

Financial Results for the Five Months Ended 30 November 2016

Recommendation

That the Board:

- i. Receives the report.

Table of Contents

1. Overview (section 1)
2. Auckland Transport Financial Results
 - a. Executive summary (section 2a)
 - b. Split by category (section 2b)
 - c. Summary by activity (section 2c)
 - d. Split by activity (section 2d)
 - e. Operational funding requirement (section 2e)
3. Capital expenditure results
 - a. Summary of capital expenditure (section 3a)
 - b. Funding (section 3b)
4. Statement of Financial Position
 - a. Statement of Financial Position (section 4a)
 - b. Notes to the financial statements (section 4b)
5. Cash flow
 - a. Cash flow (section 5a)
 - b. Cash flow waterfall (section 5b)
6. Accounts receivable (section 6)
7. AT HOP stakeholder report (section 7)

Section 1 – Overview

- The **mid-year budget realignment** was completed last month. The projected surplus from operations excluding depreciation is in line with the original budget and the proposed realignment. Cost savings, additional revenue and deferrals have been identified to offset the expected decrease in AT Metro and parking revenue. Beginning next month, results will be reported against the revised budget. A separate Budget Realignment Board paper has been tabled to discuss the proposed changes in the budget.
- **Deficit from operations** year to date is \$120.7 million against a budget of \$128.1 million. The following items of financial performance are noteworthy:
 - **AT Metro income** (in bus and rail) continues to be behind budget due to the implementation of Simpler Fares and lower than budget patronage.
 - **Parking and enforcement income** is behind budget mainly as a result of lower than budget parking infringement notice issuances, delays in the roll-out of new paid parking areas and higher than anticipated paid parking spaces removed to make way for the CRL, bus and cycleways and Wynyard Quarter projects.
 - **NZ Transport Agency operating funding** is above budget mainly due to a one-off \$2.7 million of unbudgeted revenue. Bus and Rail operations subsidy is more than budget for the year to date. Revenue shortfalls result in a higher fare subsidy although this factor is likely to result in the capped budget being reached later in the year.
 - **Core operating expenditure** year to date (i.e. excluding depreciation and amortisation) is below budget by \$8.6 million or 3%. Key factors are discussed in the Budget Realignment paper and include MRT project delays as AT awaits the Advanced Bus Study results.
- **Capital expenditure programme** year to date is \$252.7 million, 8% or \$20.8 million behind budget. Two-thirds of the variance is attributed to the renewals programme being behind budget, however this is expected to catch-up in the coming months. Forecasted full year delivery is \$737 million compared to an approved budget of \$764.6 million. Details of the revised capital programme is discussed in the Budget Realignment Board paper.
- **NZ Transport Agency capital co-investment** is below budget mainly due to lower than budget revenue from renewal projects as result of renewal capital programme delivery tracking behind plan.
- Additional **vested assets** of \$17.9 million were received during the month.

Section 2a – Executive Summary

Financial results for the five months ended 30 November 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	0.0	(1.5)	↔ ●	320.1	321.7	786.1
Total operating expenditure	1.4	8.9	↓ ●	440.9	449.8	1,118.7
Surplus/(deficit) from operations	1.4	7.4	↑ ●	(120.7)	(128.1)	(332.6)
Income for capital projects	15.9	11.8	↑ ●	311.6	299.8	866.1
Net surplus/(deficit) before tax	17.4	19.2	↑ ●	190.9	171.7	533.5
Total direct capital	2.0	20.8	↓ ●	252.7	273.5	764.6

Key to symbols used:

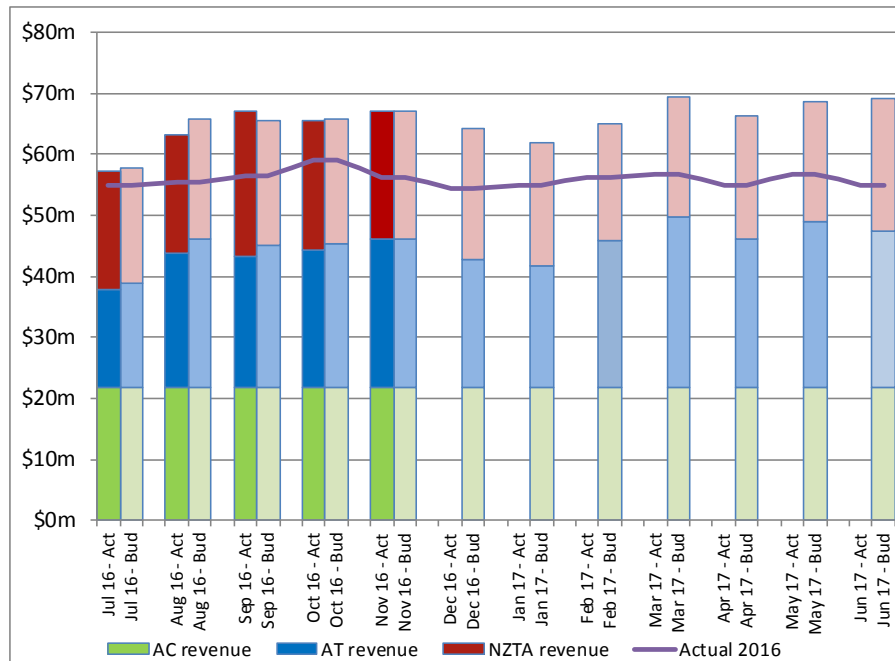
↔	: Within tolerable range	↑	: Above budget, favourable variance.
↓	: Below budget, unfavourable variance.	●	: Largely on track
↓	: Below budget, favourable variance.	●	: Monitoring, some action taken
↑	: Above budget, unfavourable variance.	●	: Action required

