

Financial Results for the Seven Months Ended 31 January 2017

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

- **Deficit from operations** year to date is \$171.9 million against the revised budget of \$178.8 million. The full year result is expected to be in line with the revised budget. The risk of achieving the revenue budget is receding while operating cost is running below budget month on month. The following items of financial performance are noteworthy:
 - **AT Metro income** year to date is slightly behind budget (1%) due to bus patronage being below expectation. Simpler fares and the introduction of new networks should, in the long run, improve patronage however there is inevitably a lag between changes in price and changes in behaviour. Seasonal impacts such as the holiday period and the peak (March madness) as students return to school and tertiary study make it difficult to assess changes in underlying trends. The impact of changes on patronage is being watched closely. The impact of lower bus income to date is partially offset by higher than budgeted rail and ferry income. Additionally, AT HOP card sales have increased more than expected. The best full-year assessment is that any shortfall in overall AT Metro revenue will be offset by cost reductions.
 - **Parking & Enforcement income** is higher than the revised budget mainly due to parking infringements and recovery of fines from the courts being higher than expected.
 - **Other revenue** (approximately 77% from petrol tax income and rental income) Higher rental income has been received as a result of a larger property portfolio. Full year other revenue is expected to be slightly higher than the revised budget.
 - **Core operating expenditure** year to date (i.e. excluding depreciation and amortisation) is \$2.9 million below the revised budget and is expected to remain on budget for the full year.
- **Capital expenditure** year to date is \$358.4 million (49% of the full year revised budget), \$13.4 million behind budget. The year to date spend is over \$100 million more than the same time last year, reflecting a number of projects now in the construction phase. Despite delivery being more advanced than last year, it is still likely that the full year result will be 5% below budget. The key drivers of the underspend are:
 - **CRL** (\$10 million including property). This is largely timing related and is expected to catch-up by the end of the year. Britomart has closed the front entrance on schedule, while work from Precinct on the Downtown site is slightly behind schedule. Work underway on moving services on Albert Street is on track although the procurement of works packages for the main contracts were slightly delayed pending the Government's signature on the Crown funding agreement.
 - **Half Moon Bay** (\$0.9 million). Gangway installation was expected to have occurred in December but will now happen in February. There have also been consenting delays to landside work. The project will be a major improvement to PT facilities from East Auckland when complete.
 - **Parnell Train Station** (\$0.8 million). This is due to postponement of construction delivery to allow KiwiRail to complete work prior to the station opening

- *Te Atatu Road* (\$1.5 million). The programme is behind schedule due to a significant number of service clashes. Steps are being taken to accelerate work to obviate current delays and disruption to local businesses and residents.
- *AT Metro* (\$4.5 million). A number of projects including Pukekohe Station and Papakura Park & Ride are behind schedule. These are unlikely to make up lost time during the remainder of the year however these are still proceeding as fast as feasible.
- **NZ Transport Agency capital co-investment** is \$6.6 million or 7% below the revised budget due to programme delivery delay referred to above. A number of claims for current projects have recently been submitted to the Transport Agency for approval.
- **Auckland Council capital grant** is \$3.4 million or 1% below the revised budget due to underspend in the capital programme. This funding item is beneficial to the Council Group although AT's focus remains on delivering the full programme for the year.
- **Vested assets** amounting to \$63.3 million were received in January, taking the total year to date to \$125.7 million (89% of the \$141.0 million expected vested assets to be received this year).

Section 2a – Executive Summary

Financial results for the seven months ended 31 January 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	0.3	1.2	↑ ●	443.9	442.7	774.3
Total operating expenditure	3.6	5.8	↓ ●	615.8	621.5	1,105.9
Surplus/(deficit) from operations	4.0	6.9	↑ ●	(171.9)	(178.8)	(331.6)
Income for capital projects	50.4	37.4	↑ ●	483.9	446.4	824.5
Net surplus/(deficit) before tax	54.4	44.4	↑ ●	312.0	267.6	493.0
Total direct capital	4.1	13.4	↓ ●	358.4	371.8	737.1

Key to symbols used:

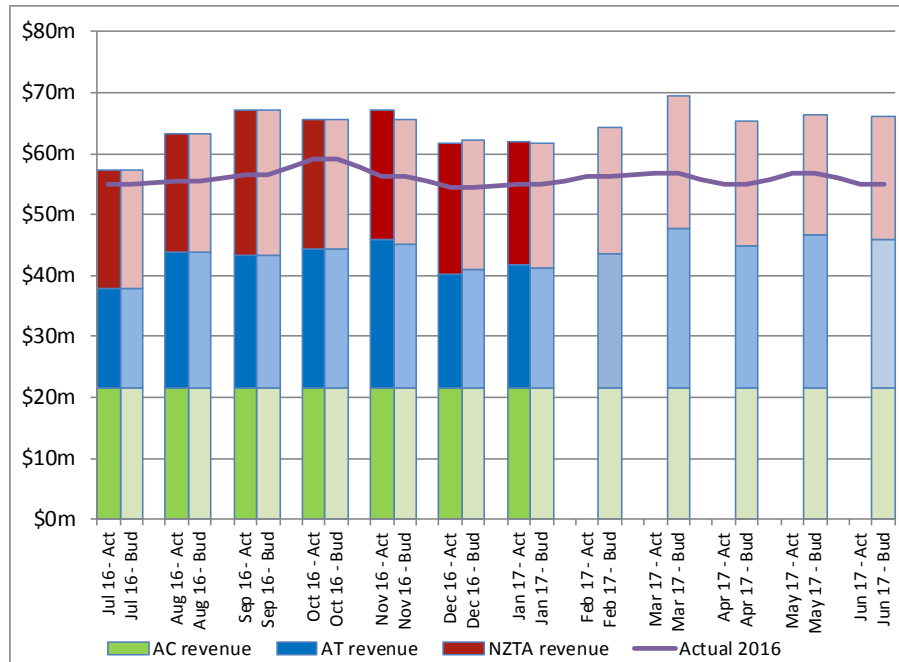
↔	: Within tolerable range	↑	: Above budget, favourable variance.
↓	: Below budget, unfavourable variance.	●	: Largely on track
↓	: Below budget, favourable variance.	●	: Monitoring, some action taken
↑	: Above budget, unfavourable variance.	●	: Action required

