Financial Results for the Two Months Ended 31 August 2016

Recommendation

That the Board:

i. Receives the report.

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Section 1 – Overview

Deficit from operations for the first two months is favourable to budget. Major items to report this month are:

- **AT Metro income** is below budget by $3.3 million (mainly coming from Bus $3 million and Rail $0.8 million) due to the following three main drivers:

  1. Simpler Fares
     - The budget was prepared on a "revenue neutral" scenario however, prior to implementation "a no losers" pricing structure was implemented. As such there was a known risk around revenues in the budget which has now crystallised.
     - In preparation for the Simpler Fares roll out there was also a special discounted introductory monthly pass available from 1 July at a price of $140 (replacing the stage specific passes of $140, $200 or $250). This provided significant savings to many monthly pass users and had a significant uptake.
     - As expected, Simpler Fares has resulted in significantly fewer cash trips being made.
  2. Timing of moving to gross contracts
     - NZ Bus contract – The budgeted bus revenues also reflected moving all NZ Bus contracts to gross from 1 August 2016, in line with the anticipated Simpler Fares go live date and ahead of the Public Transport Operating Model (PTOM) implementation. This means AT would receive all revenues for these contracts. With the delay in the Simpler Fares go live to 14 August and the move to gross contracts for NZ Bus also delayed, this has resulted in $2.8 million lower revenue. This negative variance was offset with lower NZ Bus contract costs.
     - Ritchies contract – Going the other way all Ritchie's contracts also moved to gross contracts from 14 August which was not budgeted ($123,000 favourable). This partially offsets lower NZ bus revenues.
  3. Bus patronage is lower than budget and with more gross contracts this has resulted in lower revenue.

  The full year impact of the drop in income is currently being analysed, including the development of mitigating measures. The key consideration is the elasticity of demand and the time it takes for cheaper travel to be reflected in higher demand.

- **Parking and enforcement income** is $0.6 million behind budget. Income significantly improved in August with a 21% increase in revenue compared with last month. This can be attributed to higher casual parking income from Downtown and Civic carparks which outperformed significantly against budget and the prior period. This trend is expected to continue but the full effects of the CBD construction works are still unknown. Enforcement income is also expected to increase in the coming months as the newly recruited parking wardens become fully effective, special vehicle lane enforcement increased and new technology introduced.
- **Operating expenditure** is below budget, mainly due to lower NZ Bus contract costs (see above).
- **Capital spending** was on budget for August after a slow start in July. Steps have been taken to ensure full delivery of the $765 million programme. A formal review of progress, along with any remedial action required, will be undertaken at the end of the first quarter.

Section 2a – Executive Summary

Financial results for the two months ended 31 August 2016:

	Current month variance to budget $m	Year to date variance to budget $m	Year to date results	Year to date Actual $m	Year to date budget $m	Full Year budget $m
Total operating income	(2.7)	(3.2)	⇩ 🟡	120.4	123.6	786.1
Total operating expenditure	3.6	4.3	⇩ 🟢	170.1	174.4	1,118.7
Surplus/(deficit) from operations	0.9	1.1	⇩ 🟢	(49.7)	(50.8)	(332.6)
Income for capital projects	0.6	(7.1)	⇩ 🟡	75.3	82.5	866.1
Net surplus/(deficit) before tax	1.6	(6.1)	⇩ 🟡	25.6	31.7	533.5
Total direct capital	(0.6)	6.1	⇩ 🟡	75.3	81.5	764.6

Key to symbols used:

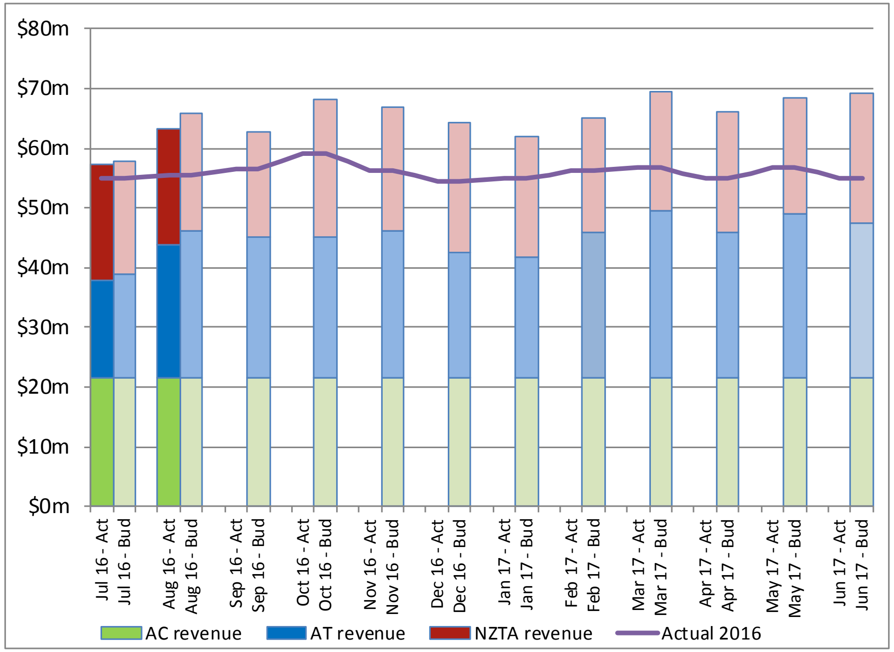
⇔	: Within tolerable range	⇧	: Above budget, favourable variance.
⇩	: Below budget, unfavourable variance.	🟢	: Largely on track
⇩	: Below budget, favourable variance.	🟡	: Monitoring, some action taken
⇧	: Above budget, unfavourable variance.	🔴	: Action required

