

Financial Results for the Eleven Months Ended 31 May 2017

Recommendation

That the Board:

- i. Receives the report.

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Section 1 – Overview

- **Deficit from operations** year to date is \$280.1 million against the budget of \$296.1 million. The year-end deficit from operations is expected to be \$321.5 million. This is \$10.2 million favourable to the budget. The following items of financial performance are noteworthy:
 - **Total operating income** is expected to be \$775.5 million, which is \$1.2 million higher than budget. Other revenue (non fares and parking) continues to show strong growth. The full year public transport patronage is expected to be on budget, however the corresponding revenue is projected to be below budget (approximately \$1.8 million) due to the yield per passenger being lower than anticipated.
 - **Total operating expenditure** year to date is \$16 million lower than budget mainly due to underspends in major investment projects such as Light Rail Transit, Rail Security (SaFE) and Rail Alignment. The full year total operating expenditure is expected to be \$1,097 million, \$9 million lower than budget mainly due to underspends in the major investment projects mentioned above.
- **Capital expenditure** year to date is \$597.4 million, \$73.0 million behind budget. This represents 89% of the full year budget. The full year capital expenditure is expected to be \$670 million, 91% of the full year budget. Key items to note this month:
 - CRL full year spend is expected to be \$130 million, which is \$20 million below budget
 - The more settled weather in May has enabled the delivery of the renewals programme to largely catch up from previous under-delivery. However, the full year renewals programme is expected to be below budget by approximately \$7 million due to April's unusual weather pattern.
 - Te Atatu Road is planned to be completed in June
 - The property acquisition programme is ahead of forecast in anticipation of future programme acceleration
 - The LED retrofit project is on track with the purchase of LED luminaires and light point controllers expected in June
- **Capital funding** from the NZ Transport Agency and Auckland Council is \$28.1 million below budget due to delay in underlying delivery. This will flow through to the full year result. The combination of lower requirement for capital funding and higher third party revenue means the funding requirement is reduced for the year.
- **Vested assets** amounting to \$2.3 million were received in May, taking the total year to date amount to \$169.5 million compared with the full year budget of \$141 million. This is a reflection of an increase in home building occurring in Auckland.
- **Work in progress (WIP)** balance year to date is \$790 million, which is the same level compared with last month. Refer to note 3 in section 4b of this report for a list of high value programmes currently in WIP. We are continuing to capitalise items as they fall due but there are some large programmes likely to remain in WIP for some time. The year end WIP balance is expected to fall significantly due to the transfer of City Rail Link to non-current asset held for sale in June in preparation for the transfer of these assets to City Rail Link Limited in July.

Section 2a – Executive Summary

Financial results for the eleven months ended 31 May 2017:

	Current month variance to revised budget \$m	Year to date variance to revised budget \$m	Year to date results	Year to date Actual \$m	Year to date revised budget \$m	Full Year revised budget \$m
Total operating income	1.0	0.1	↑ ●	708.2	708.2	774.3
Total operating expenditure	(1.6)	16.0	↓ ●	988.3	1,004.3	1,105.9
Surplus/(deficit) from operations	(0.7)	16.0	↑ ●	(280.1)	(296.1)	(331.6)
Income for capital projects	(0.8)	12.8	↑ ●	766.9	754.1	824.5
Net surplus/(deficit) before tax	(1.5)	28.8	↑ ●	486.8	458.0	493.0
Total direct capital	(0.3)	73.0	↓ ●	597.4	670.5	737.1

Key to symbols used:

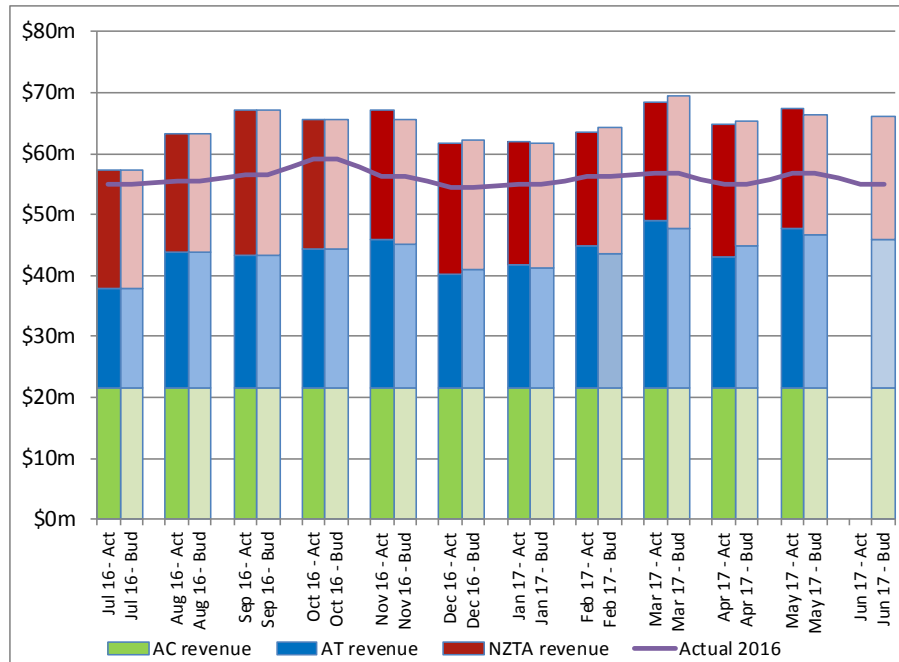
	: Within tolerable range		: Above budget, favourable variance.
	: Below budget, unfavourable variance.		: Largely on track
	: Below budget, favourable variance.		: Monitoring, some action taken
	: Above budget, unfavourable variance.		: Action required