Section 2b – Financial results for the seven months ended 31 January 2017

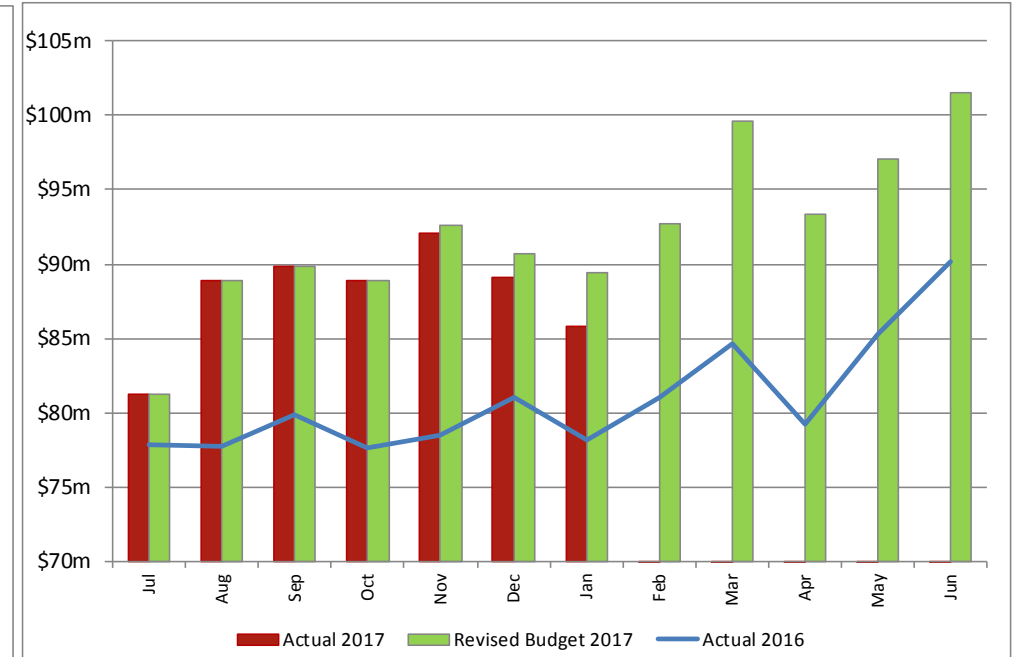
	Current month			Year to date				Full year
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000	Results achieved	Revised Budget \$000
Income								
<u>Operating income</u>								
Auckland Council funding	21,681	21,681	-	151,764	151,764	-	●	260,167
NZ Transport Agency operating funding	20,190	20,432	(242)	146,360	145,942	418	●	248,380
Parking and enforcement income	6,254	6,122	132	44,093	43,954	139	●	78,412
AT Metro income	11,408	11,298	110	81,790	82,289	(499)	●	156,882
Other revenue incl. other grants and subsidies	2,516	2,190	326	19,851	18,752	1,099	●	30,466
Total operating income	62,049	61,723	326	443,858	442,701	1,157	●	774,307
Expenditure								
Personnel costs	11,395	12,431	1,036	85,459	86,146	687	●	151,834
Capitalised personnel costs	(2,355)	(3,978)	(1,623)	(20,606)	(23,284)	(2,678)	●	(42,140)
Depreciation and amortisation	27,416	28,347	931	188,694	191,520	2,826	●	336,813
Other expenditure	46,806	50,122	3,316	344,710	349,659	4,949	●	629,625
Finance costs (Electric Trains)	2,537	2,515	(22)	17,512	17,490	(22)	●	29,735
Total operating expenditure	85,799	89,437	3,638	615,769	621,531	5,762	●	1,105,867
Surplus/(deficit) from operations	(23,750)	(27,714)	3,964	(171,911)	(178,830)	6,919	●	(331,560)
<u>Income for capital projects</u>								
NZ Transport Agency capital co-investment	16,759	20,731	(3,972)	94,420	101,049	(6,629)	●	168,435
Auckland Council capital grant	35,371	31,573	3,798	260,174	263,564	(3,390)	●	507,310
Other Capital Grants	370	597	(227)	3,567	3,295	272	●	7,774
Vested asset income	63,311	12,500	50,811	125,718	78,525	47,193	●	141,025
Total income for capital projects	115,811	65,401	50,410	483,879	446,433	37,446	●	824,544
Net surplus/(deficit) before tax and derivatives	92,061	37,687	54,374	311,968	267,603	44,365	●	492,984
Gains/(losses) on derivatives	252	-	252	2,708	1,144	1,564		1,144
Gain/(loss) on disposal of assets	-	-	-	(614)	-	(614)		-
Income tax benefit/(expense)	-	-	-	69	-	69		-
Net surplus/(deficit) after tax and derivatives	92,313	37,687	54,626	314,131	268,747	45,384	●	494,128