Section 2b – Financial results for the two months ended 31 August 2016

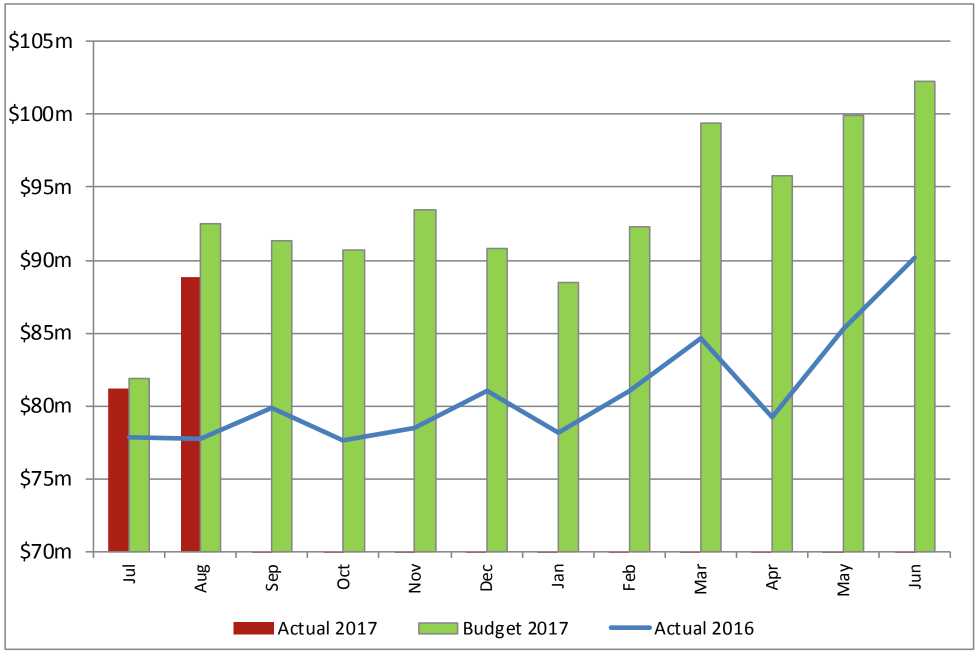
	Current month			Year to date				Full year
	Actual $000	**Budget $000**	**Variance $000**	**Actual $000**	**Budget $000**	**Variance $000**	**Results achieved**	**Budget $000**
Income								
Operating income								
Auckland Council funding	21,681	21,681	-	43,361	43,361	-		260,167
NZ Transport Agency operating funding	19,356	19,824	(468)	38,668	38,639	29		242,676
Parking and enforcement income	7,198	6,791	407	13,169	13,808	(639)		84,564
AT Metro income	12,067	15,208	(3,141)	18,999	22,292	(3,293)		169,042
Other revenue incl. other grants and subsidies	2,890	2,373	517	6,180	5,503	677		29,698
Total operating income	63,192	65,877	(2,685)	120,377	123,603	(3,226)		786,147
Expenditure								
Personnel costs	12,955	13,073	118	24,644	25,090	446		149,298
Capitalised personnel costs	(3,361)	(3,342)	19	(5,485)	(6,494)	(1,009)		(39,713)
Depreciation and amortisation	27,161	26,798	(363)	53,706	53,347	(359)		337,978
Other expenditure	49,564	53,384	3,820	92,159	97,313	5,154		640,651
Finance costs (Electric Trains)	2,526	2,552	26	5,054	5,106	52		30,511
Total operating expenditure	88,845	92,465	3,620	170,078	174,362	4,284		1,118,725
Surplus/(deficit) from operations	(25,653)	(26,588)	935	(49,701)	(50,759)	1,058		(332,578)
Income for capital projects								
NZ Transport Agency capital co-investment	10,270	11,022	(752)	17,356	20,976	(3,620)		216,602
Auckland Council capital grant	35,983	35,132	851	57,263	61,487	(4,224)		548,009
Other Capital Grants	516	-	516	716	-	716		-
Vested asset income	-	-	-	-	-	-		101,500
	46,769	46,154	615	75,335	82,463	(7,128)		866,111
Net surplus/(deficit) before tax and derivatives	**21,116**	**19,566**	**1,550**	**25,634**	**31,704**	**(6,070)**		**533,533**
Gains/(losses) on derivatives	117	-	117	121	-	121		-
Profit/(loss) on disposal of assets	-	-	-	-	-	-		(758)
Income tax benefit/(expense)	-	-	-	-	-	-		-
Net surplus/(deficit) after tax and derivatives	**21,233**	**19,566**	**1,667**	**25,755**	**31,704**	**(5,949)**		**532,775**

Section 2b – Financial results for the two months ended 31 August 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	9,671	10,371	(700)	19,658	20,397	(739)	122,497
Bus	12,486	15,543	(3,057)	20,045	23,099	(3,054)	180,655
Ferry	839	1,175	(336)	1,852	2,346	(494)	15,094
Other public transport	2,681	2,512	169	5,002	4,633	369	32,138
Parking	4,249	3,947	302	8,112	7,754	358	52,991
Enforcement	2,949	2,844	105	5,057	6,054	(997)	31,573
Roading and footpaths	4,526	4,815	(289)	9,884	10,398	(514)	57,159
Internal support	4,109	2,988	1,121	7,404	5,563	1,841	33,872
Auckland Council operating funding	21,681	21,681	-	43,361	43,361	-	260,167
Total operating income	63,191	65,876	(2,685)	120,375	123,605	(3,230)	786,146
Operating Expenditure							
Rail	13,704	14,353	649	28,088	28,563	475	171,304
Bus	19,131	20,976	1,845	32,031	33,934	1,903	249,541
Ferry	1,480	1,620	140	2,833	3,200	367	20,475
Other public transport	3,706	3,761	55	7,092	7,221	129	51,478
Parking	1,245	1,050	(195)	2,151	2,091	(60)	12,371
Enforcement	1,699	1,927	228	3,281	3,751	470	21,471
Roading and footpaths	10,296	10,918	622	20,421	21,394	973	127,790
Internal support	10,424	11,062	638	20,475	20,863	388	126,317
Depreciation	27,161	26,798	(363)	53,706	53,347	(359)	337,978
Total operating expenditure	88,846	92,465	3,619	170,078	174,364	4,286	1,118,725
Surplus/(deficit) from Operations	(25,655)	(26,589)	934	(49,703)	(50,759)	1,056	(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	4,477	4,905	(428)	8,510	9,138	(628)	54,700
Other income	46	104	(58)	63	215	(152)	1,210
NZ Transport Agency operating funding	3,555	3,753	(198)	7,850	7,775	75	46,837
NZ Transport Agency operating funding - Electric Trains	1,593	1,609	(16)	3,235	3,269	(34)	19,750
Total operating income	9,671	10,371	(700)	19,658	20,397	(739)	122,497
Operating Expenditure							
Personnel costs	202	196	(6)	382	376	(6)	2,284
Capitalised personnel costs	1	-	(1)	8	-	(8)	45
Service delivery costs and professional services	8,067	8,529	462	16,726	16,974	248	100,722
Occupancy costs	294	312	18	564	600	36	3,478
Track access charges	2,037	2,137	100	4,153	4,259	106	26,085
Other expenditure	577	627	50	1,201	1,248	47	8,179
Finance costs (Electric Trains)	2,526	2,552	26	5,054	5,106	52	30,511
Total operating expenditure	13,704	14,353	649	28,088	28,563	475	171,304
Depreciation	3,139	3,086	(53)	6,277	6,172	(105)	37,695
Surplus/(deficit) from Operations	(7,172)	(7,068)	(104)	(14,707)	(14,338)	(369)	(86,502)
Internal support costs	2,190	2,519	329	4,334	4,797	463	31,227
Surplus/(deficit)	(9,362)	(9,587)	225	(19,041)	(19,135)	94	(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	5,274	8,309	(3,035)	6,802	9,800	(2,998)	94,158
Other income	761	726	35	824	805	19	4,312
NZ Transport Agency operating funding	6,451	6,508	(57)	12,419	12,494	(75)	82,185
Total operating income	12,486	15,543	(3,057)	20,045	23,099	(3,054)	180,655
Operating Expenditure							
Personnel costs	323	330	7	586	631	45	4,003
Capitalised personnel costs	(29)	(15)	14	(33)	(36)	(3)	33
Service delivery costs and professional services	18,716	20,502	1,786	31,179	33,021	1,842	243,535
Occupancy costs	31	99	68	172	197	25	1,201
Other expenditure	90	60	(30)	127	121	(6)	769
Total operating expenditure	19,131	20,976	1,845	32,031	33,934	1,903	249,541
Depreciation	265	201	(64)	530	402	(128)	3,581
Surplus/(deficit) from Operations	(6,910)	(5,634)	(1,276)	(12,516)	(11,237)	(1,279)	(72,467)
Internal support costs	3,190	3,669	479	6,314	6,988	674	45,488
Surplus/(deficit)	(10,100)	(9,303)	(797)	(18,830)	(18,225)	(605)	(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	376	349	27	723	703	20	4,857
Activity Income	97	100	(3)	180	196	(16)	1,210
Other income	63	68	(5)	125	127	(2)	948
NZ Transport Agency operating funding	303	658	(355)	824	1,320	(496)	8,079
Total operating income	839	1,175	(336)	1,852	2,346	(494)	15,094
Operating Expenditure							
Personnel costs	97	91	(6)	168	176	8	1,211
Capitalised personnel costs	1	-	(1)	1	-	(1)	-
Service delivery costs and professional services	1,181	1,317	136	2,265	2,602	337	16,491
Occupancy costs	63	63	-	126	126	-	777
Other expenditure	138	149	11	273	296	23	1,996
Total operating expenditure	1,480	1,620	140	2,833	3,200	367	20,475
Depreciation	252	249	(3)	505	497	(8)	2,995
Surplus/(deficit) from Operations	(893)	(694)	(199)	(1,486)	(1,351)	(135)	(8,376)
Internal support costs	262	301	39	518	573	55	3,732
Surplus/(deficit)	(1,155)	(995)	(160)	(2,004)	(1,924)	(80)	(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	973	647	326	1,771	1,309	462	7,646
NZ Transport Agency operating funding	1,708	1,865	(157)	3,231	3,324	(93)	24,492
Total operating income	2,681	2,512	169	5,002	4,633	369	32,138
Operating Expenditure							
Personnel costs	1,442	1,376	(66)	2,880	2,641	(239)	16,073
Capitalised personnel costs	18	53	35	31	113	82	344
Service delivery costs and professional services	1,023	1,410	387	2,139	2,629	490	22,571
IT costs	159	182	23	311	364	53	2,201
Other expenditure	1,064	740	(324)	1,731	1,474	(257)	10,289
Total operating expenditure	3,706	3,761	55	7,092	7,221	129	51,478
Depreciation	1,231	1,272	41	2,462	2,543	81	16,856
Surplus/(deficit) from Operations	(2,256)	(2,521)	265	(4,552)	(5,131)	579	(36,196)
Internal support costs	658	757	99	1,303	1,442	139	9,384
Surplus/(deficit)	(2,914)	(3,278)	364	(5,855)	(6,573)	718	(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	185	96	89	308	156	152	4,188
Parking Fees	4,064	3,851	213	7,804	7,598	206	48,803
Total operating income	4,249	3,947	302	8,112	7,754	358	52,991
Operating Expenditure							
Personnel costs	266	269	3	494	530	36	3,002
Capitalised personnel costs	2	(1)	(3)	(13)	(2)	11	(14)
Service delivery costs and professional services	358	239	(119)	464	478	14	2,871
Occupancy Costs	582	507	(75)	1,097	1,015	(82)	6,088
Other expenditure	37	36	(1)	109	70	(39)	424
Total operating expenditure	1,245	1,050	(195)	2,151	2,091	(60)	12,371
Depreciation	581	583	2	1,161	1,167	6	7,000
Surplus/(deficit) from Operations	2,423	2,314	109	4,800	4,496	304	33,620
Internal support costs	158	182	24	313	346	33	2,255
Surplus/(deficit)	2,265	2,132	133	4,487	4,150	337	31,365

