11,667
Debited to surplus or deficit	(257)
Charged to equity	-
<b>Balance 31 December 2017</b>	<b>11,410</b>

## Section 5 – Cash Flow

	Year to date		Full year
	Actual \$000	Budget \$000	Budget \$000
<b>Cash flows from operating activities</b>			
Total cash provided	799,591	774,686	1,574,632
<b>Cash applied to</b>			
Payments to suppliers and employees	409,453	390,935	772,520
Interest paid	14,321	15,407	30,452
Goods and services tax	-	-	-
<b>Total cash applied</b>	<b>423,774</b>	<b>406,342</b>	<b>802,972</b>
<b>Net cash from operating activities</b>	<b>375,817</b>	<b>368,344</b>	<b>771,660</b>
<b>Cash flows from investing activities</b>			
<b>Cash provided from</b>			
Sale of property, plant and equipment	2,362	-	-
<b>Cash applied to:</b>			
Purchase of property, plant and equipment	365,139	365,548	765,896
<b>Net cash from investing activities</b>	<b>(362,777)</b>	<b>(365,548)</b>	<b>(765,896)</b>
<b>Cash flows from financing activities</b>			
<b>Cash provided from</b>			
EMU loan from Auckland Council	-	-	-
<b>Cash applied to</b>			
Repayments of EMU loan from Auckland Council	2,797	2,796	5,764
<b>Net cash from financing activities</b>	<b>(2,797)</b>	<b>(2,796)</b>	<b>(5,764)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>10,243</b>	<b>-</b>	<b>-</b>
Opening cash and cash equivalents	5,692	-	-
<b>Closing cash balance</b>	<b>15,935</b>	<b>-</b>	<b>-</b>

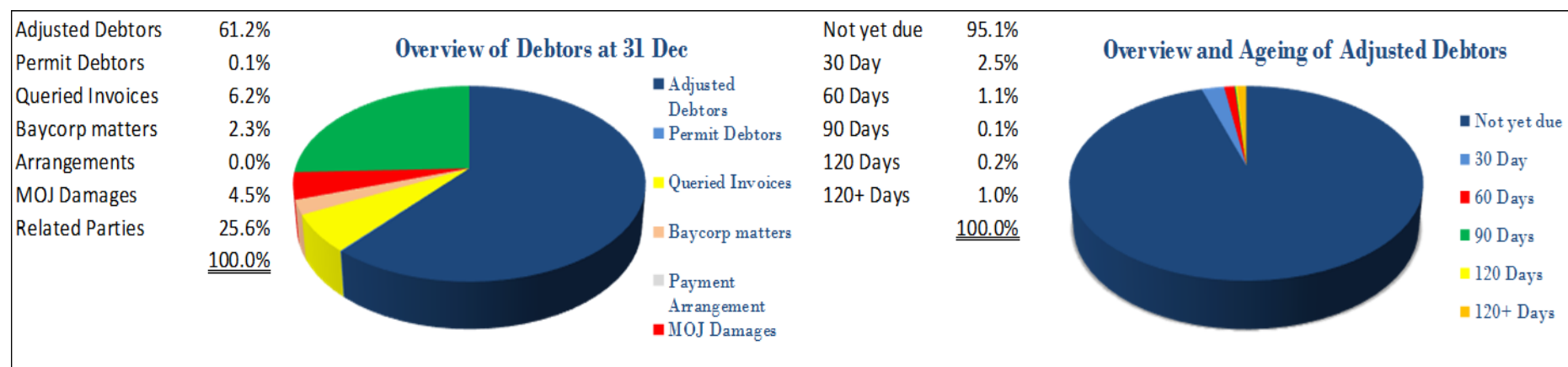
<b>Reconciliation of surplus after tax to net cash from operating activities</b>	
	<b>Actual \$000</b>
<b>Surplus after tax</b>	<b>237,674</b>
<b>Add/(less) non-cash items</b>	
Depreciation and amortisation	158,123
Vested asset income	(93,273)
Loss on disposal of property, plant and equipment	324
(Gains)/losses on derivatives	3,222
Income tax (benefit)/expense	(257)
	<b>68,139</b>
<b>Add/(less) movements in balance sheet items</b>	
Receivables	88,007
Inventories	(69)
Other assets	(20,989)
Non-current assets held for sale	764
Payables and accruals	1,001
Employee entitlements	1,290
	<b>70,004</b>
<b>Net cash from operating activities</b>	<b>375,817</b>