Section 2b – Financial results for the five months ended 30 November 2016

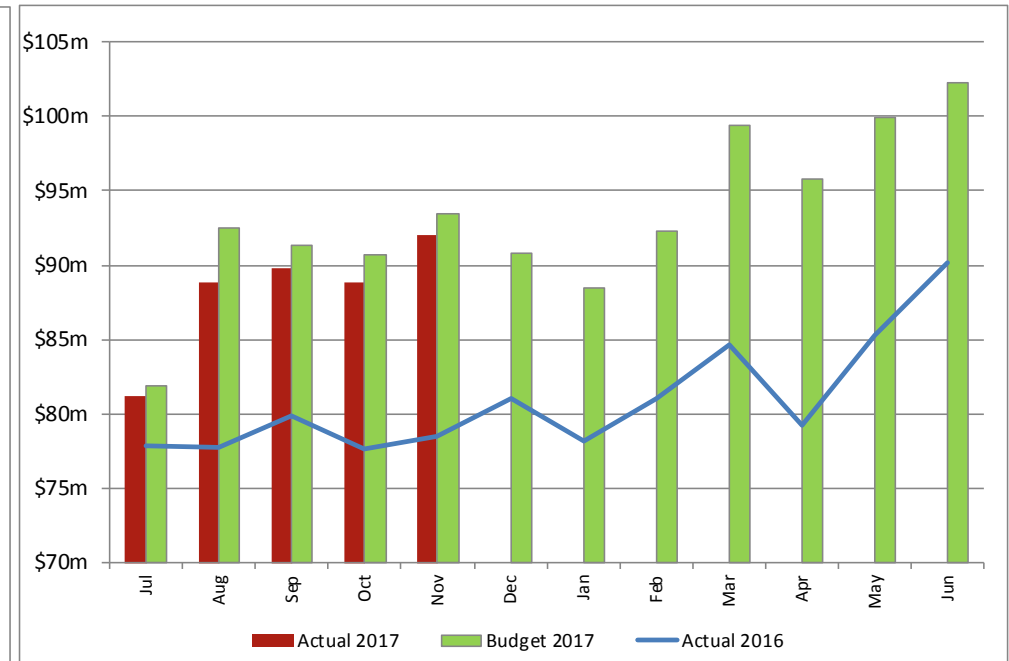
	Current month			Year to date			Results	Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	achieved	Budget \$000
Income								
<u>Operating income</u>								
Auckland Council funding	21,681	21,681	-	108,403	108,403	-	●	260,167
NZ Transport Agency operating funding	21,013	20,851	162	104,809	100,304	4,505	●	242,676
Parking and enforcement income	7,262	6,842	420	32,852	34,524	(1,672)	●	84,564
AT Metro income	13,839	15,379	(1,540)	59,312	65,556	(6,244)	●	169,042
Other revenue incl. other grants and subsidies	3,240	2,237	1,003	14,772	12,884	1,888	●	29,698
Total operating income	67,035	66,990	45	320,148	321,671	(1,523)	●	786,147
Expenditure								
Personnel costs	12,996	12,552	(444)	62,277	62,432	155	●	149,298
Capitalised personnel costs	(3,273)	(3,245)	28	(14,986)	(16,226)	(1,240)	●	(39,713)
Depreciation and amortisation	27,152	27,256	104	134,341	134,655	314	●	337,978
Other expenditure	52,747	54,386	1,639	246,768	256,248	9,480	●	640,651
Finance costs (Electric Trains)	2,438	2,489	51	12,457	12,645	188	●	30,511
Total operating expenditure	92,060	93,438	1,378	440,857	449,754	8,897	●	1,118,725
Surplus/(deficit) from operations	(25,025)	(26,448)	1,423	(120,709)	(128,083)	7,374	●	(332,578)
<u>Income for capital projects</u>								
NZ Transport Agency capital co-investment	17,955	24,097	(6,142)	63,083	80,781	(17,698)	●	216,602
Auckland Council capital grant	44,230	40,666	3,564	187,184	193,676	(6,492)	●	548,009
Other Capital Grants	575	-	575	2,386	-	2,386	●	-
Vested asset income	17,945	-	17,945	58,970	25,375	33,595	●	101,500
Total income for capital projects	80,705	64,763	15,942	311,623	299,832	11,791	●	866,111
Net surplus/(deficit) before tax and derivatives	55,680	38,315	17,365	190,914	171,749	19,165	●	533,533
Gains/(losses) on derivatives	645	-	645	1,789	-	1,789		-
Gain/(loss) on disposal of assets	-	-	-	-	-	-		(758)
Income tax benefit/(expense)	-	-	-	-	-	-		-
Net surplus/(deficit) after tax and derivatives	56,325	38,315	18,010	192,703	171,749	20,954	●	532,775

Section 2b – Financial results for the five months ended 30 November 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	9,281	10,242	(961)	48,847	50,837	(1,990)	122,497
Bus	15,986	16,184	(198)	66,088	68,687	(2,599)	180,655
Ferry	1,185	1,328	(143)	5,241	6,188	(947)	15,094
Other public transport	2,424	2,813	(389)	12,732	12,834	(102)	32,138
Parking	4,209	4,323	(114)	19,873	20,341	(468)	52,991
Enforcement	3,054	2,519	535	12,979	14,184	(1,205)	31,573
Roading and footpaths	4,998	4,770	228	25,192	24,744	448	57,159
Internal support	4,218	3,132	1,086	20,793	15,452	5,341	33,872
Auckland Council operating funding	21,681	21,681	-	108,403	108,403	-	260,167
Total operating income	67,036	66,992	44	320,148	321,670	(1,522)	786,146
Operating Expenditure							
Rail	12,849	14,396	1,547	69,121	71,155	2,034	171,304
Bus	22,788	21,621	(1,167)	96,249	95,862	(387)	249,541
Ferry	1,551	1,816	265	7,246	8,525	1,279	20,475
Other public transport	3,165	4,368	1,203	17,867	20,263	2,396	51,478
Parking	1,118	1,052	(66)	5,249	5,198	(51)	12,371
Enforcement	1,644	1,802	158	8,268	9,050	782	21,471
Roading and footpaths	10,827	10,722	(105)	52,167	52,835	668	127,790
Internal support	10,967	10,405	(562)	50,349	52,213	1,864	126,317
Depreciation	27,152	27,256	104	134,341	134,655	314	337,978
Total operating expenditure	92,061	93,438	1,377	440,857	449,756	8,899	1,118,725
Surplus/(deficit) from Operations	(25,025)	(26,446)	1,421	(120,709)	(128,086)	7,377	(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	4,136	4,569	(433)	20,737	22,780	(2,043)	54,700
Other income	75	104	(29)	214	507	(293)	1,210
NZ Transport Agency operating funding	3,517	3,983	(466)	19,907	19,440	467	46,837
NZ Transport Agency operating funding - Electric Trains	1,553	1,586	(33)	7,989	8,110	(121)	19,750
Total operating income	9,281	10,242	(961)	48,847	50,837	(1,990)	122,497
Operating Expenditure							
Personnel costs	190	193	3	975	941	(34)	2,284
Capitalised personnel costs	1	6	5	25	6	(19)	45
Service delivery costs and professional services	7,785	8,711	926	41,513	42,420	907	100,722
Occupancy costs	277	309	32	1,444	1,481	37	3,478
Track access charges	1,552	2,071	519	9,686	10,517	831	26,085
Other expenditure	606	617	11	3,021	3,145	124	8,179
Finance costs (Electric Trains)	2,438	2,489	51	12,457	12,645	188	30,511
Total operating expenditure	12,849	14,396	1,547	69,121	71,155	2,034	171,304
Depreciation	3,125	3,122	(3)	15,649	15,587	(62)	37,695
Surplus/(deficit) from Operations	(6,693)	(7,276)	583	(35,923)	(35,905)	(18)	(86,502)
Internal support costs	2,159	2,356	197	9,796	11,694	1,898	31,227
Surplus/(deficit)	(8,852)	(9,632)	780	(45,719)	(47,599)	1,880	(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	7,321	8,682	(1,361)	29,647	34,523	(4,876)	94,158
Other income	925	840	85	1,888	1,894	(6)	4,312
NZ Transport Agency operating funding	7,740	6,662	1,078	34,553	32,270	2,283	82,185
Total operating income	15,986	16,184	(198)	66,088	68,687	(2,599)	180,655
Operating Expenditure							
Personnel costs	319	316	(3)	1,487	1,563	76	4,003
Capitalised personnel costs	33	(14)	(47)	49	(78)	(127)	33
Service delivery costs and professional services	22,288	21,154	(1,134)	93,925	93,564	(361)	243,535
Occupancy costs	91	100	9	285	498	213	1,201
Other expenditure	57	65	8	503	315	(188)	769
Total operating expenditure	22,788	21,621	(1,167)	96,249	95,862	(387)	249,541
Depreciation	274	314	40	1,343	1,322	(21)	3,581
Surplus/(deficit) from Operations	(7,076)	(5,751)	(1,325)	(31,504)	(28,497)	(3,007)	(72,467)
Internal support costs	3,145	3,432	286	14,269	17,035	2,765	45,488
Surplus/(deficit)	(10,221)	(9,183)	(1,039)	(45,773)	(45,532)	(242)	(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	363	406	(43)	1,879	1,812	67	4,857
Activity Income	222	101	121	599	500	99	1,210
Other income	60	73	(13)	313	341	(28)	948
NZ Transport Agency operating funding	540	748	(208)	2,450	3,535	(1,085)	8,079
Total operating income	1,185	1,328	(143)	5,241	6,188	(947)	15,094
Operating Expenditure							
Personnel costs	94	104	10	432	486	54	1,211
Capitalised personnel costs	-	-	-	2	-	(2)	-
Service delivery costs and professional services	1,154	1,489	335	5,684	6,909	1,225	16,491
Occupancy costs	136	63	(73)	393	316	(77)	777
Other expenditure	167	160	(7)	735	814	79	1,996
Total operating expenditure	1,551	1,816	265	7,246	8,525	1,279	20,475
Depreciation	253	248	(5)	1,263	1,247	(16)	2,995
Surplus/(deficit) from Operations	(619)	(736)	117	(3,268)	(3,584)	316	(8,376)
Internal support costs	258	282	23	1,171	1,398	227	3,732
Surplus/(deficit)	(877)	(1,018)	140	(4,439)	(4,982)	543	(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	737	605	132	4,035	3,199	836	7,646
NZ Transport Agency operating funding	1,687	2,208	(521)	8,697	9,635	(938)	24,492
Total operating income	2,424	2,813	(389)	12,732	12,834	(102)	32,138
Operating Expenditure							
Personnel costs	1,318	1,372	54	6,881	6,698	(183)	16,073
Capitalised personnel costs	(27)	53	80	16	254	238	344
Service delivery costs and professional services	841	1,886	1,045	5,933	8,308	2,375	22,571
IT costs	183	182	(1)	941	909	(32)	2,201
Other expenditure	850	875	25	4,096	4,094	(2)	10,289
Total operating expenditure	3,165	4,368	1,203	17,867	20,263	2,396	51,478
Depreciation	1,413	1,231	(182)	6,405	6,084	(321)	16,856
Surplus/(deficit) from Operations	(2,154)	(2,786)	632	(11,540)	(13,513)	1,973	(36,196)
Internal support costs	649	708	59	2,944	3,514	570	9,384
Surplus/(deficit)	(2,803)	(3,494)	691	(14,484)	(17,027)	2,543	(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	65	288	(223)	479	759	(280)	4,188
Parking Fees	4,144	4,035	109	19,394	19,582	(188)	48,803
Total operating income	4,209	4,323	(114)	19,873	20,341	(468)	52,991
Operating Expenditure							
Personnel costs	242	266	24	1,217	1,286	69	3,002
Capitalised personnel costs	1	(1)	(2)	(21)	(6)	15	(14)
Service delivery costs and professional services	328	239	(89)	1,142	1,196	54	2,871
Occupancy Costs	545	507	(38)	2,593	2,536	(57)	6,088
Other expenditure	2	41	39	318	186	(132)	424
Total operating expenditure	1,118	1,052	(66)	5,249	5,198	(51)	12,371
Depreciation	643	583	(60)	3,248	2,917	(331)	7,000
Surplus/(deficit) from Operations	2,448	2,688	(240)	11,376	12,226	(850)	33,620
Internal support costs	156	170	14	707	844	137	2,255
Surplus/(deficit)	2,292	2,518	(226)	10,669	11,382	(713)	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	3,054	2,519	535	12,979	14,184	(1,205)	31,573
Total operating income	3,054	2,519	535	12,979	14,184	(1,205)	31,573
Operating Expenditure							
Personnel costs	926	957	31	4,323	4,617	294	10,793
Capitalised personnel costs	6	4	(2)	56	22	(34)	52
Service delivery costs and professional services	169	161	(8)	935	806	(129)	1,935
Occupancy Costs	1	-	(1)	4	-	(4)	-
Other expenditure	542	680	138	2,950	3,605	655	8,691
Total operating expenditure	1,644	1,802	158	8,268	9,050	782	21,471
Depreciation	36	20	(16)	73	100	27	241
Surplus/(deficit) from Operations	1,374	697	677	4,638	5,034	(396)	9,861
Internal support costs	271	295	25	1,228	1,466	238	3,914
Surplus/(deficit)	1,103	402	702	3,410	3,568	(158)	5,947