Section 2b – Financial results for the eleven months ended 31 May 2017

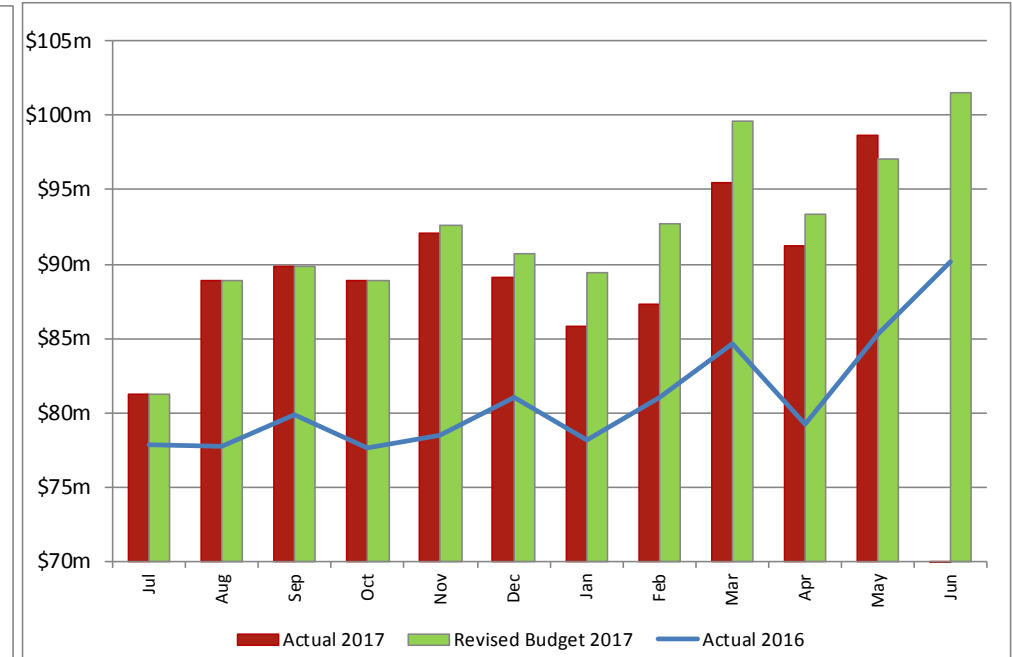
	Current month			Year to date			Full year	
	Actual	Revised Budget	Variance	Actual	Revised Budget	Variance	Results achieved	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Income								
<u>Operating income</u>								
Auckland Council funding	21,681	21,681	-	238,486	238,486	-	●	260,167
NZ Transport Agency operating funding	19,550	19,617	(67)	225,849	228,268	(2,419)	●	248,380
Parking and enforcement income	7,529	7,177	352	71,064	71,342	(278)	●	78,412
AT Metro income	15,913	15,741	172	141,662	142,181	(519)	●	156,882
Other revenue incl. other grants and subsidies	2,688	2,195	493	31,184	27,910	3,274	●	30,466
Total operating income	67,361	66,411	950	708,245	708,187	58	●	774,307
Expenditure								
Personnel costs	13,934	14,115	181	136,376	138,548	2,172	●	151,834
Capitalised personnel costs	(4,214)	(3,818)	396	(34,522)	(38,428)	(3,906)	●	(42,140)
Depreciation and amortisation	28,028	29,295	1,267	300,264	307,280	7,016	●	336,813
Other expenditure	58,389	54,958	(3,431)	558,779	569,656	10,877	●	629,625
Finance costs (Electric Trains)	2,562	2,538	(24)	27,442	27,269	(173)	●	29,735
Total operating expenditure	98,699	97,088	(1,611)	988,339	1,004,325	15,986	●	1,105,867
Surplus/(deficit) from operations	(31,338)	(30,677)	(661)	(280,094)	(296,138)	16,044	●	(331,560)
<u>Income for capital projects</u>								
NZ Transport Agency capital co-investment	11,219	13,018	(1,799)	149,392	160,195	(10,803)	●	168,435
Auckland Council capital grant	53,159	41,401	11,758	440,612	457,927	(17,315)	●	507,310
Other Capital Grants	464	1,049	(585)	7,436	7,498	(62)	●	7,774
Vested asset income	2,293	12,500	(10,207)	169,463	128,525	40,938	●	141,025
Total income for capital projects	67,135	67,968	(833)	766,903	754,145	12,758	●	824,544
Net surplus/(deficit) before tax and derivatives	35,797	37,291	(1,494)	486,809	458,007	28,802	●	492,984
Gains/(losses) on derivatives	161	-	161	3,478	1,144	2,334		1,144
Gain/(loss) on disposal of assets	2,745	-	2,745	999	-	999		-
Income tax benefit/(expense)	-	-	-	69	-	69		-
Net surplus/(deficit) after tax and derivatives	38,703	37,291	1,412	491,355	459,151	32,204	●	494,128

Section 2b – Financial results for the eleven months ended 31 May 2017 (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	Revised	Variance	Actual	Revised	Variance	Revised
		Budget			Budget		Budget
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating Income							
Rail	10,345	9,877	468	106,608	105,811	797	116,973
Bus	16,792	16,728	64	157,162	159,327	(2,165)	175,757
Ferry	1,253	1,316	(63)	13,099	13,691	(592)	14,878
Other public transport	2,689	2,616	73	27,992	28,118	(126)	30,648
Parking	4,427	4,492	(65)	42,825	44,182	(1,357)	48,718
Enforcement	3,102	2,685	417	28,240	27,160	1,080	29,694
Roading and footpaths	5,088	4,349	739	55,382	54,468	914	57,619
Internal support	1,985	2,667	(682)	38,453	36,945	1,508	39,852
Auckland Council operating funding	21,681	21,681	-	238,486	238,486	-	260,167
Total operating income	67,362	66,411	951	708,247	708,188	59	774,306
Operating Expenditure							
Rail	14,388	13,189	(1,199)	150,476	149,259	(1,217)	165,257
Bus	23,826	23,116	(710)	225,587	227,131	1,544	250,162
Ferry	1,661	1,716	55	16,962	18,008	1,046	19,579
Other public transport	3,449	4,233	784	38,042	41,792	3,750	45,867
Parking	1,256	1,003	(253)	11,373	10,854	(519)	11,806
Enforcement	1,800	1,902	102	18,517	18,605	88	20,245
Roading and footpaths	14,230	11,630	(2,600)	121,760	117,667	(4,093)	128,730
Internal support	10,064	11,003	939	105,357	113,731	8,374	127,409
Depreciation and amortisation	28,028	29,295	1,267	300,264	307,280	7,016	336,813
Total operating expenditure	98,702	97,087	(1,615)	988,338	1,004,327	15,989	1,105,868
Surplus/(deficit) from Operations	(31,340)	(30,676)	(664)	(280,091)	(296,139)	16,048	(331,562)

Section 2d – Rail operations

	Current month			Year to date			Full year
	Actual	Revised Budget	Variance	Actual	Revised Budget	Variance	Revised Budget
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating Income							
Activity Income	4,776	5,057	(281)	44,978	45,395	(417)	49,955
Other income	115	113	2	717	573	144	680
NZ Transport Agency operating funding	3,781	3,049	732	43,146	42,186	960	47,094
NZ Transport Agency operating funding - Electric Trains	1,673	1,658	15	17,767	17,657	110	19,244
Total operating income	10,345	9,877	468	106,608	105,811	797	116,973
Operating Expenditure							
Personnel costs	252	208	(44)	2,324	2,105	(219)	2,302
Capitalised personnel costs	66	-	(66)	(33)	24	57	24
Service delivery costs and professional services	7,967	7,340	(627)	87,348	87,316	(32)	97,139
Occupancy costs	341	280	(61)	3,127	3,092	(35)	3,332
Track access charges	2,534	2,243	(291)	23,285	22,889	(396)	25,583
Other expenditure	666	580	(86)	6,983	6,564	(419)	7,142
Finance costs (Electric Trains)	2,562	2,538	(24)	27,442	27,269	(173)	29,735
Total operating expenditure	14,388	13,189	(1,199)	150,476	149,259	(1,217)	165,257
Depreciation	3,179	3,224	45	34,758	34,906	148	38,139
Surplus/(deficit) from Operations	(7,222)	(6,536)	(686)	(78,626)	(78,354)	(272)	(86,423)
Internal support costs	2,492	2,853	361	21,653	25,707	4,054	29,219
Surplus/(deficit)	(9,714)	(9,389)	(325)	(100,279)	(104,061)	3,782	(115,642)

Section 2d – Bus operations

	Current month			Year to date			Full year
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000	Revised Budget \$000
Operating Income							
Activity Income	8,958	9,188	(230)	74,601	76,941	(2,340)	85,118
Other income	455	13	442	4,806	4,300	506	4,833
NZ Transport Agency operating funding	7,379	7,527	(148)	77,755	78,086	(331)	85,806
Total operating income	16,792	16,728	64	157,162	159,327	(2,165)	175,757
Operating Expenditure							
Personnel costs	391	322	(69)	3,249	3,261	12	3,565
Capitalised personnel costs	92	86	(6)	165	473	308	551
Service delivery costs and professional services	23,070	22,486	(584)	220,178	221,203	1,025	243,550
Occupancy costs	105	109	4	837	956	119	1,088
Other expenditure	168	113	(55)	1,158	1,238	80	1,408
Total operating expenditure	23,826	23,116	(710)	225,587	227,131	1,544	250,162
Depreciation	326	355	29	3,277	3,400	123	3,762
Surplus/(deficit) from Operations	(7,360)	(6,743)	(617)	(71,702)	(71,204)	(498)	(78,167)
Internal support costs	3,772	4,319	547	32,778	38,915	6,137	44,231
Surplus/(deficit)	(11,132)	(11,062)	(70)	(104,480)	(110,119)	5,639	(122,398)