## Section 6 – Accounts Receivable Report

### Accounts Receivable

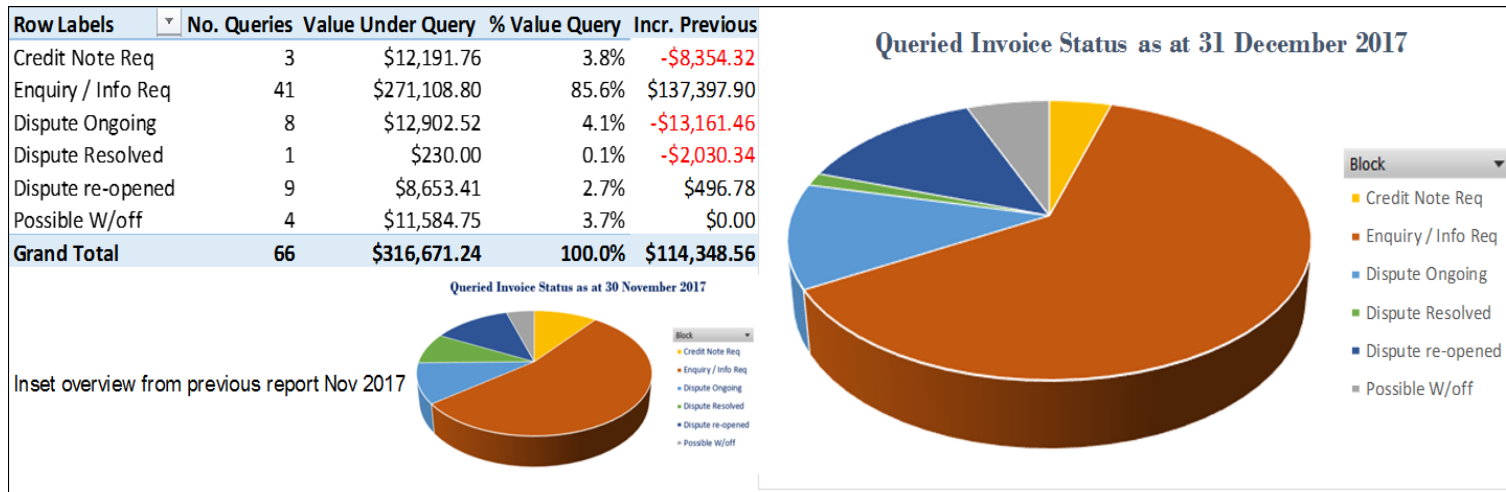
An overview of Debtors as at 31 December has 98.7% (98.5% November) of adjusted Debtors in 30 and 60 days, or not yet due.

<u>Debtors Ageing Analysis as at 31 December 2017</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 Dec	144	5,059,185	3,760,573	301,183	414,247	23,264	20,209	539,710	1
Parking Permit Debtors	18	5,210	0	1,220	0	0	3,990	0	2
<b>Total Debtors</b>		<b>5,064,395</b>	<b>3,760,573</b>	<b>302,403</b>	<b>414,247</b>	<b>23,264</b>	<b>24,199</b>	<b>539,710</b>	
		100.0%	74.3%	6.0%	8.2%	0.5%	0.5%	10.7%	
O/s Related Parties	39	1,298,945	804,648	104,056	337,964	2,744	9,654	39,880	3
<b>Trade Debtors</b>	<b>95</b>	<b>3,765,450</b>	<b>2,955,925</b>	<b>198,348</b>	<b>76,283</b>	<b>20,520</b>	<b>14,545</b>	<b>499,830</b>	
		100.0%	78.5%	5.3%	2.0%	0.5%	0.4%	13.3%	
Queried Invoices	187	316,671	1,918	121,462	29,403	15,153	7,028	141,708	4
To Baycorp (Collection)	585	119,097	48	672	594	1,349	0	116,433	5
Payment Arrangement	175	1,820	0	0	0	0	0	1,820	6
Lodged Courts (Damages)	589	226,118	3,000	0	11,362	0	2,480	209,276	7
<b>Adjusted Debtors</b>		<b>3,101,743</b>	<b>2,950,959</b>	<b>76,213</b>	<b>34,924</b>	<b>4,018</b>	<b>5,037</b>	<b>30,592</b>	8
		100.0%	95.1%	2.5%	1.1%	0.1%	0.2%	1.0%	