Section 2d – Enforcement operations

	Current month			Year to date			Full year
	Actual $000	Budget $000	Variance $000	Actual $000	Budget $000	Variance $000	Budget $000
Operating Income							
Other income	-	-	-	-	-	-	-
Infringement income	2,949	2,844	105	5,057	6,054	(997)	31,573
Total operating income	2,949	2,844	105	5,057	6,054	(997)	31,573
Operating Expenditure							
Personnel costs	872	968	96	1,685	1,899	214	10,793
Capitalised personnel costs	13	4	(9)	27	9	(18)	52
Service delivery costs and professional services	162	161	(1)	355	322	(33)	1,935
Occupancy Costs	-	-	-	-	-	-	-
Other expenditure	652	794	142	1,214	1,521	307	8,691
Total operating expenditure	1,699	1,927	228	3,281	3,751	470	21,471
Depreciation	9	20	11	18	40	22	241
Surplus/(deficit) from Operations	1,241	897	344	1,758	2,263	(505)	9,861
Internal support costs	275	316	41	543	601	58	3,914
Surplus/(deficit)	966	581	385	1,215	1,662	(447)	5,947

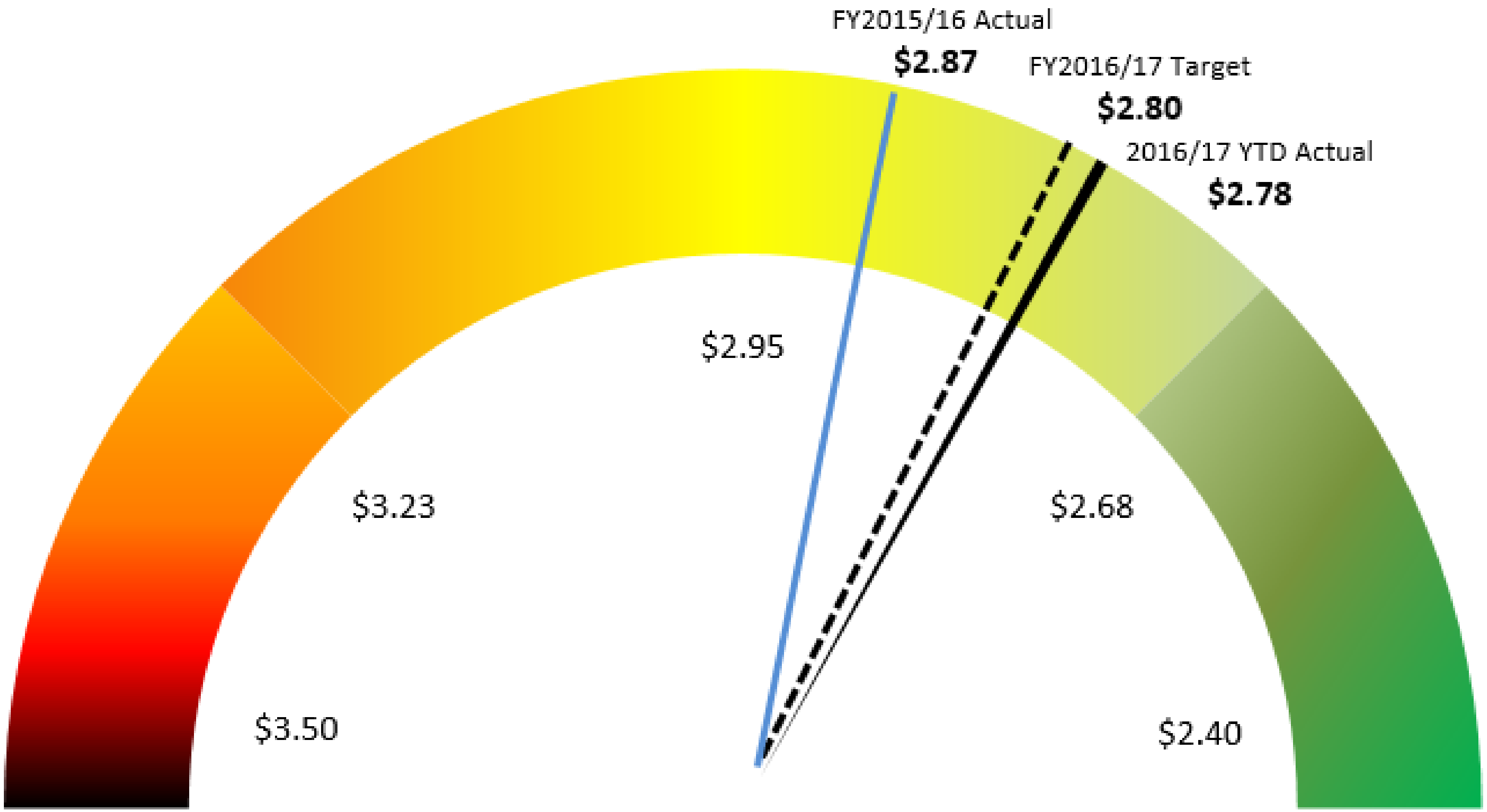
Section 2d – Roading and footpaths operations