Section 2d – Ferry operations

	Current month			Year to date			Full year
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000	Revised Budget \$000
Operating Income							
Operator access fees	499	421	78	4,905	4,651	254	5,036
Activity Income	267	260	7	1,999	1,914	85	2,117
Other income	100	75	25	774	749	25	824
NZ Transport Agency operating funding	387	560	(173)	5,421	6,377	(956)	6,901
Total operating income	1,253	1,316	(63)	13,099	13,691	(592)	14,878
Operating Expenditure							
Personnel costs	81	103	22	909	1,025	116	1,123
Capitalised personnel costs	83	-	(83)	91	2	(89)	2
Service delivery costs and professional services	1,301	1,394	93	13,674	14,541	867	15,818
Occupancy costs	37	61	24	697	748	51	804
Other expenditure	159	158	(1)	1,591	1,692	101	1,832
Total operating expenditure	1,661	1,716	55	16,962	18,008	1,046	19,579
Depreciation	262	254	(8)	2,793	2,788	(5)	3,043
Surplus/(deficit) from Operations	(670)	(654)	(16)	(6,656)	(7,105)	449	(7,744)
Internal support costs	295	338	43	2,565	3,046	480	3,462
Surplus/(deficit)	(965)	(992)	27	(9,221)	(10,151)	929	(11,206)

Section 2d – Other public transport operations

	Current month			Year to date			Full year
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000	Revised Budget \$000
Operating Income							
Other income	744	614	130	8,883	7,658	1,225	8,319
NZ Transport Agency operating funding	1,945	2,002	(57)	19,109	20,460	(1,351)	22,329
Total operating income	2,689	2,616	73	27,992	28,118	(126)	30,648
Operating Expenditure							
Personnel costs	1,316	1,403	87	14,282	14,578	296	15,938
Capitalised personnel costs	(264)	44	308	(158)	98	256	109
Service delivery costs and professional services	1,371	1,727	356	12,283	15,600	3,317	17,276
IT costs	(66)	181	247	1,759	1,993	234	2,173
Other expenditure	1,092	878	(214)	9,876	9,523	(353)	10,371
Total operating expenditure	3,449	4,233	784	38,042	41,792	3,750	45,867
Depreciation	1,405	1,399	(6)	14,754	14,526	(228)	15,937
Surplus/(deficit) from Operations	(2,165)	(3,016)	851	(24,804)	(28,200)	3,396	(31,156)
Internal support costs	692	792	100	6,010	7,135	1,125	8,110
Surplus/(deficit)	(2,857)	(3,808)	951	(30,814)	(35,335)	4,521	(39,266)

Section 2d – Parking operations

	Current month			Year to date			Full year
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000	Revised Budget \$000
Operating Income							
Other income	134	101	33	1,149	1,103	46	1,204
Parking Fees	4,293	4,391	(98)	41,676	43,079	(1,403)	47,514
Total operating income	4,427	4,492	(65)	42,825	44,182	(1,357)	48,718
Operating Expenditure							
Personnel costs	236	234	(2)	2,530	2,294	(236)	2,475
Capitalised personnel costs	(7)	(3)	4	(3)	(46)	(43)	(49)
Service delivery costs and professional services	332	245	(87)	2,550	2,600	50	2,845
Occupancy Costs	469	458	(11)	5,409	5,219	(190)	5,676
Other expenditure	226	69	(157)	887	787	(100)	859
Total operating expenditure	1,256	1,003	(253)	11,373	10,854	(519)	11,806
Depreciation	643	641	(2)	7,102	7,092	(10)	7,733
Surplus/(deficit) from Operations	2,528	2,848	(320)	24,350	26,236	(1,886)	29,179
Internal support costs	178	204	26	1,547	1,837	290	2,087
Surplus/(deficit)	2,350	2,644	(294)	22,803	24,399	(1,596)	27,092

Section 2d – Enforcement operations

	Current month			Year to date			Full year
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000	Revised Budget \$000
Operating Income							
Other income	-	-	-	-	-	-	-
Infringement income	3,102	2,685	417	28,240	27,160	1,080	29,694
Total operating income	3,102	2,685	417	28,240	27,160	1,080	29,694
Operating Expenditure							
Personnel costs	1,070	1,033	(37)	9,892	9,529	(363)	10,371
Capitalised personnel costs	6	5	(1)	23	83	60	87
Service delivery costs and professional services	191	157	(34)	1,916	1,785	(131)	1,924
Occupancy Costs	2	-	(2)	10	3	(7)	3
Other expenditure	531	707	176	6,676	7,205	529	7,860
Total operating expenditure	1,800	1,902	102	18,517	18,605	88	20,245
Depreciation	23	19	(4)	195	152	(43)	172
Surplus/(deficit) from Operations	1,279	764	515	9,528	8,403	1,125	9,277
Internal support costs	305	350	44	2,653	3,149	497	3,579
Surplus/(deficit)	974	414	559	6,875	5,254	1,622	5,698

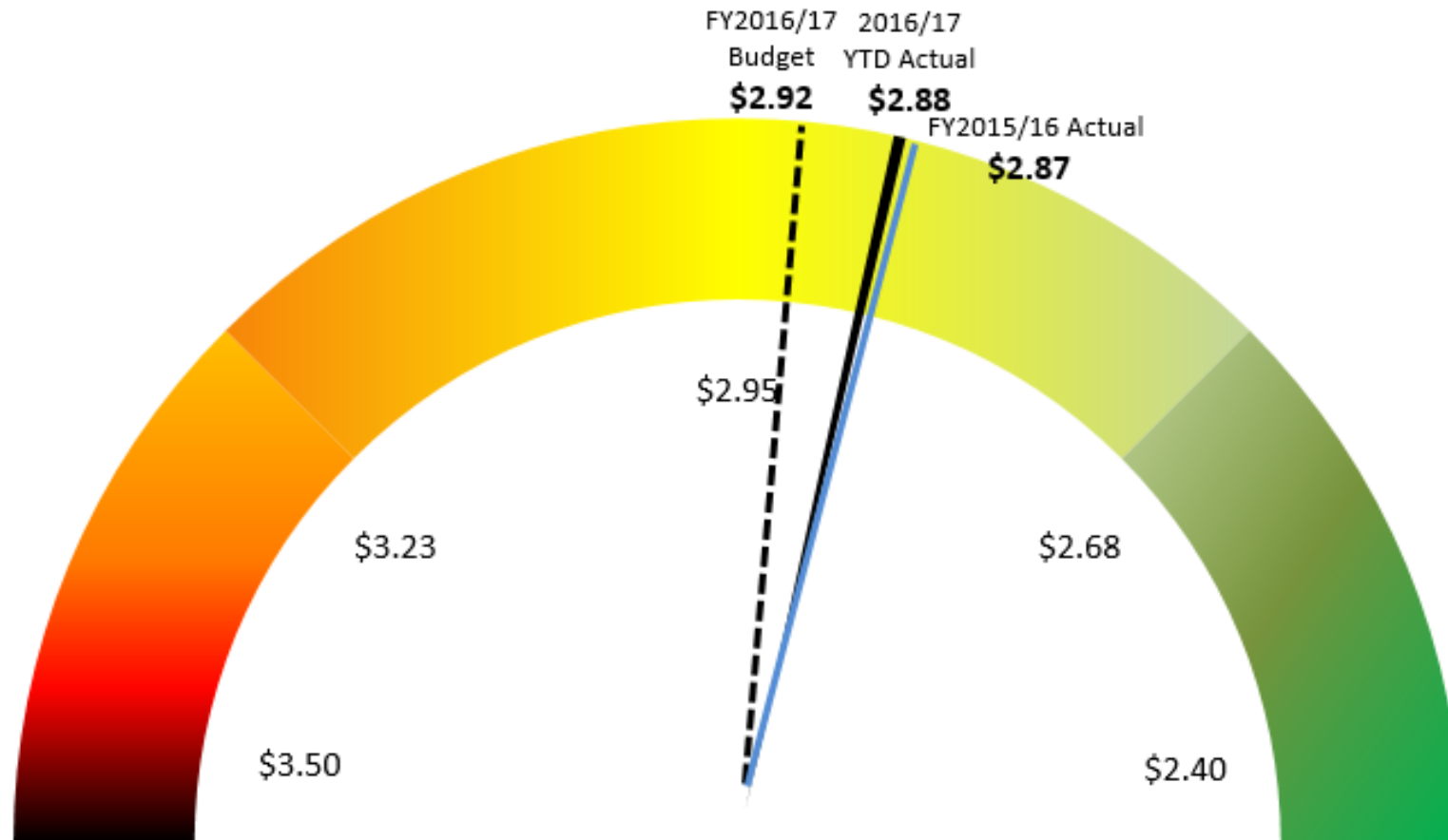
Section 2d – Roading and footpaths operations