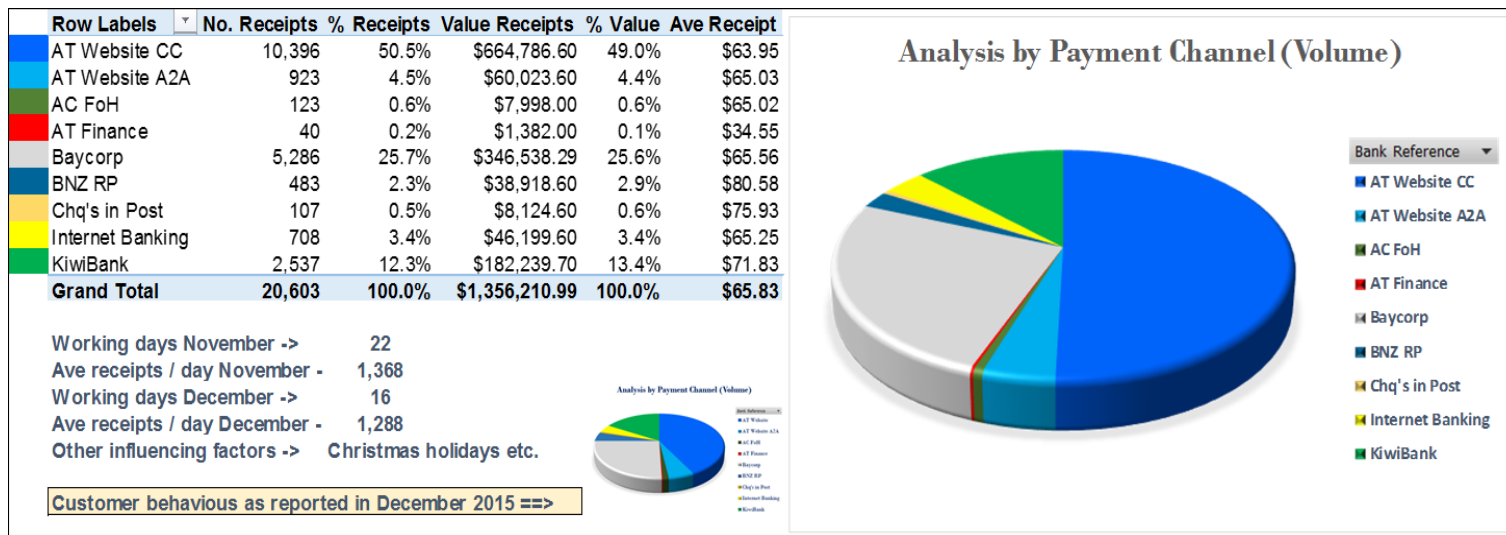
#### Notes relating to the Debtors Ageing Analysis:

- 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. The \$76,000 matter mentioned in earlier reports has been referred to Legal who are working on the matter. A new dispute regarding HOP equipment damage is being investigated with a vendor.
- 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. 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 decreased by \$2.4 million in December compared with November 2017.