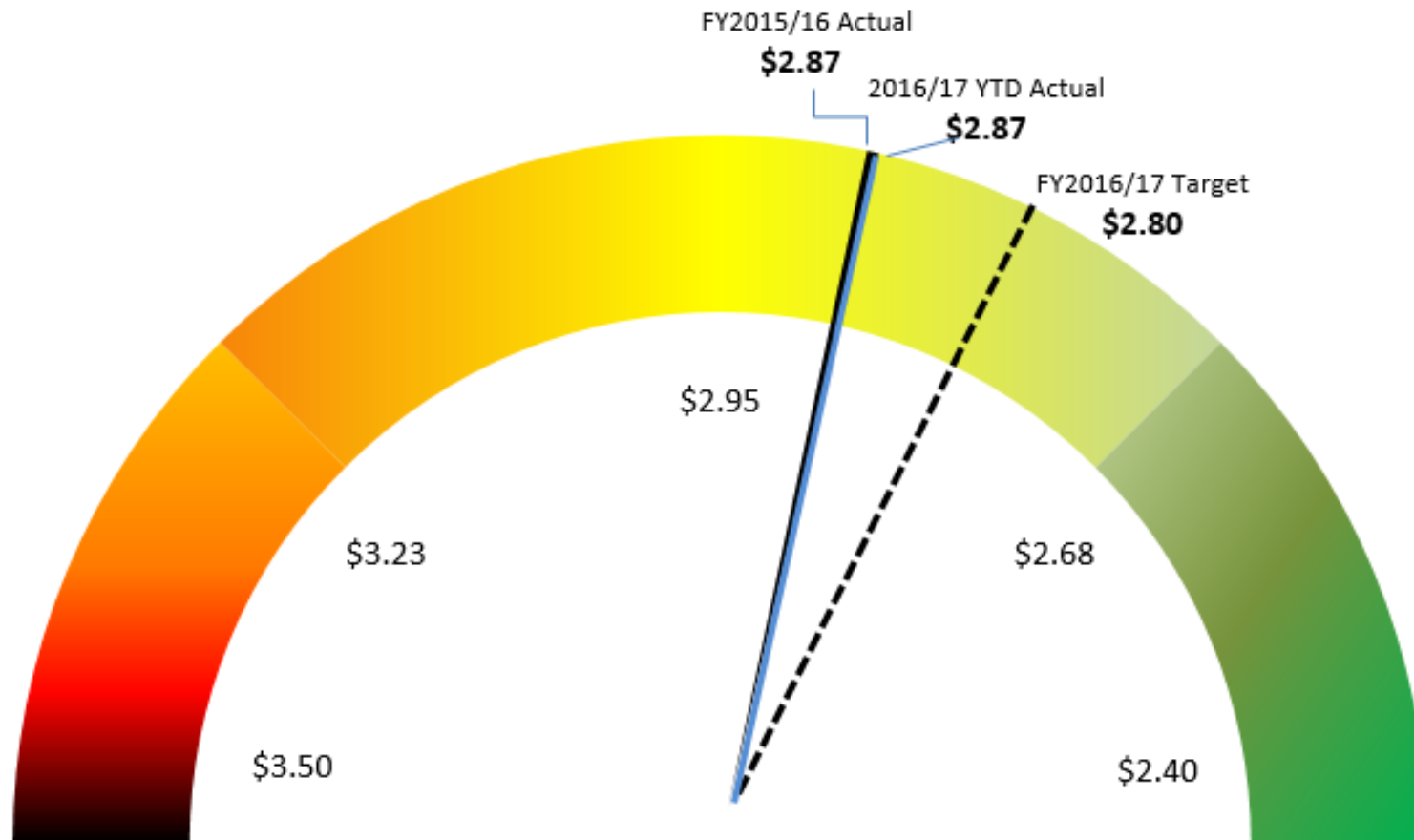
Section 2d – Roading and footpaths operations