	Current month			Year to date			Full year
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000	Revised Budget \$000
Operating Income							
Petrol tax	811	727	84	8,580	8,192	388	8,919
Other income	378	334	44	6,324	5,543	781	6,077
NZ Transport Agency operating funding	3,899	3,288	611	40,478	40,733	(255)	42,623
Total operating income	5,088	4,349	739	55,382	54,468	914	57,619
Operating Expenditure							
Personnel costs	2,736	2,862	126	27,545	27,916	371	30,683
Capitalised personnel costs	(1,188)	(905)	283	(6,531)	(8,530)	(1,999)	(9,486)
Service delivery costs and professional services	10,479	7,586	(2,893)	80,164	76,479	(3,685)	83,605
Occupancy Costs	1,520	1,436	(84)	14,778	15,018	240	16,308
IT Costs	3	20	17	55	209	154	294
Other expenditure	680	631	(49)	5,749	6,575	826	7,326
Total operating expenditure	14,230	11,630	(2,600)	121,760	117,667	(4,093)	128,730
Depreciation	20,595	20,661	66	220,218	221,388	1,170	242,137
Surplus/(deficit) from Operations	(29,737)	(27,942)	(1,795)	(286,596)	(284,587)	(2,009)	(313,248)
Internal support costs	1,941	2,223	281	16,867	20,025	3,158	22,760
Surplus/(deficit)	(31,678)	(30,165)	(1,514)	(303,463)	(304,612)	1,149	(336,008)

Section 2d – Internal support

	Current month			Year to date			Full year
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000	Revised Budget \$000
Operating Income							
Rental income	1,457	1,129	328	15,342	13,287	2,055	14,416
Other income	42	5	37	937	888	49	1,053
NZ Transport Agency operating funding	486	1,533	(1,047)	22,174	22,770	(596)	24,383
Total operating income	1,985	2,667	(682)	38,453	36,945	1,508	39,852
Operating Expenditure							
Personnel costs	7,853	7,949	96	75,644	77,840	2,196	85,377
Capitalised personnel costs	(3,001)	(3,044)	(43)	(28,076)	(30,531)	(2,455)	(33,378)
Directors Fees	42	43	1	387	467	80	510
Service delivery costs and professional services	2,731	3,521	790	27,921	37,576	9,655	41,865
Other expenditure	2,439	2,534	95	29,481	28,379	(1,102)	33,035
Total operating expenditure	10,064	11,003	939	105,357	113,731	8,374	127,409
Depreciation	1,596	2,742	1,146	17,168	23,028	5,860	25,891
Surplus/(deficit) from Operations	(9,675)	(11,078)	1,403	(84,072)	(99,814)	15,742	(113,448)
Internal support allocated	9,675	11,078	1,403	84,072	99,814	15,742	113,448
Surplus/(deficit)	-	-	-	-	-	-	-

Section 2e – Operational funding requirement per passenger for the eleven months to May 2017



Section 3a – Summary of Capital Expenditure

	Current month			Year to date			Results achieved	Full year Revised Budget \$000
	Actual	Revised Budget	Variance	Actual	Revised Budget	Variance		
	\$000	\$000	\$000	\$000	\$000	\$000		
Land								
CRL	577	495	(82)	8,349	9,620	1,271	●	10,625
AMETI	351	63	(288)	14,805	8,249	(6,556)	●	8,390
Special Housing Areas (SHAs)	7	162	155	20	190	170	●	1,772
Other	270	427	157	32,621	32,856	235	●	33,985
Total land	1,205	1,147	(58)	55,795	50,915	(4,880)	●	54,772
Major new capital projects								
CRL	11,110	12,853	1,743	109,650	129,497	19,847	●	139,057
Albany Highway Upgrade	90	5	(85)	6,323	6,117	(206)	●	6,127
Otahuhu Bus Interchange	109	305	196	8,456	10,724	2,268	●	10,786
Te Atatu Road Corridor Improvements	1,154	407	(747)	9,552	11,032	1,480	●	11,392
NorthWest Transformation	(984)	432	1,416	355	2,639	2,284	●	3,151
AMETI	788	752	(36)	6,230	7,471	1,241	●	8,041
Manukau Bus Interchange	2,754	3,001	247	11,455	13,152	1,697	●	17,002
Total major new capital projects	15,021	17,755	2,734	152,021	180,632	28,611	●	195,556
Other ring-fenced projects								
EMU	138	235	97	2,482	4,677	2,195	●	4,964
Local Board initiatives	993	860	(133)	15,164	16,603	1,439	●	17,603
Special Housing Areas (SHAs)	178	724	546	1,370	3,511	2,141	●	3,938
Other	3,550	423	(3,127)	20,840	14,300	(6,540)	●	23,971
Total other ring-fenced projects	4,859	2,242	(2,617)	39,856	39,091	(765)	●	50,476
Other								
Roads and footpaths	9,648	13,689	4,041	93,032	112,797	19,765	●	127,042
AT Metro	4,353	9,910	5,557	29,920	52,809	22,889	●	60,088
Parking operations	233	330	97	3,141	4,506	1,365	●	4,701
Internal support - BT	3,929	459	(3,470)	19,888	13,340	(6,548)	●	13,978
Internal support - Accomodation	1,308	652	(656)	4,229	3,275	(954)	●	3,737
Internal support - Other	626	520	(106)	1,648	2,769	1,121	●	3,385
Total other	20,097	25,560	5,463	151,858	189,496	37,638	●	212,931
Renewals	23,660	17,829	(5,831)	197,910	210,333	12,423	●	223,319
Total direct capital	64,842	64,533	(309)	597,440	670,467	73,027	●	737,054

Section 3b – Capital Expenditure Funding

	Current month			Year to date			Full year
	Actual	Revised Budget	Variance	Actual	Revised Budget	Variance	Revised Budget
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Direct capital funding							
NZ Transport Agency new capital co-investment	9,749	11,879	(2,130)	84,449	96,845	(12,396)	104,123
NZ Transport Agency renewal co-investment	1,470	1,138	332	64,943	63,351	1,592	64,312
Other Capital grants	464	1,049	(585)	7,436	7,498	(62)	7,774
Auckland Council capital grant	53,159	41,401	11,758	440,612	457,927	(17,315)	507,310
Funding shortfall for core capital expenditure	-	9,066	(9,066)	-	44,846	(44,846)	53,535
Total direct capital funding	64,842	64,533	309	597,440	670,467	(73,027)	737,054

Section 4a – Statement of Financial Position

As at 31 May 2017

	Note	Actual 31 May 2017 \$000	Actual 30 April 2017 \$000
Assets			
Current assets			
Cash and cash equivalents	1	20,787	7,584
Trade and other receivables	2	256,540	248,893
Inventories		11,278	11,343
Other assets		9,275	13,764
Non-current asset held for sale		6,000	6,000
Total current assets		303,880	287,584
Non-current assets			
Property, plant and equipment (PPE)		16,572,490	16,532,359
Intangible assets		99,174	100,476
Work in progress (PPE and intangible assets)	3	789,796	790,493
Total non-current assets		17,461,460	17,423,328
Total assets		17,765,340	17,710,912