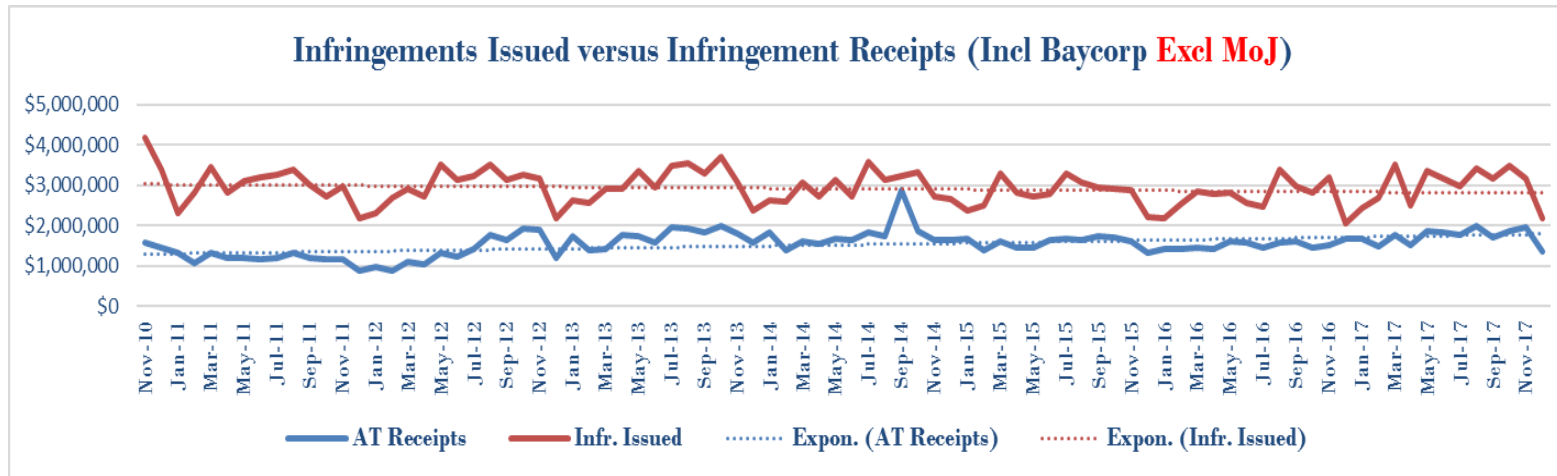


**Infringement Overview:**

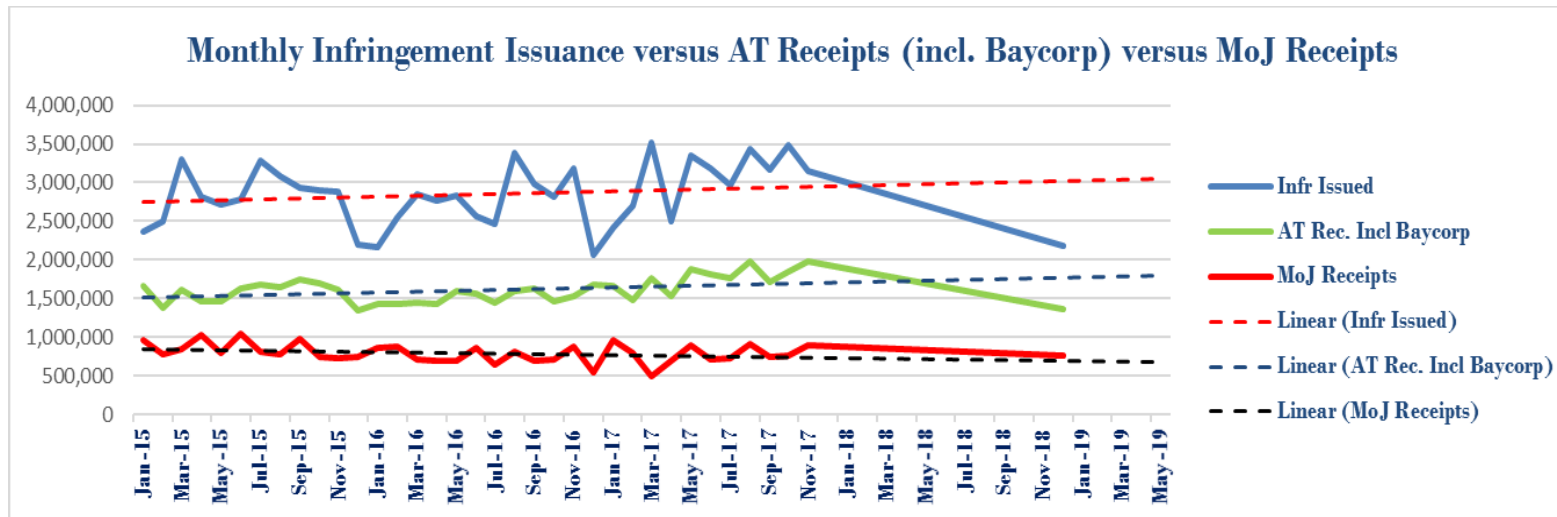
December's Infringement receipts by volume are down 31.5% on November (16 working days in December compared with 22 in November). Of the customers not paying in response to a Baycorp demand, 78.5% are making use of electronic payment methods (77.5% in November). The AT website recorded 54.9% of all receipts (54.5% in November). The inset graph compares customer behaviour as reported in December 2015.