	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	745	728	17	1,556	1,458	98	8,737
Other income	450	344	106	1,578	1,514	64	5,718
NZ Transport Agency operating funding	3,331	3,743	(412)	6,750	7,426	(676)	42,704
Total operating income	4,526	4,815	(289)	9,884	10,398	(514)	57,159
Operating Expenditure							
Personnel costs	2,621	2,618	(3)	4,790	4,934	144	28,874
Capitalised personnel costs	(585)	(656)	(71)	(828)	(1,254)	(426)	(8,699)
Service delivery costs and professional services	6,377	6,974	597	12,432	13,485	1,053	84,453
Occupancy Costs	1,609	1,491	(118)	3,182	3,069	(113)	15,933
IT Costs	1	32	31	5	54	49	316
Other expenditure	273	459	186	840	1,106	266	6,913
Total operating expenditure	10,296	10,918	622	20,421	21,394	973	127,790
Depreciation	19,633	19,838	205	39,265	39,499	234	242,760
Surplus/(deficit) from Operations	(25,403)	(25,941)	538	(49,802)	(50,495)	693	(313,391)
Internal support costs	1,634	1,879	245	3,233	3,579	345	23,295
Surplus/(deficit)	(27,037)	(27,820)	783	(53,035)	(54,074)	1,038	(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	1,508	1,248	260	2,791	2,443	348	13,934
Other income	186	53	133	255	88	167	1,309
NZ Transport Agency operating funding	2,415	1,687	728	4,358	3,032	1,326	18,629
Total operating income	4,109	2,988	1,121	7,404	5,563	1,841	33,872
Operating Expenditure							
Personnel costs	7,133	7,224	91	13,659	13,904	245	83,057
Capitalised personnel costs	(2,782)	(2,727)	55	(4,679)	(5,322)	(643)	(31,473)
Directors Fees	42	43	1	85	85	-	510
Service delivery costs and professional services	3,141	3,730	589	6,280	7,057	777	41,822
Other expenditure	2,890	2,792	(98)	5,130	5,139	9	32,401
Total operating expenditure	10,424	11,062	638	20,475	20,863	388	126,317
Depreciation	2,052	1,549	(503)	3,488	3,026	(462)	26,850
Income tax benefit/(expense)	-	-	-	-	-	-	-
Surplus/(deficit) from Operations	(8,367)	(9,623)	1,256	(16,559)	(18,326)	1,767	(119,295)
Internal support allocated	8,367	9,623	1,256	16,559	18,326	1,767	119,295
Surplus/(deficit)	-	-	-	-	-	-	-

Section 2e – Operational funding requirement per passenger for the two months to August 2016



Section 3a – Summary of Capital Expenditure

	Current month			Year to date				Full year
	Actual $000	**Budget $000**	**Variance $000**	**Actual $000**	**Budget $000**	**Variance $000**	**Results achieved**	**Budget $000**
Land								
CRL	1,452	1,228	(224)	1,777	2,003	226		19,255
AMETI	1,533	1,413	(120)	1,466	1,563	97		13,700
Special Housing Areas (SHAs)	1	15	14	2	40	38		17,765
Other	2,085	421	(1,664)	2,337	629	(1,708)		29,987
Total land	5,071	3,077	(1,994)	5,582	4,235	(1,347)		80,707
Major new capital projects								
CRL	11,018	6,691	(4,327)	19,729	12,111	(7,618)		150,242
Albany Highway Upgrade	1,449	350	(1,099)	2,100	700	(1,400)		3,822
Otahuhu Bus Interchange	1,847	2,410	563	3,542	4,840	1,298		3,324
Te Atatu Road Corridor Improvements	830	790	(40)	1,052	1,588	536		9,509
NorthWest Transformation	176	436	260	504	796	292		6,317
AMETI	480	610	130	1,000	1,222	222		8,364
Manukau Bus Interchange	290	82	(208)	256	117	(139)		22,600
Total major new capital projects	16,090	11,369	(4,721)	28,183	21,374	(6,809)		204,178
Other ring-fenced projects								
EMU	134	875	741	226	1,750	1,524		10,499
Local Board initiatives	2,476	3,534	1,058	4,123	6,532	2,409		10,537
Special Housing Areas (SHAs)	154	85	(69)	338	159	(179)		18,135
Other	486	398	(88)	522	878	356		9,456
Total other ring-fenced projects	3,250	4,892	1,642	5,209	9,319	4,110		48,627
Other								
Roads and footpaths	7,195	11,195	4,000	11,651	19,142	7,491		125,524
AT Metro	2,136	3,023	887	2,528	5,672	3,144		56,006
Parking operations	412	358	(54)	540	874	334		3,686
Internal support - BT	1,328	1,065	(263)	2,530	2,180	(350)		11,825
Internal support - Accomodation	(6)	-	6	60	-	(60)		-
Internal support - Other	258	290	32	364	520	156		5,950
Total other	11,323	15,931	4,608	17,673	28,388	10,715		202,991
Renewals	11,035	10,886	(149)	18,689	18,139	(550)		228,107
Total direct capital	46,769	46,155	(614)	75,336	81,455	6,119		764,610

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
Funding							
NZ Transport Agency new capital co-investment	5,982	6,891	(909)	9,995	14,124	(4,129)	153,310
NZ Transport Agency renewal co-investment	4,288	4,130	158	7,361	6,852	509	63,292
Other Capital Grants	516	-	516	716	-	716	-
Auckland Council capital grant	35,983	35,134	849	57,264	60,479	(3,215)	548,008
Total direct capital funding	46,769	46,155	614	75,336	81,455	(6,119)	764,610

Section 4a – Statement of Financial Position

As at 31 August 2016

	Note	Actual 31 August 2016 $000	Actual 31 July 2016 $000
Assets			
Current assets			
Cash and cash equivalents	**1**	5,471	11,281
Trade and other receivables	**2**	230,796	212,019
Inventories		9,671	9,704
Other assets		9,672	16,520
Non-current asset held for sale		6,193	6,042
Total current assets		261,803	255,566
Non-current assets			
Property, plant and equipment		16,301,799	16,311,332
Property, plant and equipment - work-in-progress		619,882	591,535
Intangible assets		125,973	126,018
Total non-current assets		17,047,654	17,028,885
Total assets		17,309,457	17,284,451