Section 4a – Statement of Financial Position (continued)

As at 31 May 2017

	Note	Actual 31 May 2017 \$000	Actual 30 April 2017 \$000
Liabilities			
Current liabilities			
Trade and other payables	5	179,435	161,232
Employee benefit liabilities	6	13,651	11,597
Borrowings	7	5,653	5,598
Total current liabilities		198,739	178,427
Non-current liabilities			
Derivative financial instruments	4	1,445	1,343
Trade and other payables	5	18,656	18,919
Employee benefit liabilities	6	574	624
Borrowings	7	495,428	495,964
Deferred tax liability	8	11,356	11,356
Total non-current liabilities		527,459	528,206
Total liabilities		726,198	706,633
Net assets		17,039,142	17,004,279
Equity			
Contributed capital		13,433,096	13,436,936
Accumulated surplus/(deficit)		1,498,726	1,460,023
Other reserves		2,107,320	2,107,320
Total equity		17,039,142	17,004,279

Section 4b – Notes to the Financial Statements

As at 31 May 2017

	Actual 31 May 2017 \$000	Actual 30 April 2017 \$000
1 Cash and cash equivalents		
Cash at bank - Trading	20,486	7,283
Till floats	301	301
Total cash and cash equivalents	20,787	7,584
The carrying value of cash and cash equivalents approximates their fair value.		
2 Trade and other receivables		
Trade debtors	5,045	2,590
Finance lease receivable	34	36
Infringements receivable	34,173	33,909
Amounts due from related parties	193,663	189,233
Accrued income	37,055	37,747
Goods and services tax	1,220	-
	271,190	263,515
Less provision for impairment of receivables	(14,650)	(14,622)
Total trade and other receivables	256,540	248,893

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

As at 31 May 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 31 May 2017 is detailed below:

	Gross	Impaired	Net
	\$000	\$000	\$000
Not past due	238,617	-	238,617
Past due 1 - 30 days	1,752	-	1,752
Past due 31 - 60 days	1,571	-	1,571
Past due 61 - 90 days	1,120	-	1,120
Past due > 90 days	28,130	(14,650)	13,480
	271,190	(14,650)	256,540

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	1,049
Provisions reversed	(17)
Receivables written-off	-
At 31 May 2017	14,650

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

As at 31 May 2017

	Opening balance 1 July 2016 \$000	Acquisition YTD 31 May 2017 \$000	Capitalisation YTD 31 May 2017 \$000	Closing balance 31 May 2017 \$000
3 Work in Progress (WIP)				
WIP by activity				
Roads and footpaths	316,891	178,920	(130,161)	365,650
AT Metro	262,850	191,659	(66,327)	388,182
Parking operations	4,550	3,141	(713)	6,978
Internal support	14,893	25,812	(11,719)	28,986
Total WIP	599,184	399,532	(208,920)	789,796
WIP by status				
Current WIP (completion in future)				690,685
Forecast completed - awaiting confirmation for capitalisation / writeoff / new forecast finish date				88,895
Forecast completion date not yet provided (new projects)				10,216
Total WIP				789,796
Top 10 Programmes				WIP Closing balance 31 May 2017 \$000
City Rail Link				281,520
Albany Highway Upgrade (North)				56,971
North West Transformation				44,730
AMETI				42,764
Waterview W/C connection				23,064
Te Atatu Road - Corridor Improvements				22,888
SMART				18,148
MMEWS				17,061
Minor Safety				16,420
Manukau Bus Interchange (Lot 59)				15,981
Total				539,547

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

As at 31 May 2017

	Actual 31 May 2017 \$000	Actual 30 April 2017 \$000
4 Derivative financial instruments		
Non-current liability portion		
Interest rate swaps - not hedge accounted	1,445	1,343
Non-current derivative financial instruments	1,445	1,343
Total derivative financial instrument liabilities	1,445	1,343

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 \$8 million. At 31 May 2017 the fixed interest rate of cash flow hedge interest rate swaps was 6.19%. The gain on their revaluation of \$2.133m has been recorded in the Statement of Financial Performance.

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

As at 31 May 2017

	Actual 31 May 2017 \$000	Actual 30 April 2017 \$000
5 Trade and other payables		
Current portion		
Creditors	54,791	17,853
Goods and services tax	-	1,589
Accrued expenses	104,201	122,745
Retentions	10,870	10,685
Amounts due to related parties	5,551	4,700
Income in advance	4,022	3,660
Total current trade and other payables	179,435	161,232
Non-current portion		
Amounts due to related parties	18,656	18,919
Total non-current trade and other payables	18,656	18,919
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.		
6 Employee benefit liabilities		
Current portion		
Accrued salaries and wages	4,230	2,641
Accrued leave	9,421	8,956
Current employee benefit liabilities	13,651	11,597
Non-current portion		
Retirement gratuities	383	383
Long service leave	191	241
Non-current employee benefit liabilities	574	624

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

As at 31 May 2017

	Actual 31 May 2017 \$000	Actual 30 April 2017 \$000
7 Borrowings		
Current portion		
Loans from Auckland Council	5,653	5,598
Current borrowings	5,653	5,598
Non-current portion		
Loans from Auckland Council	495,428	495,964
Non-current borrowings	495,428	495,964
Weighted average cost of funds on total borrowings	6.01%	6.01%

Auckland Transport's loan debt of \$501 million is issued at fixed rates of interest ranging from 5.55% to 6.56%.

8 Deferred tax liability

	Property, Plant and Equipment \$000	Other Provisions \$000	Tax Losses \$000	Actual 31 May 2017 Total \$000
Deferred tax liability				
Balance at 1 July 2016	(11,425)	-	-	(11,425)
Charged to profit and loss	69	-	-	69
Charged to equity	-	-	-	-
Balance at 31 May 2017	(11,356)	-	-	(11,356)

Section 5 – Cash Flow

	Year to date	Full year	
	Actual \$000	Revised Budget \$000	Revised Budget \$000
Cash flows from operating activities			
Total cash provided	1,313,981	1,359,923	1,457,825
Cash applied to:			
Payments to suppliers, employees and directors	664,667	631,222	739,173
Interest paid	24,610	27,269	29,735
Goods and services tax (net)	3,526	-	-
Total cash applied	692,803	658,491	768,908
Net cash from operating activities	621,178	701,432	688,917
Cash flows from investing activities			
Cash provided from:			
Sale of property, plant and equipment	1,836	-	-
Total cash provided	1,836	-	-
Cash applied to:			
Capital expenditure projects	610,371	696,466	737,053
Total cash applied	610,371	696,466	737,053
Net cash from investing activities	(608,535)	(696,466)	(737,053)
Cash flows from financing activities			
Cash provided from:			
Loan from Auckland Council - EMU	10,000	-	-
Total cash provided	10,000	-	-
Cash applied to:			
Repayments of EMU loan from Auckland Council	4,861	4,966	5,399
Total cash applied	4,861	4,966	5,399
Net cash from financing activities	5,139	(4,966)	(5,399)
Net (decrease)/increase in cash and cash equivalents	17,782	-	(53,535)
Opening cash balance	3,005	-	-
Closing cash balance	20,787	-	(53,535)