When comparing infringements issued against AT receipts (including Baycorp but excluding MoJ) over a 7 year period, the issued trend line is decreasing while the receipt trend line continues to increase.

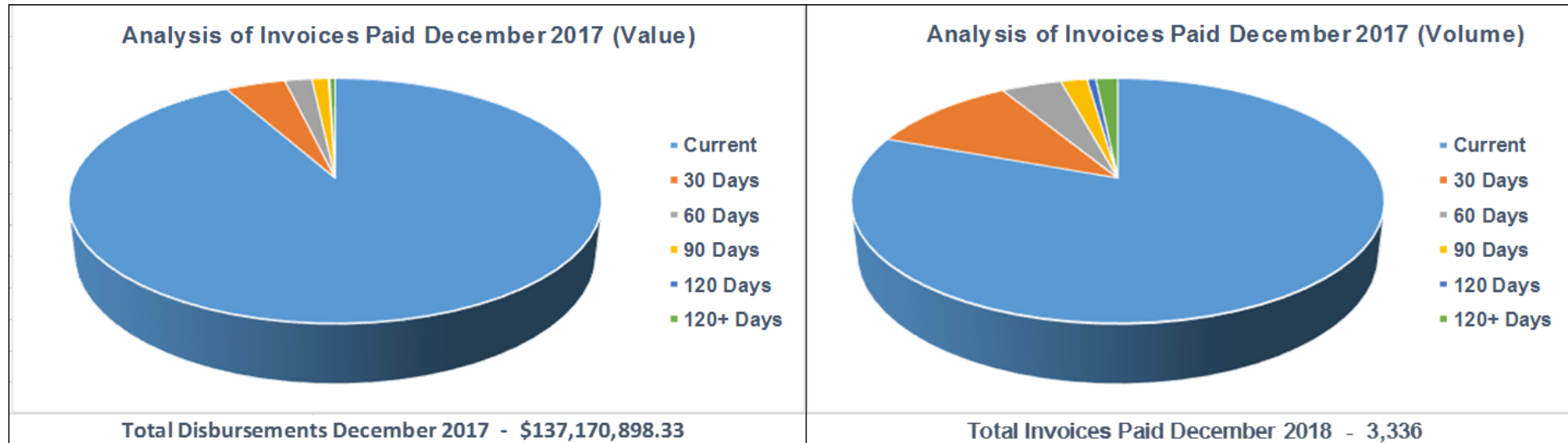


The following analysis compares infringements issued over a 36 month period (Jan 15 to Dec 17) and further compares receipts by AT (Incl. Baycorp) against receipts by MoJ. The trend lines within the analysis for the period clearly shows an increase in both issuance and AT receipts while MoJ continues to drop.