	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	771	727	44	3,876	3,650	226	8,737
Other income	570	348	222	3,308	2,789	519	5,718
NZ Transport Agency operating funding	3,657	3,695	(38)	18,008	18,305	(297)	42,704
Total operating income	4,998	4,770	228	25,192	24,744	448	57,159
Operating Expenditure							
Personnel costs	2,481	2,432	(49)	11,951	12,239	288	28,874
Capitalised personnel costs	(540)	(653)	(113)	(2,428)	(3,428)	(1,000)	(8,699)
Service delivery costs and professional services	6,952	7,156	204	32,864	34,377	1,513	84,453
Occupancy Costs	1,176	1,123	(53)	7,386	6,794	(592)	15,933
IT Costs	1	24	23	11	147	136	316
Other expenditure	757	640	(117)	2,383	2,706	323	6,913
Total operating expenditure	10,827	10,722	(105)	52,167	52,835	668	127,790
Depreciation	19,910	20,011	101	98,494	99,484	990	242,760
Surplus/(deficit) from Operations	(25,739)	(25,963)	224	(125,469)	(127,575)	2,106	(313,391)
Internal support costs	1,611	1,757	147	7,307	8,723	1,416	23,295
Surplus/(deficit)	(27,350)	(27,720)	371	(132,776)	(136,298)	3,522	(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	1,483	1,129	354	6,869	6,033	836	13,934
Other income	416	33	383	719	411	308	1,309
NZ Transport Agency operating funding	2,319	1,970	349	13,205	9,008	4,197	18,629
Total operating income	4,218	3,132	1,086	20,793	15,452	5,341	33,872
Operating Expenditure							
Personnel costs	7,426	6,912	(514)	35,011	34,603	(408)	83,057
Capitalised personnel costs	(2,746)	(2,639)	107	(12,685)	(12,995)	(310)	(31,473)
Directors Fees	23	43	20	193	213	20	510
Service delivery costs and professional services	3,175	3,660	485	14,421	17,902	3,481	41,822
Other expenditure	3,089	2,429	(660)	13,409	12,490	(919)	32,401
Total operating expenditure	10,967	10,405	(562)	50,349	52,213	1,864	126,317
Depreciation	1,500	1,727	227	7,866	7,913	47	26,850
Surplus/(deficit) from Operations	(8,249)	(9,000)	751	(37,422)	(44,674)	7,252	(119,295)
Internal support allocated	8,249	9,000	751	37,422	44,674	7,252	119,295
Surplus/(deficit)	-	-	-	-	-	-	-

Section 2e – Operational funding requirement per passenger for the five months to November 2016



Section 3a – Summary of Capital Expenditure

	Current month			Year to date			Results achieved	Full year Budget \$000
	Actual	Budget	Variance	Actual	Budget	Variance		
	\$000	\$000	\$000	\$000	\$000	\$000		
Land								
CRL	2,142	1,433	(709)	4,512	5,483	971	●	19,255
AMETI	5	980	975	5,399	3,673	(1,726)	●	13,700
Special Housing Areas (SHAs)	2	10	8	10	75	65	●	17,765
Other	3,431	3,619	188	23,396	17,927	(5,469)	●	29,987
Total land	5,580	6,042	462	33,317	27,158	(6,159)	●	80,707
Major new capital projects								
CRL	12,413	9,102	(3,311)	50,867	38,276	(12,591)	●	150,242
Albany Highway Upgrade	405	350	(55)	3,869	1,750	(2,119)	●	3,822
Otahuhu Bus Interchange	2,207	40	(2,167)	10,357	6,180	(4,177)	●	3,324
Te Atatu Road Corridor Improvements	980	969	(11)	3,664	4,292	628	●	9,509
NorthWest Transformation	26	124	98	1,109	1,377	268	●	6,317
AMETI	227	696	469	2,315	3,461	1,146	●	8,364
Manukau Bus Interchange	826	911	85	1,426	1,766	340	●	22,600
Total major new capital projects	17,084	12,192	(4,892)	73,607	57,102	(16,505)	●	204,178
Other ring-fenced projects								
EMU	403	875	472	1,000	4,375	3,375	●	10,499
Local Board initiatives	1,462	2,386	924	9,363	15,936	6,573	●	10,537
Special Housing Areas (SHAs)	107	120	13	542	437	(105)	●	18,135
Other	30	449	419	1,419	2,060	641	●	9,456
Total other ring-fenced projects	2,002	3,830	1,828	12,324	22,808	10,484	●	48,627
Other								
Roads and footpaths	10,570	10,408	(162)	41,389	53,191	11,802	●	125,524
AT Metro	3,550	5,600	2,050	11,331	18,797	7,466	●	56,006
Parking operations	573	550	(23)	1,634	2,381	747	●	3,686
Internal support - BT	2,031	1,332	(699)	7,393	6,186	(1,207)	●	11,825
Internal support - Accomodation	274	107	(167)	922	828	(94)	●	4,000
Internal support - Other	11	50	39	84	425	341	●	1,950
Total other	17,009	18,047	1,038	62,753	81,808	19,055	●	202,991
Renewals	21,086	24,651	3,565	70,651	84,574	13,923	●	228,107
Total direct capital	62,761	64,762	2,001	252,652	273,450	20,798	●	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
Direct capital funding							
NZ Transport Agency new capital co-investment	8,605	14,107	(5,502)	33,228	46,148	(12,920)	153,310
NZ Transport Agency renewal co-investment	9,350	9,990	(640)	29,855	34,633	(4,778)	63,292
Other Capital Grants	575	-	575	2,386	-	2,386	-
Auckland Council capital grant	44,231	40,665	3,566	187,183	192,669	(5,486)	548,008
Total direct capital funding	62,761	64,762	(2,001)	252,652	273,450	(20,798)	764,610

Section 4a – Statement of Financial Position

As at 30 November 2016

	Note	Actual 30 November 2016 \$000	Actual 31 October 2016 \$000
Assets			
Current assets			
Cash and cash equivalents	1	5,189	5,845
Trade and other receivables	2	257,755	248,665
Inventories		9,633	9,721
Other assets		12,143	17,334
Non-current asset held for sale		6,473	6,406
Total current assets		291,193	287,971
Non-current assets			
Property, plant and equipment		16,389,541	16,352,384
Property, plant and equipment - work-in-progress		683,332	672,678
Intangible assets		129,675	124,586
Total non-current assets		17,202,548	17,149,648
Total assets		17,493,741	17,437,619

Section 4a – Statement of Financial Position (continued)

As at 30 November 2016

	Note	Actual 30 November 2016 \$000	Actual 31 October 2016 \$000
Liabilities			
Current liabilities			
Derivative financial instruments	3	167	181
Trade and other payables	4	180,273	180,930
Employee benefit liabilities	5	14,326	12,838
Borrowings	6	5,367	5,322
Total current liabilities		200,133	199,271
Non-current liabilities			
Derivative financial instruments	3	3,093	3,482
Trade and other payables	4	18,696	18,937
Employee benefit liabilities	5	624	624
Borrowings	6	488,506	488,937
Deferred tax liability	7	11,425	11,425
Total non-current liabilities		522,344	523,405
Total liabilities		722,477	722,676
Net assets			
Equity			
Contributed capital		13,463,871	13,463,871
Accumulated surplus/(deficit)		1,189,935	1,133,614
Other reserves		2,117,458	2,117,458
Total equity		16,771,264	16,714,943