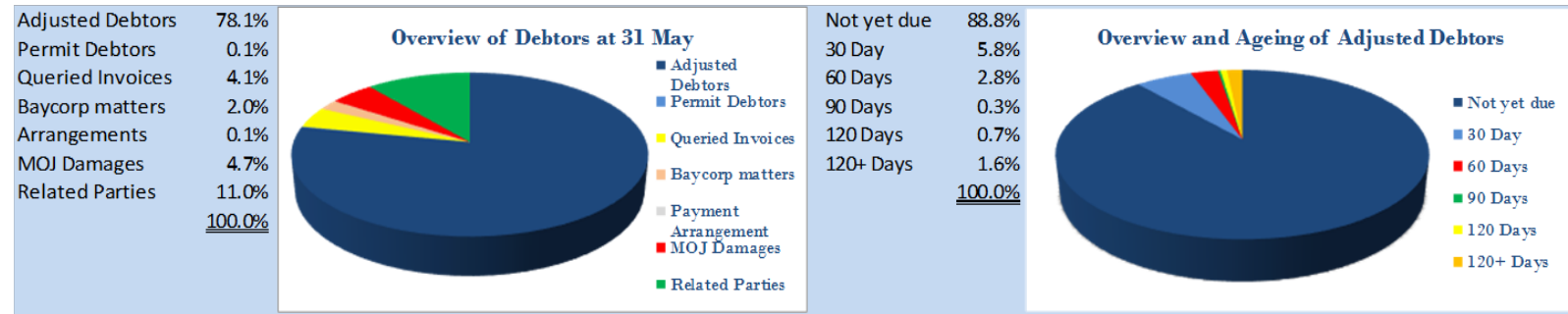
Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities	
	Actual \$000
Surplus/(deficit) after tax	491,355
Add/(less) non cash items	
Depreciation and amortisation	300,264
Vested assets	(169,463)
Loss on disposal of property, plant and equipment	(999)
(Gains)/losses on forward foreign exchange contracts	(242)
(Gains)/losses on interest rate swaps	(2,133)
Income tax	(69)
	127,358
Add/(less) movements in working capital	
Decrease/(Increase) in debtors and other receivables	11,830
Decrease/(Increase) in inventories	115
(Decrease)/Increase in creditors and other payables	(1,852)
(Decrease)/Increase in employee benefits payable	18
(Decrease)/Increase in other assets	(7,646)
	2,465
Net cash flow from operating activities	621,178

Section 6 – Accounts Receivable Report

Accounts Receivable

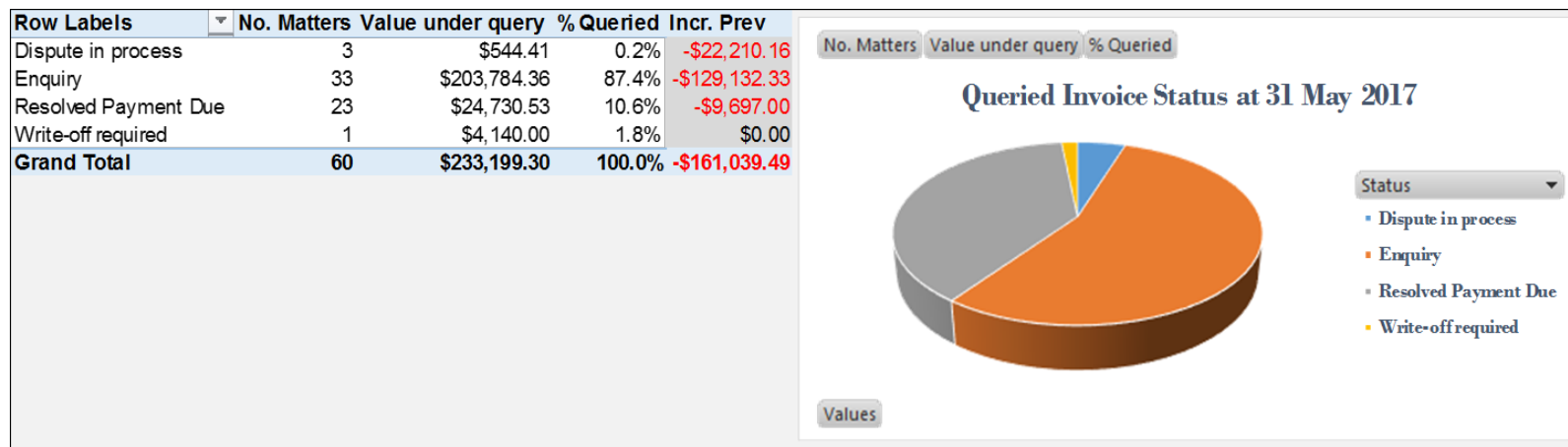
An overview of the Debtors as at 31 May has 97.4% (96.3% April) of adjusted Debtors in 30 and 60 days, or not yet due.

<u>Debtors Ageing Analysis as at 31 May 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 May	258	5,638,899	4,538,961	265,159	150,652	66,941	48,203	568,984	1
Parking Permit Debtors	17	7,660	0	3,440	240	200	3,780	0	2
Total Debtors		5,646,559	4,538,961	268,599	150,892	67,141	51,983	568,984	
		100.0%	80.4%	4.8%	2.7%	1.2%	0.9%	10.1%	
O/s Related Parties	8	619,286	608,825	5,715	4,746	0	0	0	3
Trade Debtors	151	5,027,273	3,930,136	262,884	146,146	67,141	51,983	568,984	
		100.0%	78.2%	5.2%	2.9%	1.3%	1.0%	11.3%	
Queried Invoices	124	233,199	5,321	5,233	22,020	54,546	14,478	131,601	4
To Baycorp (Collection)	470	112,844	0	312	493	542	0	111,497	5
Payment Arrangement	276	3,379	0	0	0	0	0	3,379	6
Lodged Courts (Damages)	418	264,565	4,161	0	0	0	7,414	252,990	7
Adjusted Debtors		4,413,286	3,920,653	257,339	123,632	12,053	30,091	69,518	
		100.0%	88.8%	5.8%	2.8%	0.3%	0.7%	1.6%	



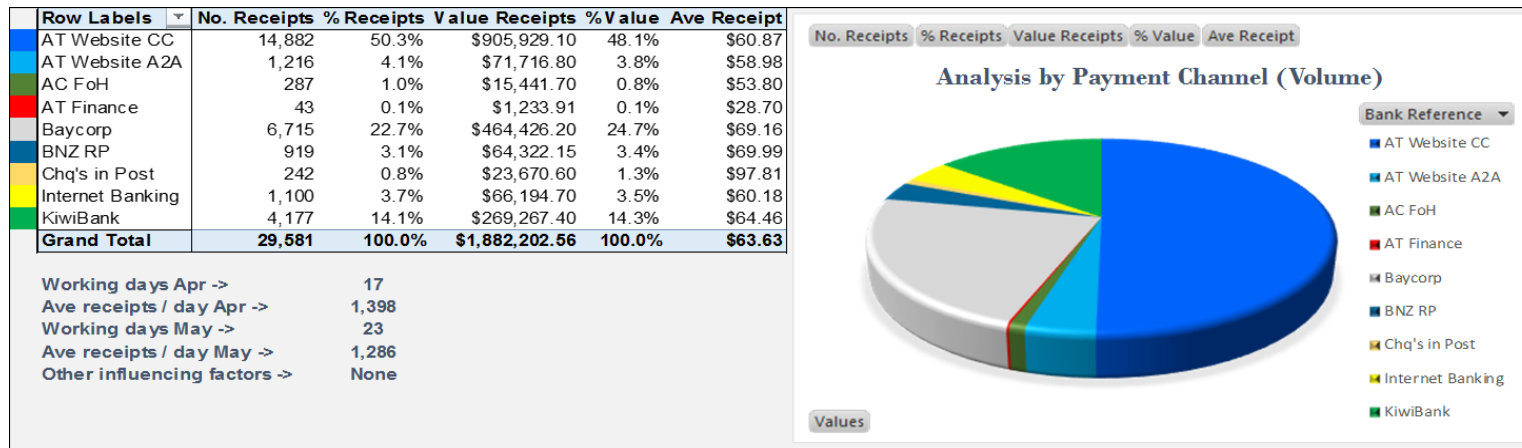
Notes relating to the Debtors Ageing Analysis:

- 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 have started to investigate the matter. The matter with the Investigation and Design Team totalling \$86,000 has been resolved and a final payment of \$10,000 is expected this month. The \$74,000 under query with the Telco has been resolved and payment was received in May. We have received a new dispute of \$49,000 which has been passed across to Property for investigation.
- 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.