Section 4a – Statement of Financial Position (continued)

As at 31 August 2016

	Note	Actual 31 August 2016 $000	Actual 31 July 2016 $000
Liabilities			
Current liabilities			
Derivative financial instruments	3	278	233
Trade and other payables	4	162,100	155,985
Employee benefit liabilities	5	12,253	14,108
Borrowings	6	5,296	5,260
Total current liabilities		179,927	175,586
Non-current liabilities			
Derivative financial instruments	3	3,919	3,832
Trade and other payables	4	19,426	19,675
Employee benefit liabilities	5	624	624
Borrowings	6	489,818	490,224
Deferred tax liability	7	11,425	11,425
Total non-current liabilities		525,212	525,780
Total liabilities		705,139	701,366
Net assets		**16,604,318**	**16,583,085**
Equity			
Contributed capital		13,463,871	13,463,871
Accumulated surplus/(deficit)		1,022,989	1,001,756
Other reserves		2,117,458	2,117,458
Total equity		**16,604,318**	**16,583,085**

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

As at 31 August 2016

		Actual 31 August 2016 $000	Actual 31 July 2016 $000
1	**Cash and cash equivalents**		
	Cash at bank - Trading	5,176	10,986
	Till floats	295	295
	Total cash and cash equivalents	**5,471**	**11,281**

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

		Actual 31 August 2016 $000	Actual 31 July 2016 $000
2	**Trade and other receivables**		
	Trade debtors	3,367	3,425
	Finance lease receivable	53	55
	Infringements receivable	32,818	32,206
	Amounts due from related parties	177,078	159,048
	Accrued income	31,306	25,126
	Goods and services tax	-	5,939
		244,622	**225,799**
	Less provision for impairment of receivables	(13,826)	(13,780)
	Total trade and other receivables	**230,796**	**212,019**

Section 4b – Notes to the Financial Statements

As at 31 August 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 31 August 2016 is detailed below:

	Gross	**Impaired**	**Net**
	$000	**$000**	**$000**
Not past due	213,261	-	213,261
Past due 1 - 30 days	1,896	-	1,896
Past due 31 - 60 days	1,353	-	1,353
Past due 61 - 90 days	1,084	-	1,084
Past due > 90 days	27,028	(13,826)	13,202
	244,622	**(13,826)**	**230,796**

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	208
Provisions reversed	-
Receivables written-off	-
At 31 August 2016	13,826

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

As at 31 August 2016

		Actual 31 August 2016 $000	Actual 31 July 2016 $000
3	**Derivative financial instruments**		
	Current liability portion		
	Forward foreign exchange contracts - not hedge accounted	278	233
	Current derivative financial instruments	**278**	**233**
	Non-current liability portion		
	Interest rate swaps - not hedge accounted	3,919	3,832
	Non-current derivative financial instruments	**3,919**	**3,832**
	Total derivative financial instrument liabilities	**4,197**	**4,065**

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 $4.2 million. The foreign currency principal amount was USD $2.9 million. The cash flow hedge loss of $35,400 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 31 August 2016 the fixed interest rates of cash flow hedge interest rate swaps varied from 5.81% to 5.96%. The loss on their revaluation of $341,000 has been recorded in the Statement of Financial Performance.

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

As at 31 August 2016

		Actual 31 August 2016 $000	Actual 31 July 2016 $000
4	**Trade and other payables**		
	Current portion		
	Creditors	15,303	20,333
	Goods and services tax	1,044	-
	Accrued expenses	120,732	109,752
	Retentions	11,485	11,210
	Amounts due to related parties	4,888	5,697
	Income in advance	8,648	8,993
	Total current trade and other payables	**162,100**	**155,985**
	Non-current portion		
	Amounts due to related parties	19,426	19,675
	Total non-current trade and other payables	**19,426**	**19,675**

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.

		Actual 31 August 2016 $000	Actual 31 July 2016 $000
5	**Employee benefit liabilities**		
	Current portion		
	Accrued salaries and wages	2,888	5,007
	Accrued leave	9,365	9,101
	Current employee benefit liabilities	**12,253**	**14,108**
	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 31 August 2016

		Actual 31 August 2016 $000	Actual 31 July 2016 $000
6	**Borrowings**		
	Current portion		
	Loans from Auckland Council	5,296	5,260
	Current borrowings	**5,296**	**5,260**
	Non-current portion		
	Loans from Auckland Council	489,818	490,224
	Non-current borrowings	**489,818**	**490,224**
	Weighted average cost of funds on total borrowings	6.01%	6.01%

Auckland Transport's loan debt of $495 million is issued at fixed rates of interest ranging from 5.55% to 6.22%.

7 Deferred tax liability

Deferred tax liability	Property, Plant and Equipment **$000**	Other Provisions **$000**	Tax Losses **$000**	Actual 31 August 2016 Total **$000**
Balance at 1 July 2016	(11,425)	-	-	(11,425)
Charged to profit and loss		-	-	-
Charged to equity		-	-	-
Balance at 31 August 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	240,021	246,307	1,550,758
Cash applied to:			
Payments to suppliers, employees and directors	120,844	121,406	750,237
Interest paid	4,486	5,106	30,511
Goods and services tax (net)	8,245	-	-
Total cash applied	**133,575**	**126,512**	**780,748**
Net cash from operating activities	**106,446**	**119,795**	**770,010**
Cash flows from investing activities			
Cash provided from:			
Sale of property, plant and equipment	883	-	-
Total cash provided	**883**	-	**-**
Cash applied to:			
Capital expenditure projects	104,035	118,957	764,611
Total cash applied	**104,035**	**118,957**	**764,611**
Net cash from investing activities	**(103,152)**	**(118,957)**	**(764,611)**
Cash flows from financing activities			
Total cash provided	-	-	-
Cash applied to:			
Repayments of EMU loan from Auckland Council	828	838	5,399
Total cash applied	**828**	**838**	**5,399**
Net cash from financing activities	**(828)**	**(838)**	**(5,399)**
Net (decrease)/increase in cash and cash equivalents	**2,466**	**-**	**-**
Opening cash balance	3,005	-	-
Closing cash balance	**5,471**	**-**	**-**

Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

	Actual $000
Surplus/(deficit) after tax	**25,755**
Add/(less) non cash items	
Depreciation and amortisation	53,706
Foreign exchange loss	35
Gain on interest rate swaps	341
	54,082
Add/(less) movements in working capital	
Decrease/(Increase) in debtors and other receivables	33,918
Decrease/(Increase) in inventories	76
(Decrease)/Increase in creditors and other payables	(1,477)
(Decrease)/Increase in employee benefits payable	2,328
(Decrease)/Increase in other assets	(8,043)
(Decrease)/Increase in non current asset held for sale	(193)
	26,609
Net cash flow from operating activities	**106,446**

Section 6 – Accounts Receivable Report

Accounts Receivable

An overview of the Debtors as at 31 August has 97.5% (96.3% July) of adjusted Debtors in 30 and 60 days, or not yet due.