Section 4b – Notes to the Financial Statements

As at 30 November 2016

	Actual 30 November 2016 \$000	Actual 31 October 2016 \$000
1 Cash and cash equivalents		
Cash at bank - Trading	4,892	5,551
Till floats	297	294
Total cash and cash equivalents	5,189	5,845
The carrying value of cash and cash equivalents approximates their fair value.		
2 Trade and other receivables		
Trade debtors	3,524	3,732
Finance lease receivable	46	49
Infringements receivable	33,764	33,371
Amounts due from related parties	179,175	180,544
Accrued income	44,475	40,598
Goods and services tax	10,765	4,385
	271,749	262,679
Less provision for impairment of receivables	(13,994)	(14,014)
Total trade and other receivables	257,755	248,665

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

As at 30 November 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 November 2016 is detailed below:

	Gross	Impaired	Net
	\$000	\$000	\$000
Not past due	239,378	-	239,378
Past due 1 - 30 days	2,042	-	2,042
Past due 31 - 60 days	1,511	-	1,511
Past due 61 - 90 days	1,454	-	1,454
Past due > 90 days	27,364	(13,994)	13,370
	271,749	(13,994)	257,755

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	376
At 30 November 2016	13,994

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

As at 30 November 2016

	Actual 30 November 2016 \$000	Actual 31 October 2016 \$000
3 Derivative financial instruments		
Current liability portion		
Forward foreign exchange contracts - not hedge accounted	167	181
Current derivative financial instruments	167	181
Non-current liability portion		
Interest rate swaps - not hedge accounted	3,093	3,482
Non-current derivative financial instruments	3,093	3,482
Total derivative financial instrument liabilities	3,260	3,663

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 \$2.9 million. The foreign currency principal amount was USD \$2.0 million. The cash flow hedge gain of \$75,646 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 November 2016 the fixed interest rates of cash flow hedge interest rate swaps varied from 5.81% to 5.96%. The gain on their revaluation of \$484,831 has been recorded in the Statement of Financial Performance.

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

As at 30 November 2016

	Actual 30 November 2016 \$000	Actual 31 October 2016 \$000
4 Trade and other payables		
Current portion		
Creditors	23,775	15,537
Accrued expenses	130,036	141,323
Retentions	11,865	11,532
Amounts due to related parties	7,530	4,897
Income in advance	7,067	7,641
Total current trade and other payables	180,273	180,930
Non-current portion		
Amounts due to related parties	18,696	18,937
Total non-current trade and other payables	18,696	18,937
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	4,193	3,139
Accrued leave	10,133	9,699
Current employee benefit liabilities	14,326	12,838
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 November 2016

	Actual 30 November 2016 \$000	Actual 31 October 2016 \$000
6 Borrowings		
Current portion		
Loans from Auckland Council	5,367	5,322
Current borrowings	5,367	5,322
Non-current portion		
Loans from Auckland Council	488,506	488,937
Non-current borrowings	488,506	488,937
Weighted average cost of funds on total borrowings	6.01%	6.01%

Auckland Transport's loan debt of \$494 million is issued at fixed rates of interest ranging from 5.55% to 6.22%.

	Property, Plant and Equipment \$000	Other Provisions \$000	Tax Losses \$000	Actual 30 November 2016 Total \$000
7 Deferred tax liability				
Balance at 1 July 2016	(11,425)	-	-	(11,425)
Charged to profit and loss		-	-	-
Charged to equity		-	-	-
Balance at 30 November 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	592,662	628,978	1,550,758
Cash applied to:			
Payments to suppliers, employees and directors	304,921	314,782	750,237
Interest paid	11,233	12,645	30,511
Goods and services tax (net)	13,070	-	-
Total cash applied	329,224	327,427	780,748
Net cash from operating activities	263,438	301,551	770,010
Cash flows from investing activities			
Cash provided from:			
Sale of property, plant and equipment	1,651	-	-
Total cash provided	1,651	-	-
Cash applied to:			
Capital expenditure projects	260,836	299,450	764,611
Total cash applied	260,836	299,450	764,611
Net cash from investing activities	(259,185)	(299,450)	(764,611)
Cash flows from financing activities			
Total cash provided	-	-	-
Cash applied to:			
Repayments of EMU loan from Auckland Council	2,069	2,101	5,399
Total cash applied	2,069	2,101	5,399
Net cash from financing activities	(2,069)	(2,101)	(5,399)
Net (decrease)/increase in cash and cash equivalents	2,184	-	-
Opening cash balance	3,005	-	-
Closing cash balance	5,189	-	-

Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities	
	Actual \$000
Surplus/(deficit) after tax	192,703
Add/(less) non cash items	
Depreciation and amortisation	134,341
Vested assets	(58,970)
Foreign exchange (gain)/loss	(76)
Gain on interest rate swaps	(485)
	74,810
Add/(less) movements in working capital	
Decrease/(Increase) in debtors and other receivables	21,381
Decrease/(Increase) in inventories	114
(Decrease)/Increase in creditors and other payables	(15,326)
(Decrease)/Increase in employee benefits payable	743
(Decrease)/Increase in other assets	(10,514)
(Decrease)/Increase in non current asset held for sale	(473)
	(4,075)
Net cash flow from operating activities	263,438