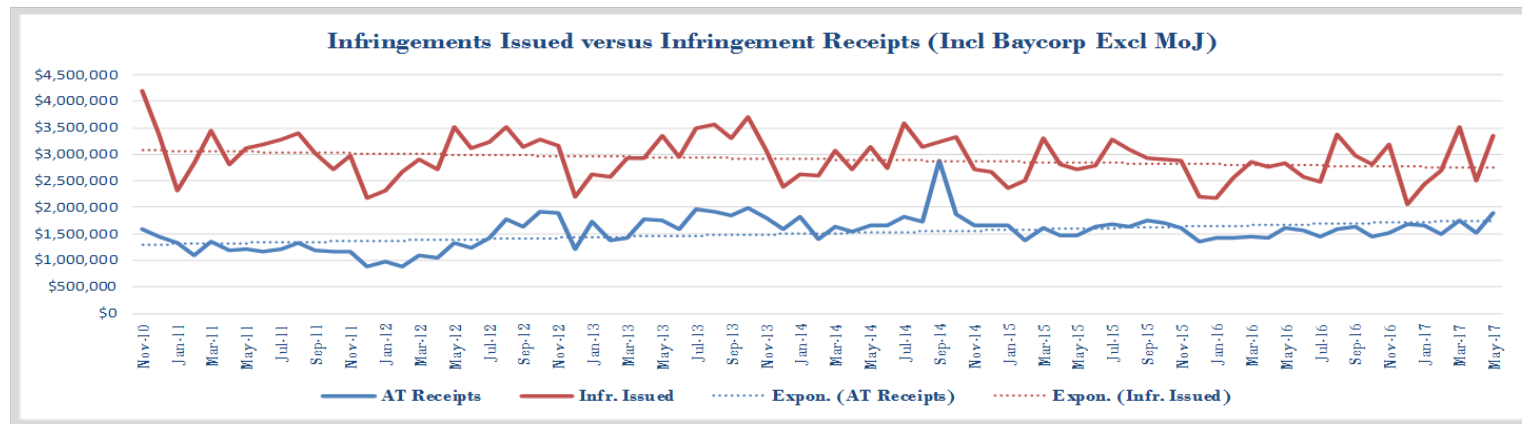


Infringement Overview:

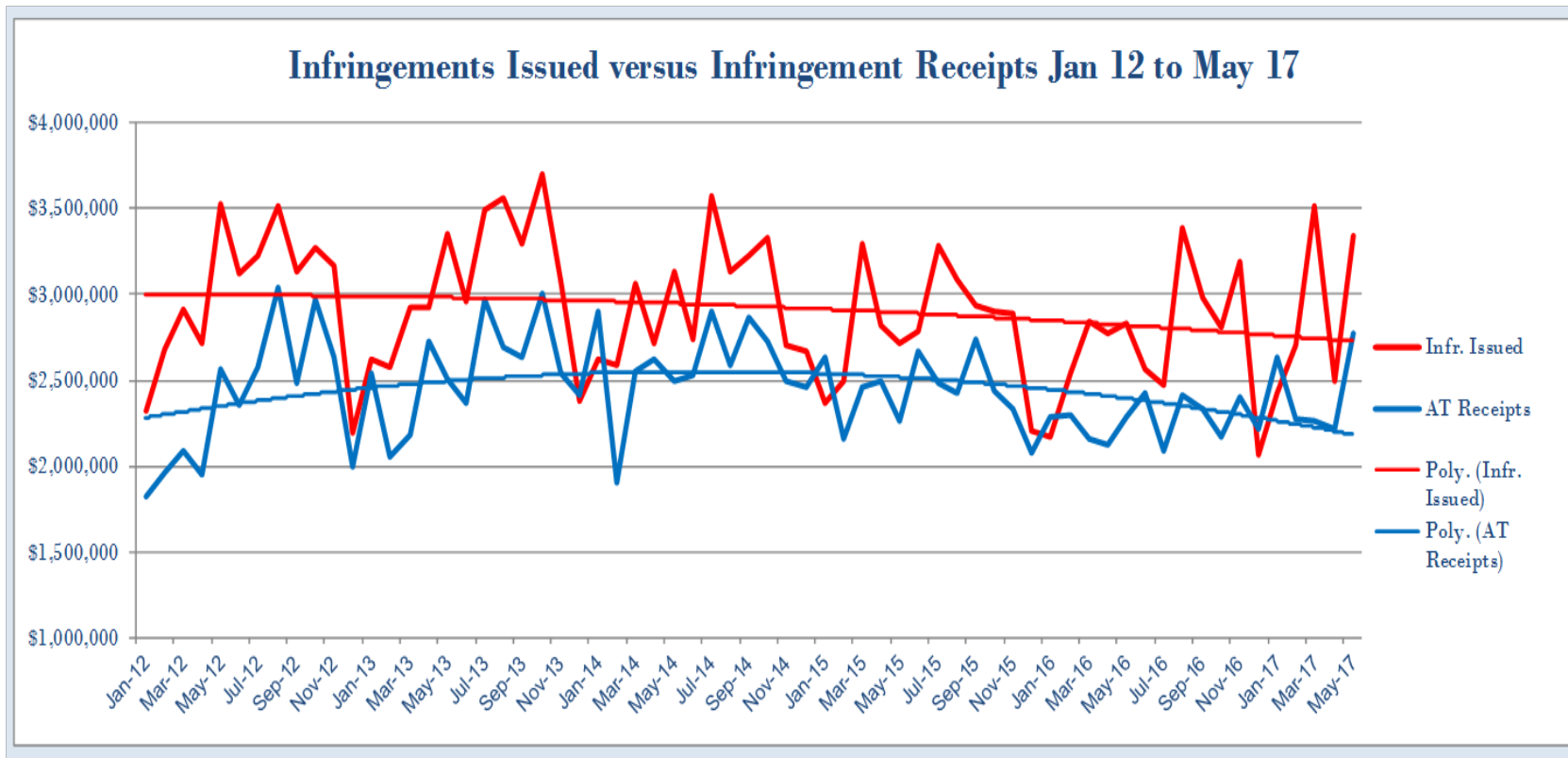
May's Infringement receipts by volume are up 24.4% on April (23 working days in May compared with 17 in April). Of the customers not paying in response to a Baycorp demand, 75.2% are making use of electronic payment methods (75.5% in April). The AT website recorded 54.4% of all receipts (56.9% in March). The highest average receipt by value was received via cheque payments.



When comparing infringements issued against AT receipts (including Baycorp but excluding MoJ) over a 6 year period, the issued trendline is decreasing while the receipt trendline continues to increase.