Debtors Ageing Analysis as at 31 August 2016

Description	Ave Days	Total O/s	Not Yet Due	30 Days	60 Days	90 Days	120 Days	120+ Days	Notes
Debtors Ageing 31 Aug	110	3,945,824	2,701,874	463,731	164,775	80,450	45,160	489,833	1
Parking Permit Debtors	21	13,205	0	5,640	2,070	35	5,460	0	2
Total Debtors		**3,959,029**	**2,701,874**	**469,371**	**166,845**	**80,485**	**50,620**	**489,833**	
		100.0%	68.2%	11.9%	4.2%	2.0%	1.3%	12.4%	
O/s Related Parties	22	598,848	445,956	131,826	5,515	11,469	292	3,789	3
Trade Debtors	**151**	**3,360,181**	**2,255,918**	**337,545**	**161,330**	**69,016**	**50,328**	**486,044**	
		100.0%	67.1%	10.0%	4.8%	2.1%	1.5%	14.5%	
Queried Invoices	127	317,012	17,767	23,509	53,514	28,406	32,393	161,424	4
To Baycorp (Collection)	463	79,752	0	1,578	173	224	560	77,217	5
Payment Arrangement	135	3,412	0	0	0	0	0	3,412	6
Lodged Courts (Damages)	282	270,583	8,813	803	26,543	7,728	16,313	210,383	7
Adjusted Debtors		**2,689,421**	**2,229,338**	**311,655**	**81,100**	**32,657**	**1,062**	**33,609**	
		100.0%	82.9%	11.6%	3.0%	1.2%	0.0%	1.2%	

Notes relating to the Debtors Ageing Analysis:

1 - Sundry Debtors administered in the SAP system.

2 - Parking Permit Debtors administered in the Pathway system. These invoices are for on street permits issued. Amounts not collected within 60 days are lodged with Baycorp for collection. Accounts not paying on time are blocked for further permits.

3 - Inter-Council Group debts.

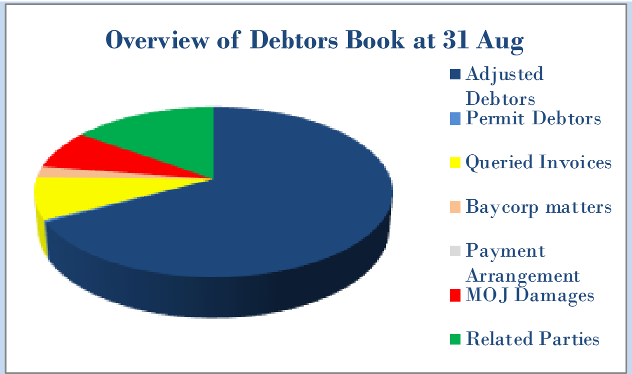
4 - Relates to invoices which have been queried or disputed by customers. There has been a noticeable increase in queries in August and the AR Team and various AT Departments are engaged in an effort to resolve these queries.

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.

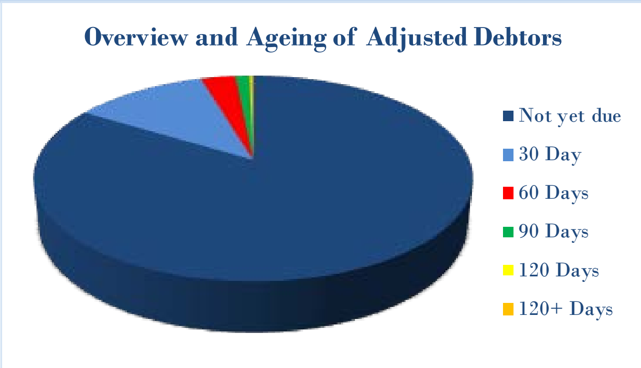
6 - Relates to customers where an arrangement to pay has been agreed to. These are monitored until full payment has been received.

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.

Adjusted Debtors	67.1%
Permit Debtors	0.3%
Queried Invoices	8.0%
Baycorp matters	2.0%
Arrangements	0.1%
MOJ Damages	7.5%
Related Parties	15.1%
	54.2%



Not yet due	83.7%
30 Day	11.7%
60 Days	3.0%
90 Days	1.2%
120 Days	0.1%
120+ Days	0.3%
	100.0%

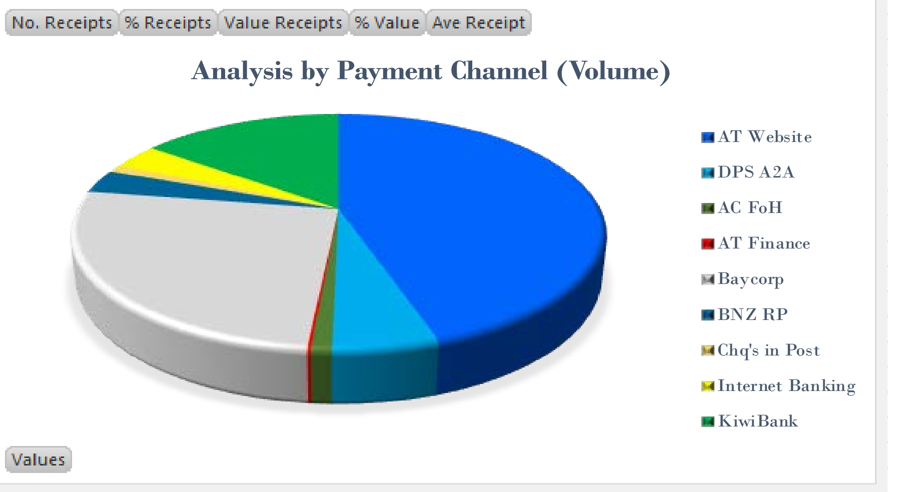


Infringement Overview:

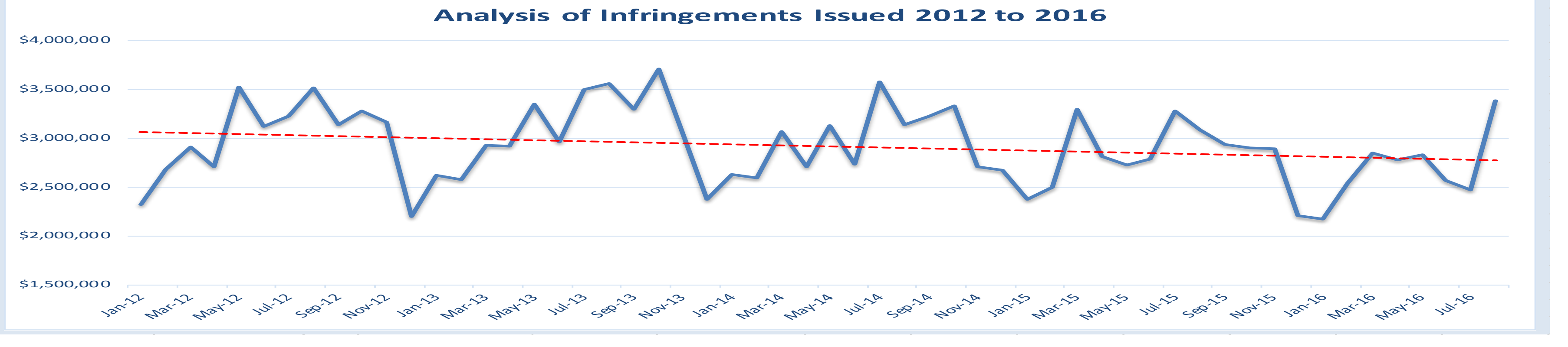
August's Infringement receipts by volume are up 9.6% on July (23 working days in August compared with 21 in July). Of the customers not paying in response to a Baycorp demand, 72.6% are making use of our electronic payment methods (71.4% in July). The AT website recorded 50.3% of all receipts (48.2% in July). The highest average receipt by value was once again received via cheque payments in the post.