Section 6 – Accounts Receivable Report

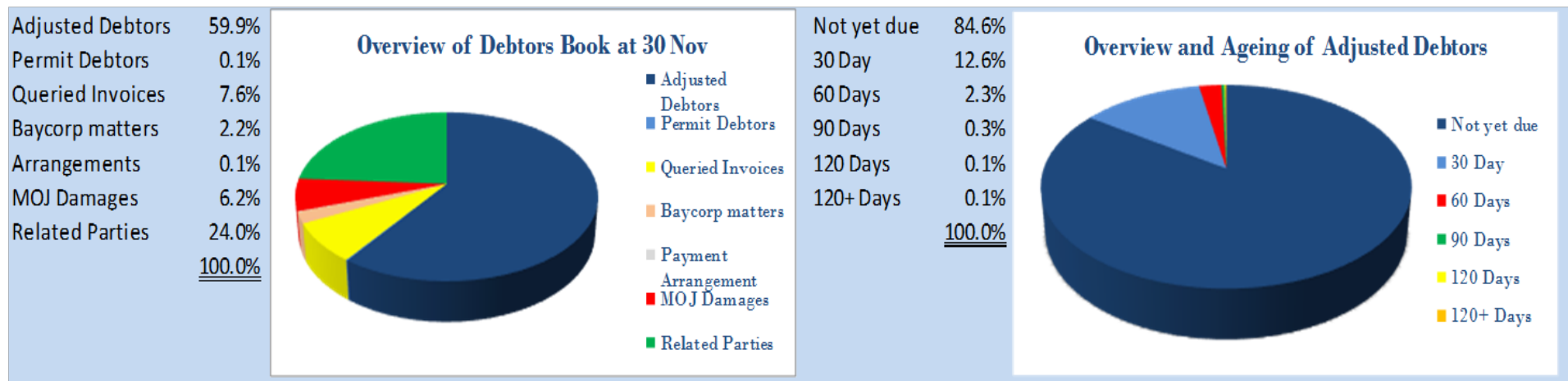
Accounts Receivable

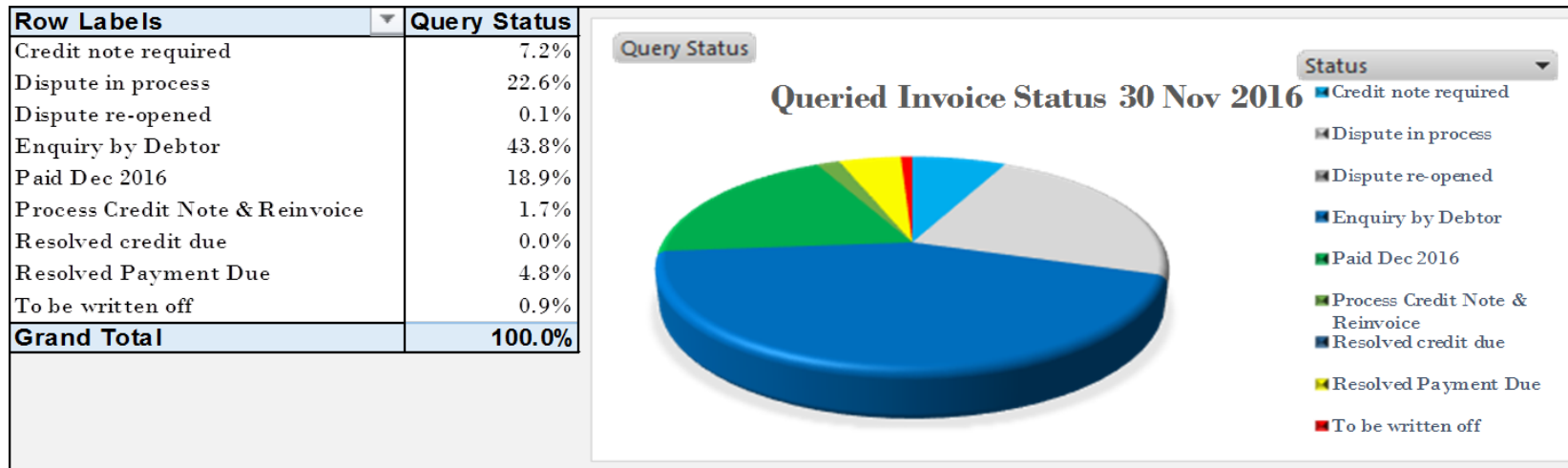
An overview of the Debtors as at 30 November has 99.5% (97.1% October) of adjusted Debtors in 30 and 60 days, or not yet due.

<u>Debtors Ageing Analysis as at 30 November 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 Nov	162	4,615,951	3,320,502	471,829	121,157	73,874	117,347	511,243	1
Parking Permit Debtors	17	6,360	240	2,100	0	240	3,780	0	2
Total Debtors		4,622,311	3,320,742	473,929	121,157	74,114	121,127	511,243	
		100.0%	71.8%	10.3%	2.6%	1.6%	2.6%	11.1%	
O/s Related Parties	29	1,108,927	890,586	88,873	30,015	30,273	69,180	0	3
Trade Debtors	151	3,513,384	2,430,156	385,055	91,143	43,841	51,947	511,243	
		100.0%	69.2%	11.0%	2.6%	1.2%	1.5%	14.6%	
Queried Invoices	126	350,919	70,906	33,598	14,430	25,979	28,864	177,141	4
To Baycorp (Collection)	371	100,790	404	2,409	396	802	21,079	75,700	5
Payment Arrangement	116	3,986	0	0	0	0	0	3,986	6
Lodged Courts (Damages)	306	285,361	13,880	0	11,771	8,583	0	251,128	7
Adjusted Debtors		2,772,328	2,344,966	349,048	64,546	8,476	2,004	3,288	
		100.0%	84.6%	12.6%	2.3%	0.3%	0.1%	0.1%	

Notes relating to the Debtors Ageing Analysis:

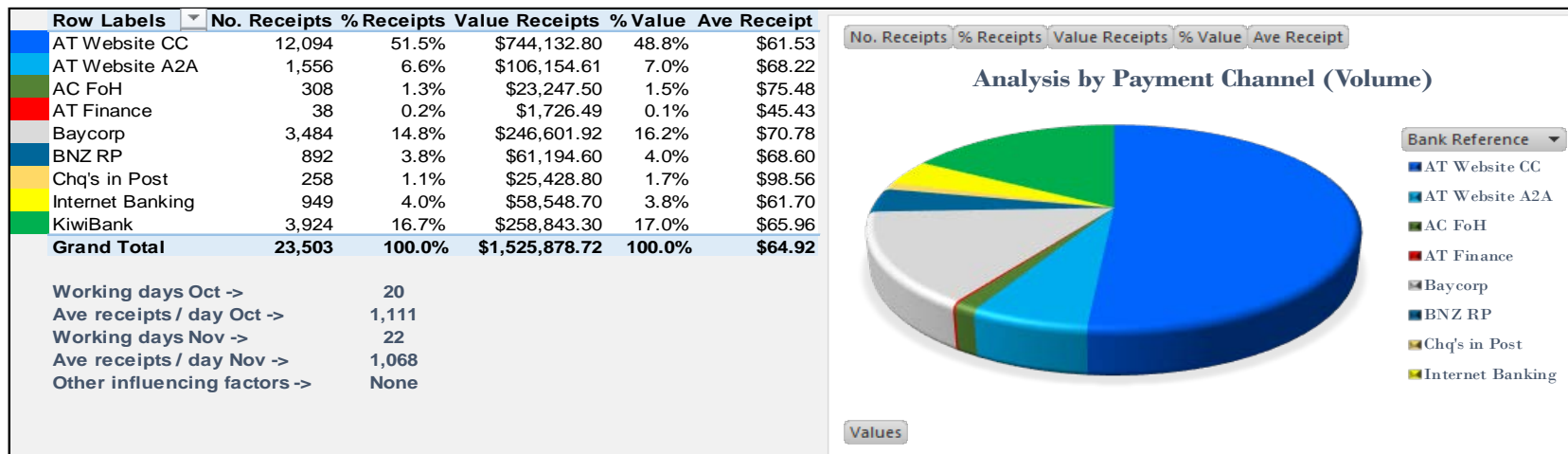
- 1) Sundry Debtors administered in the SAP system.
- 2) Parking Permit Debtors administered in the Pathway system. These invoices are for on street permits issued. Amounts not collected within 60 days are lodged with Baycorp for collection. Accounts not paying on time are blocked for further permits.
- 3) Inter-Council Group debts.
- 4) Relates to invoices which have been queried or disputed by customers. The \$115,000 debt previously reported on has since been resolved. The \$76,000 matter has been referred to Legal in an effort to recover.
- 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.



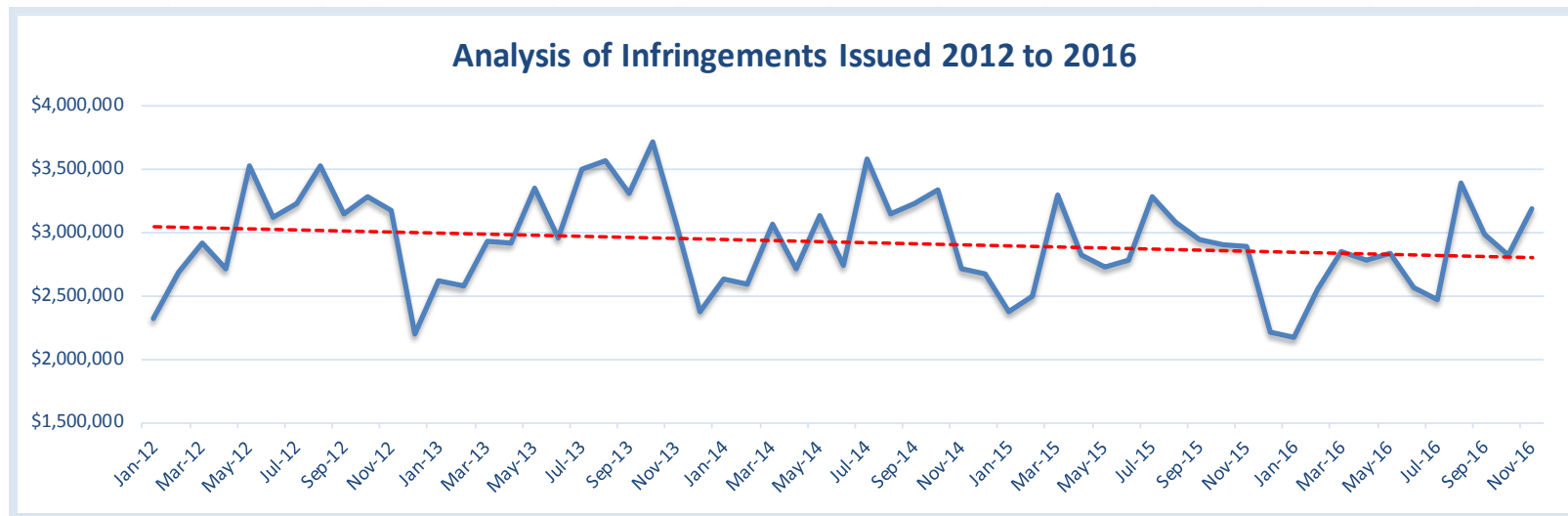


Infringement Overview:

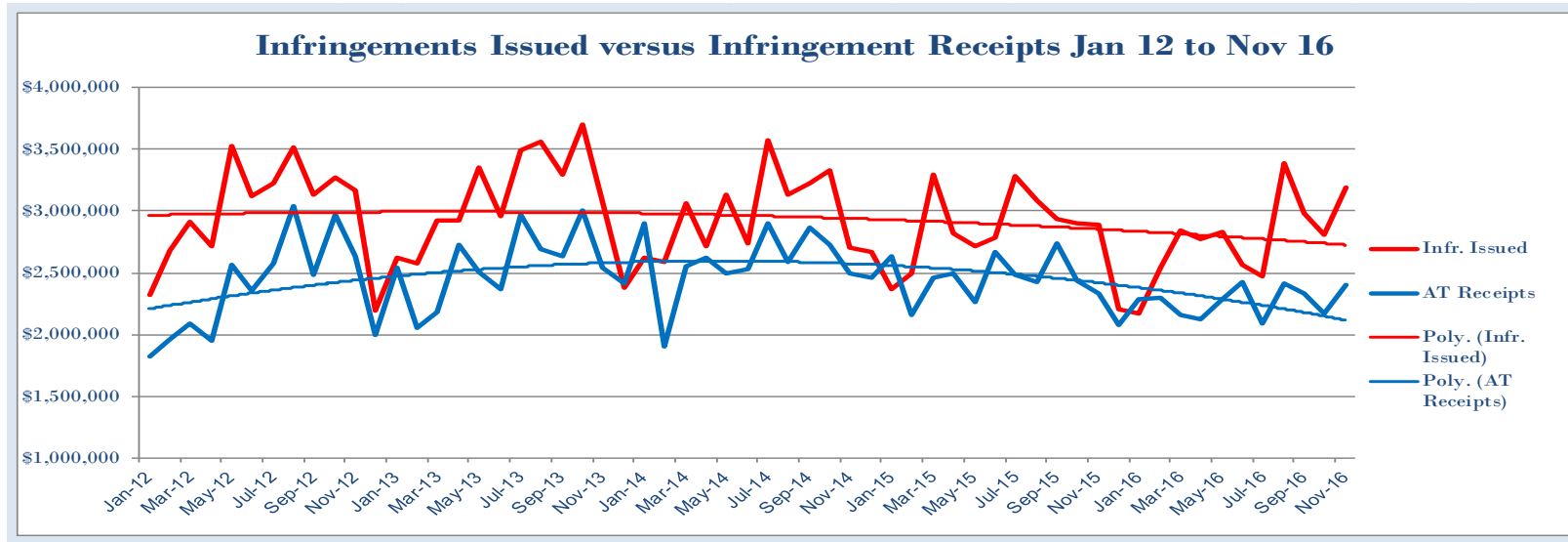
November's Infringement receipts by volume are up 5.8% on October (22 working days in November compared with 20 in October). Of the customers not paying in response to a Baycorp demand, 72.9% are making use of electronic payment methods (74.4% in October). The AT website recorded 58.1% of all receipts (57.3% in October). The highest average receipt by value was received via cheque payments. We are expecting higher than normal receipts in December as Baycorp have already collected \$400,000 under the new contract.



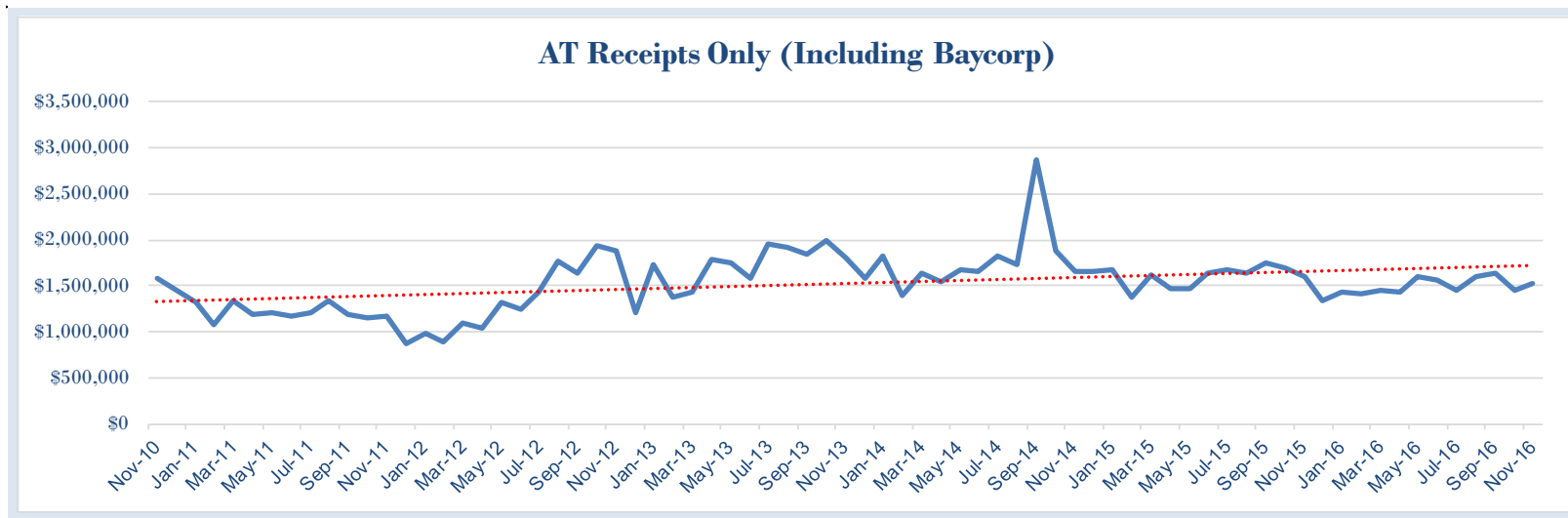
The following graph illustrates the seasonal issuance of infringements. Average infringements issued per month from January to November over the last 4 years is \$3.010 million, while the average issued to 30 November 2016 is \$2.779 million. The average infringements issued January to June 2016 is \$2.622 million compared with \$2.967 million for July to November 2016.



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 11.2% on 2015. AT's receipts (January to November 2016 average) are down 5.9% compared with the same period in 2015. This is in line with the 3.1% 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).