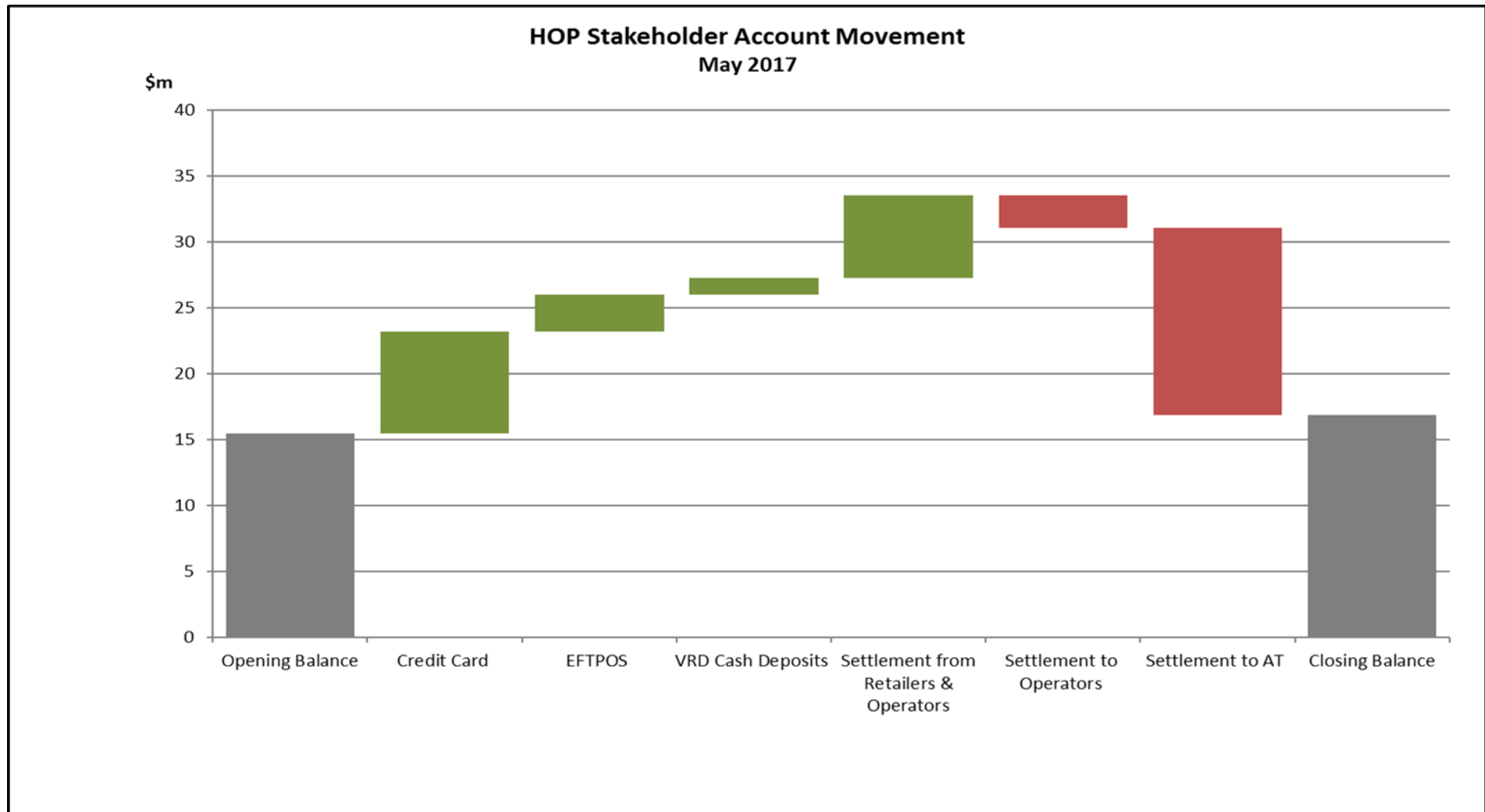


The following graph compares infringements issued against all receipts by AT (including both Baycorp and MoJ receipts). Analysis of MoJ's collection statistics shows that average receipts in 2016 were down 12.3% on 2015. AT's receipts (Jan to Dec 2016 average) were down 3.8% compared with the same period in 2015. This is in line with the 3.4% decrease in infringements issued for the same periods. The trend lines in the overview below have moved apart slightly as a result of the time of the year and lower than usual MoJ collections. Infringements issued in Jan to May 2017 are on average 9.9% higher than the average issued for the same periods in 2016.

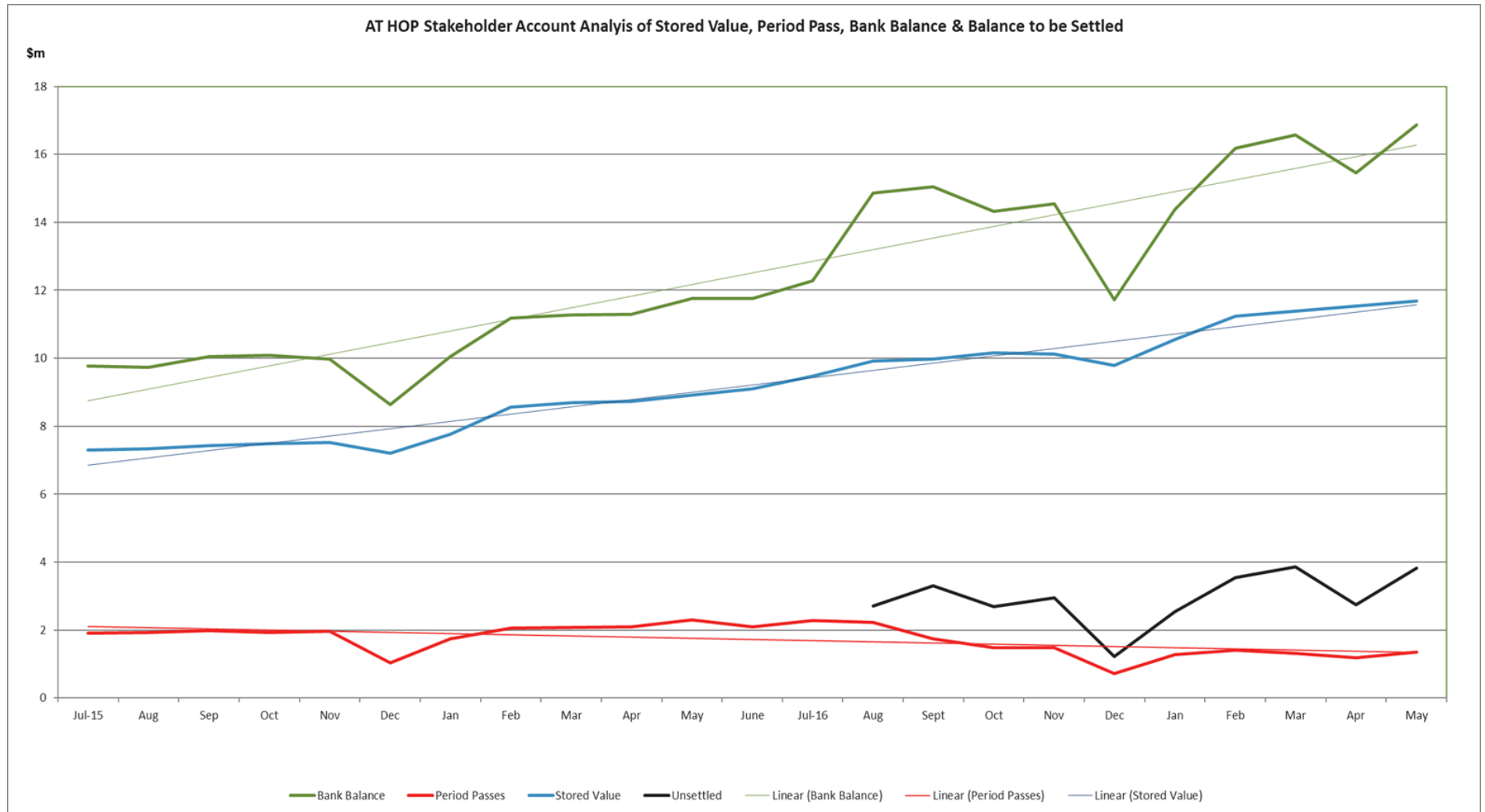


Section 7 – AT HOP Stakeholder Monthly Report



The AT HOP Stakeholder bank account increased by 9% from \$15.4 million to \$16.8 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. The unsettled HOP money reflects the seven-day delay with the introduction of Simpler Fares.



Document ownership

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