Row Labels	No. Receipts	% Receipts	Value Receipts	% Value	Ave Receipt
AT Website	11,410	44.9%	$692,085.60	43.3%	$60.66
DPS A2A	1,372	5.4%	$82,855.80	5.2%	$60.39
AC FoH	267	1.1%	$20,261.40	1.3%	$75.89
AT Finance	44	0.2%	$1,993.00	0.1%	$45.30
Baycorp	6,591	26.0%	$436,729.91	27.3%	$66.26
BNZ RP	825	3.2%	$46,863.80	2.9%	$56.80
Chq's in Post	267	1.1%	$27,844.20	1.7%	$104.29
Internet Banking	868	3.4%	$54,113.55	3.4%	$62.34
KiwiBank	3,751	14.8%	$234,688.80	14.7%	$62.57
Grand Total	**25,395**	**100.0%**	**$1,597,436.06**	**100.0%**	**$62.90**

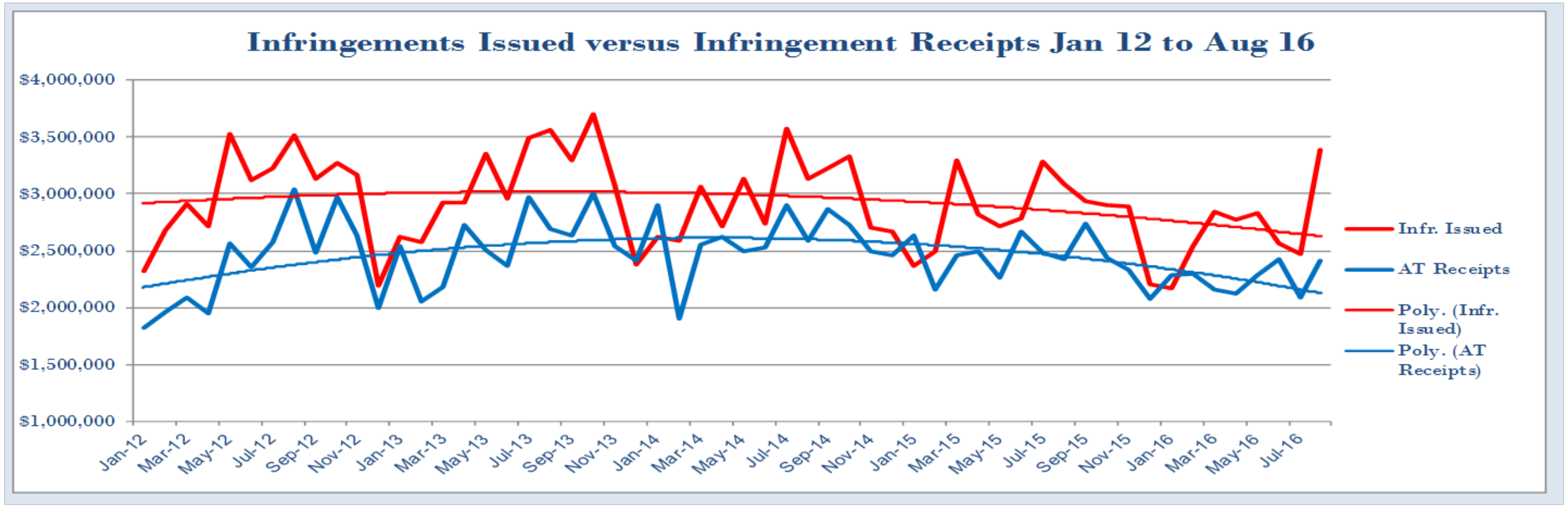
Working days Jul ->	21
Ave receipts / day Jul ->	1,104
Working days Aug ->	23
Ave receipts / day Aug ->	1,104
Other influencing factors ->	None



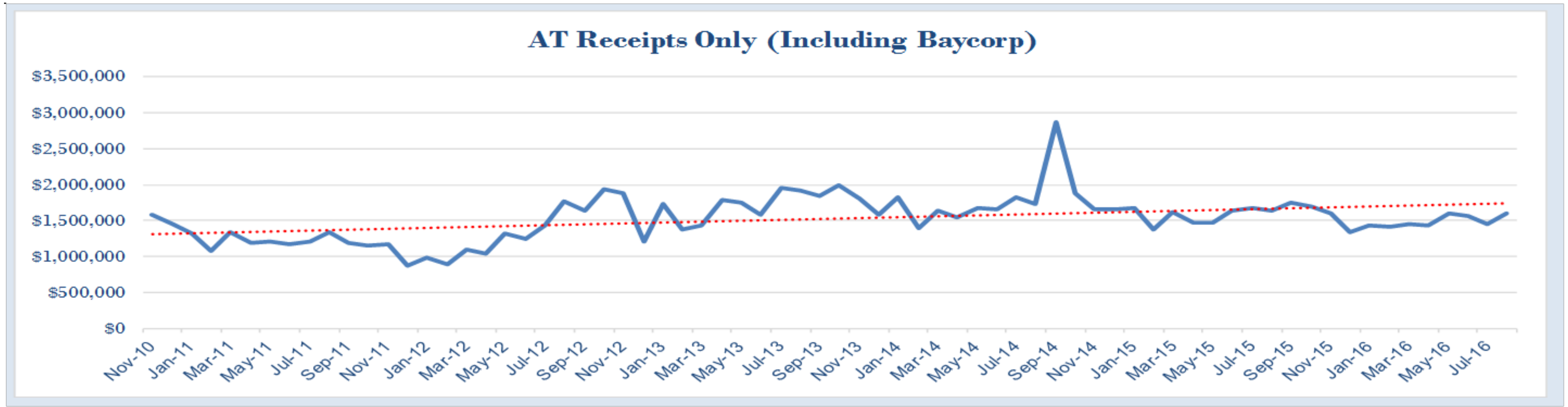
The following graph illustrates the seasonal issuance of infringements. Average infringements issued per month from January to July over the last 4 years is $2.96m, while average issued per month in 2016 to 31 August is $2.7m.



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 12.8% on the 2015 average. AT's receipts (Jan to Aug 2016 average) are down 4.7% compared with the same period in 2015. This is in line with the 5.5% decrease in infringements issued for the same periods.