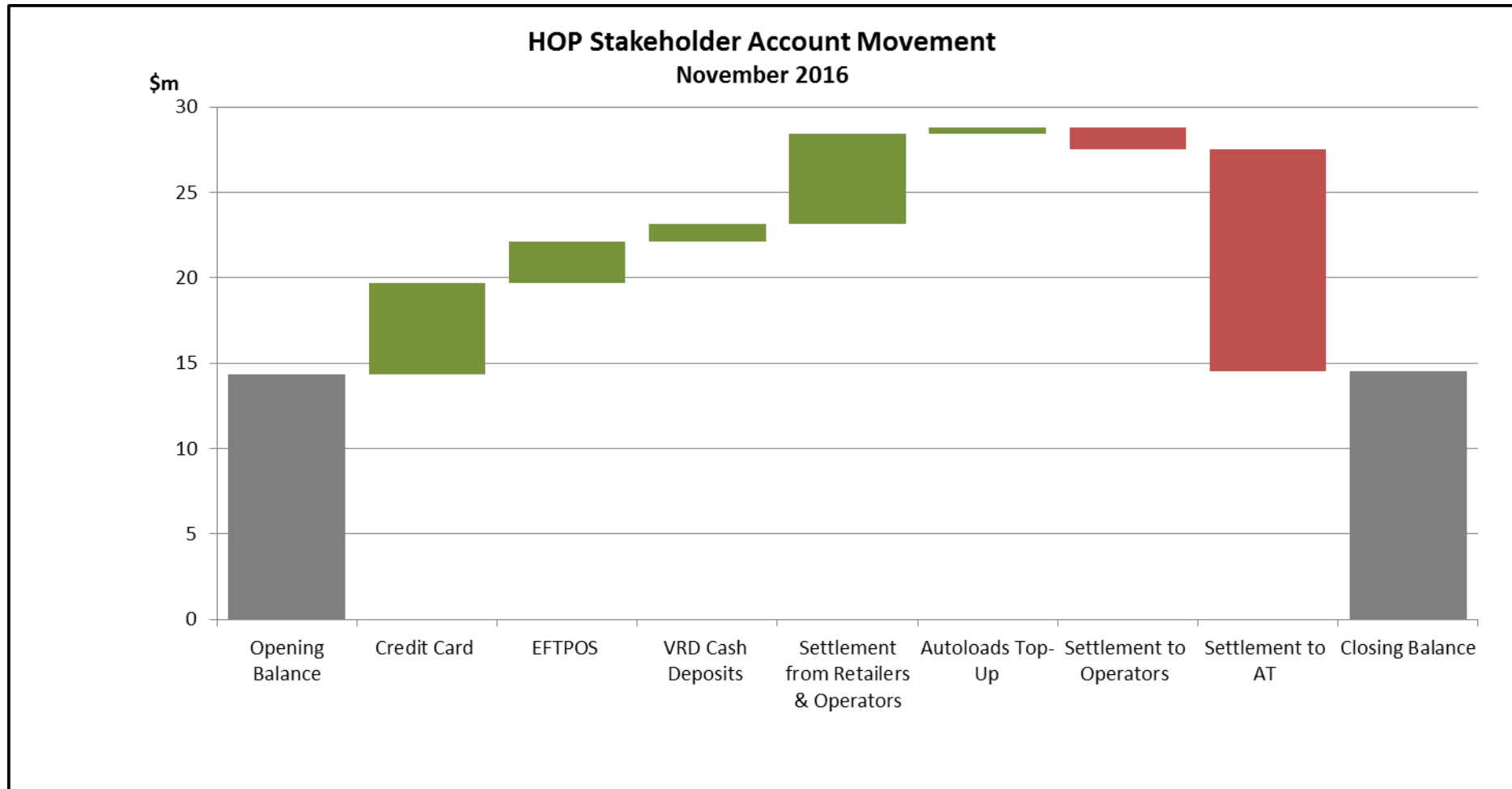


Direct receipts prior to lodging with MoJ continue to show an upward trend as a result of the Baycorp arrangement.

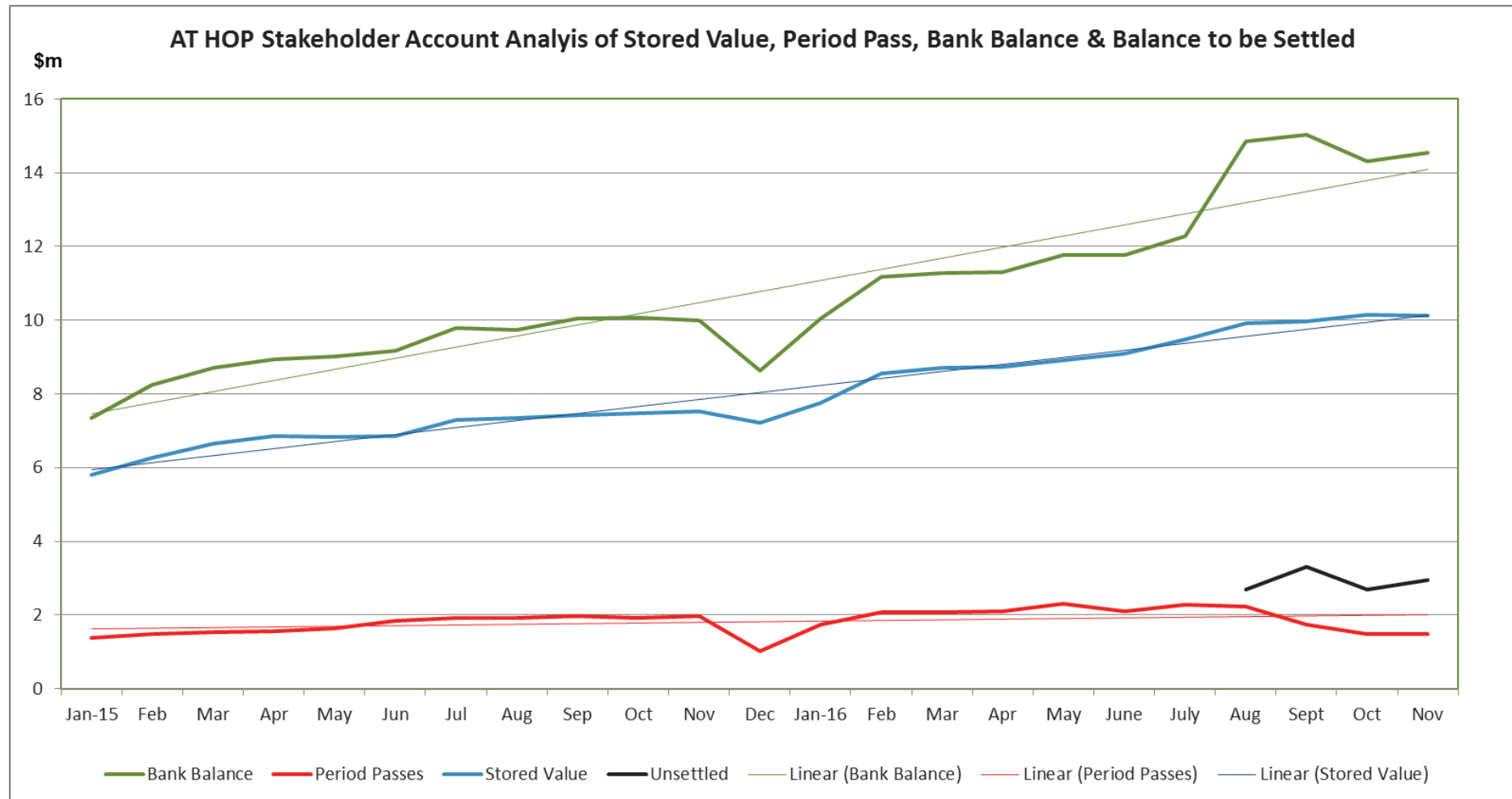


Section 7 – AT HOP Stakeholder Monthly Report




The AT HOP Stakeholder bank account slightly increased by 1.6%, from \$14.3 million to \$14.6 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 new value 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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