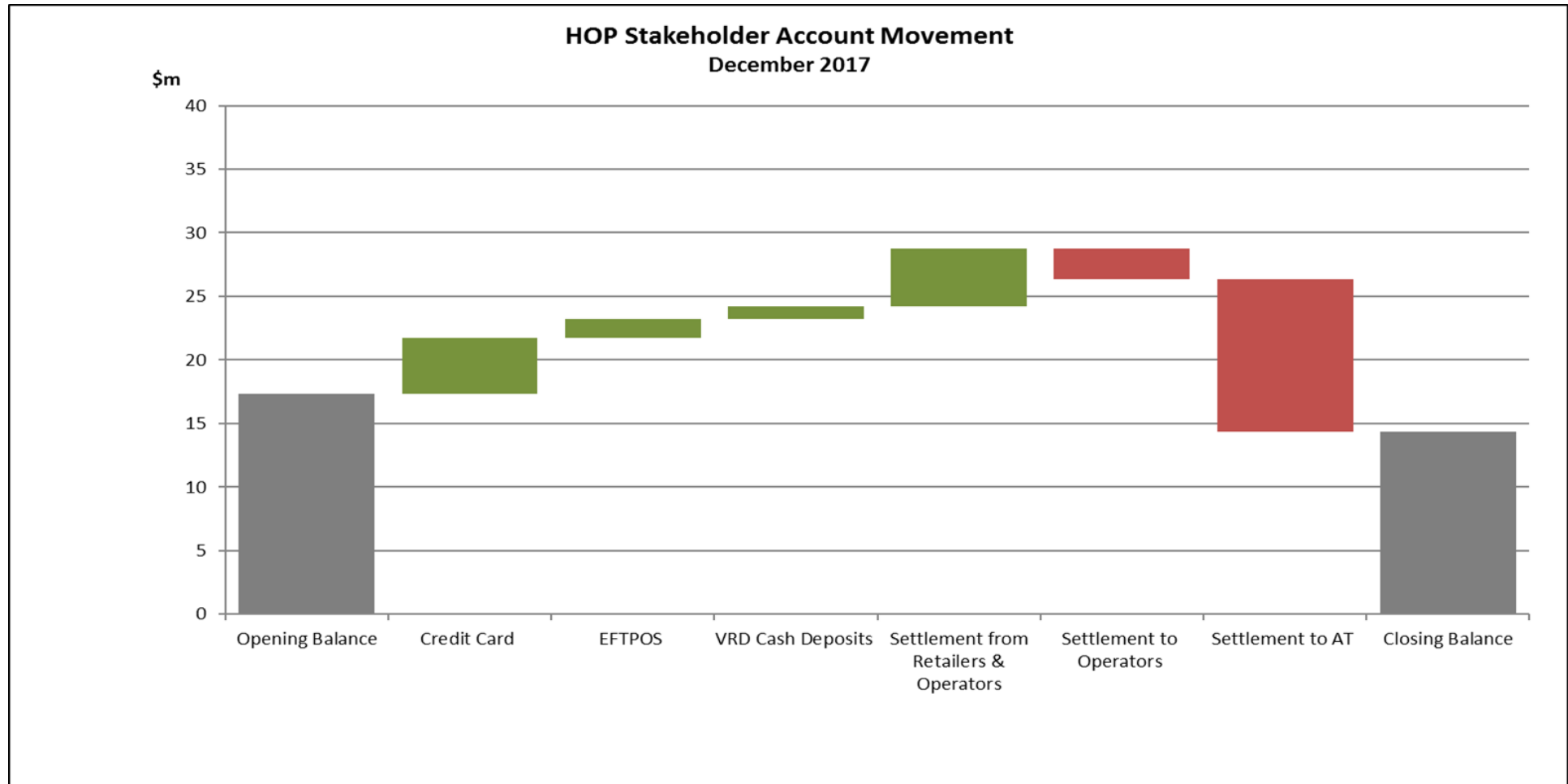
**Accounts Payable:**

The following analysis of all invoices disbursed in December with the focus on the age of the invoice at time of payment. The graph comparing value by age, shows that AT has paid 96% of invoices on time or within 30 days of due date. The invoices by volume shows that 92% of invoices have been paid on time or within 30 days of due date. Value comparison Dec \$137million / Nov \$134 million. Volume comparison Dec 3,336 invoices / Nov 3,163 invoices.