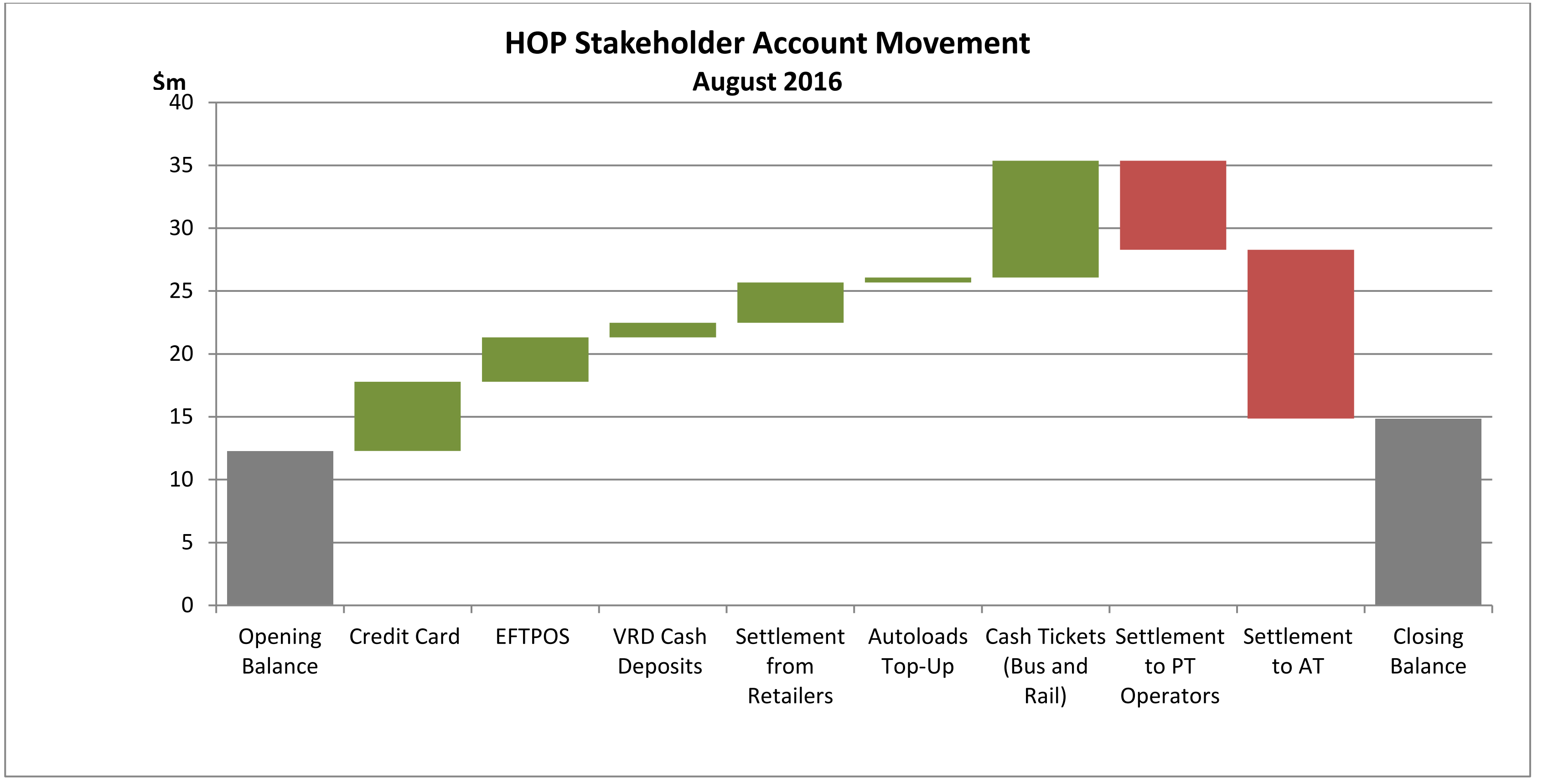
Direct receipts prior to lodging with MoJ continue to show an upward trend as a result of the Baycorp arrangement.



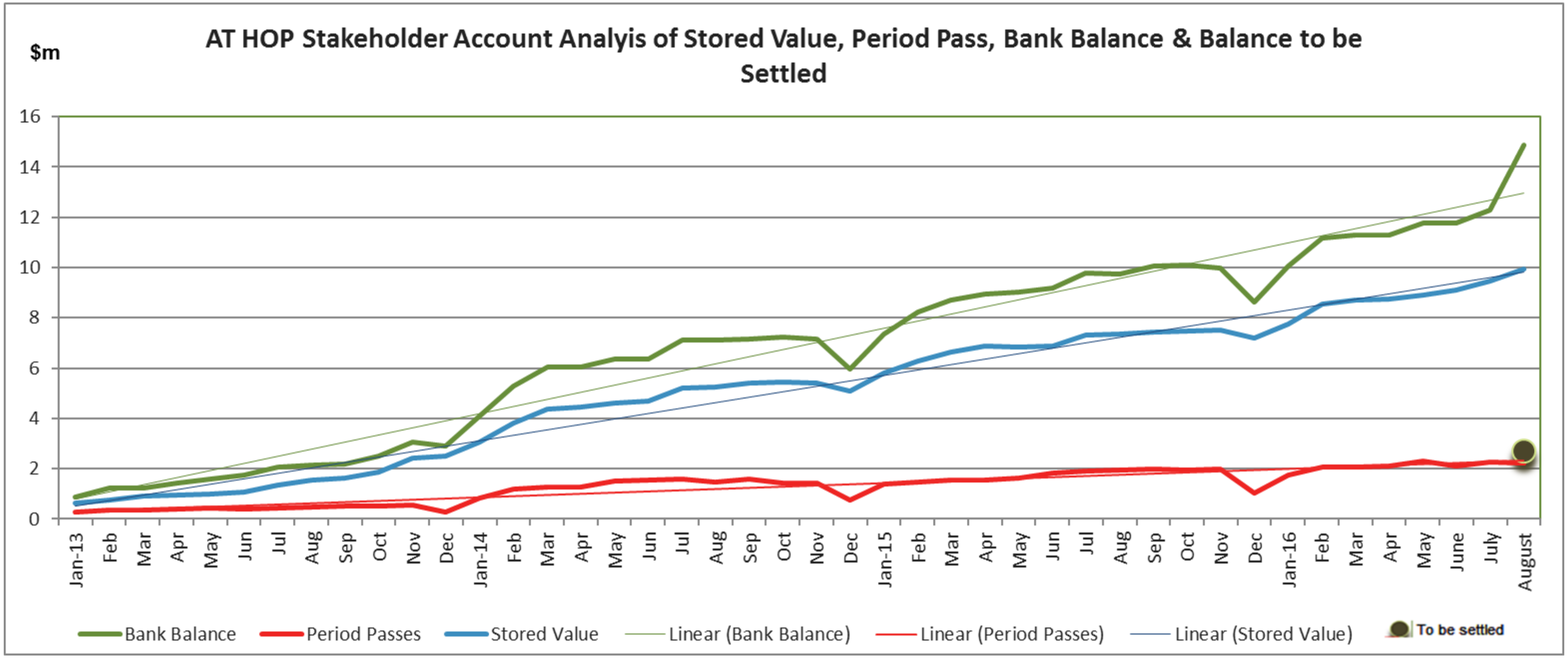
Section 7 – AT HOP Stakeholder Monthly Report

(Does not form part of AT results)

The AT HOP Stakeholder bank account increased by 21%, from $12.28 million to $14.85 million. With the change to Simpler Fares on the 14th of August the settlement of HOP Money was delayed seven days to enable the settlement of the whole journey to be calculated correctly. The AT Stakeholder bank account had a one off increase of $2.7m as a result.



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.



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