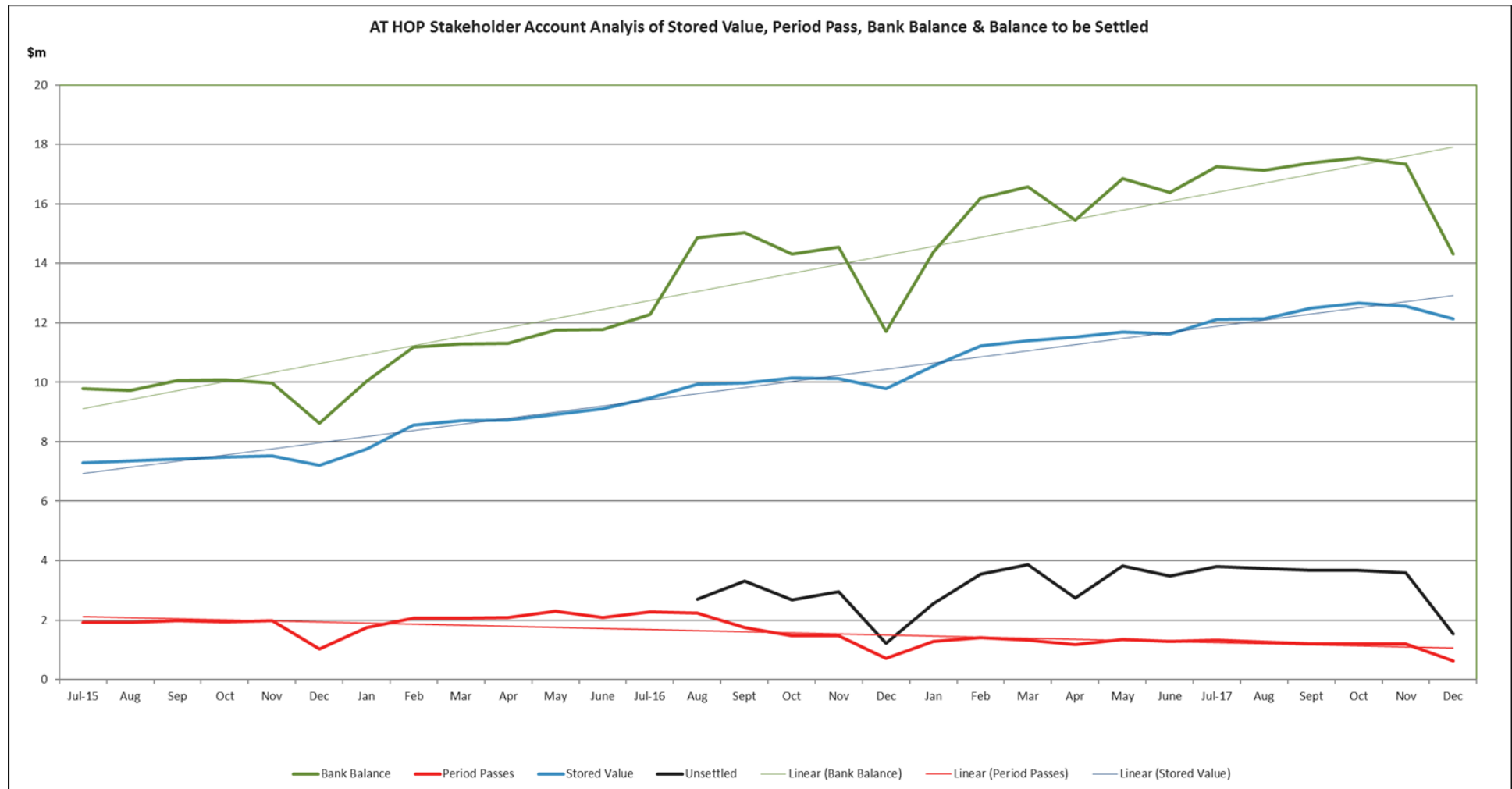
## Section 7 – AT HOP Stakeholder Monthly Report

The AT HOP Stakeholder account balance decreased by 17.4% during December 2017 (from \$17.3 million to \$14.3 million) in line with seasonal expectations.







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.



## Document ownership

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