Section 2b – Financial results for the seven months ended 31 January 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 Budget	Variance	Actual	Revised Budget	Variance	Revised Budget
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating Income							
Rail	8,900	8,929	(29)	67,262	67,195	67	116,973
Bus	14,258	14,280	(22)	94,392	94,987	(595)	175,757
Ferry	1,407	1,348	59	7,912	8,180	(268)	14,878
Other public transport	1,969	2,232	(263)	16,907	17,344	(437)	30,648
Parking	3,886	3,917	(31)	26,786	27,079	(293)	48,718
Enforcement	2,368	2,205	163	17,307	16,875	432	29,694
Roading and footpaths	4,228	4,472	(244)	33,884	34,086	(202)	57,619
Internal support	3,351	2,658	693	27,642	25,190	2,452	39,852
Auckland Council operating funding	21,681	21,681	-	151,764	151,764	-	260,167
Total operating income	62,048	61,722	326	443,856	442,700	1,156	774,306
Operating Expenditure							
Rail	13,215	13,249	34	96,153	96,488	335	165,257
Bus	20,881	20,851	(30)	138,236	138,007	(229)	250,162
Ferry	1,600	1,754	154	10,506	10,956	450	19,579
Other public transport	2,558	3,309	751	23,344	24,697	1,353	45,867
Parking	966	907	(59)	7,310	6,992	(318)	11,806
Enforcement	1,771	1,643	(128)	11,636	11,418	(218)	20,245
Roading and footpaths	9,342	9,429	87	72,022	71,080	(942)	128,730
Internal support	8,048	9,948	1,900	67,867	70,370	2,503	127,409
Depreciation and amortisation	27,416	28,347	931	188,694	191,520	2,826	336,813
Total operating expenditure	85,797	89,437	3,640	615,768	621,528	5,760	1,105,868
Surplus/(deficit) from Operations	(23,749)	(27,715)	3,966	(171,912)	(178,828)	6,916	(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	3,030	3,077	(47)	27,213	27,058	155	49,955
Other income	(13)	8	(21)	261	205	56	680
NZ Transport Agency operating funding	4,283	4,256	27	28,557	28,713	(156)	47,094
NZ Transport Agency operating funding - Electric Trains	1,600	1,588	12	11,231	11,219	12	19,244
Total operating income	8,900	8,929	(29)	67,262	67,195	67	116,973
Operating Expenditure							
Personnel costs	204	181	(23)	1,409	1,329	(80)	2,302
Capitalised personnel costs	(17)	-	17	8	24	16	24
Service delivery costs and professional services	7,207	7,584	377	56,765	57,279	514	97,139
Occupancy costs	273	265	(8)	1,951	1,972	21	3,332
Track access charges	2,339	2,112	(227)	14,171	14,214	43	25,583
Other expenditure	672	592	(80)	4,337	4,180	(157)	7,142
Finance costs (Electric Trains)	2,537	2,515	(22)	17,512	17,490	(22)	29,735
Total operating expenditure	13,215	13,249	34	96,153	96,488	335	165,257
Depreciation	3,127	3,188	61	21,900	22,062	162	38,139
Surplus/(deficit) from Operations	(7,442)	(7,508)	66	(50,791)	(51,355)	564	(86,423)
Internal support costs	1,593	2,460	866	13,136	14,929	1,793	29,219
Surplus/(deficit)	(9,035)	(9,968)	932	(63,927)	(66,284)	2,357	(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	5,844	5,868	(24)	41,500	42,634	(1,134)	85,118
Other income	1,006	1,052	(46)	2,973	3,142	(169)	4,833
NZ Transport Agency operating funding	7,408	7,360	48	49,919	49,211	708	85,806
Total operating income	14,258	14,280	(22)	94,392	94,987	(595)	175,757
Operating Expenditure							
Personnel costs	273	299	26	2,019	2,062	43	3,565
Capitalised personnel costs	14	75	61	89	166	77	551
Service delivery costs and professional services	20,378	20,255	(123)	134,891	134,474	(417)	243,550
Occupancy costs	99	109	10	468	520	52	1,088
Other expenditure	117	113	(4)	769	785	16	1,408
Total operating expenditure	20,881	20,851	(30)	138,236	138,007	(229)	250,162
Depreciation	277	326	49	1,894	2,024	130	3,762
Surplus/(deficit) from Operations	(6,900)	(6,897)	(3)	(45,738)	(45,044)	(694)	(78,167)
Internal support costs	2,412	3,723	1,311	19,885	22,599	2,714	44,231
Surplus/(deficit)	(9,312)	(10,620)	1,308	(65,623)	(67,643)	2,020	(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	540	493	47	2,919	2,816	103	5,036
Activity Income	158	164	(6)	945	966	(21)	2,117
Other income	64	65	(1)	467	450	17	824
NZ Transport Agency operating funding	645	626	19	3,581	3,948	(367)	6,901
Total operating income	1,407	1,348	59	7,912	8,180	(268)	14,878
Operating Expenditure							
Personnel costs	87	102	15	610	633	23	1,123
Capitalised personnel costs	-	-	-	2	2	-	2
Service delivery costs and professional services	1,342	1,437	95	8,401	8,745	344	15,818
Occupancy costs	67	56	(11)	509	514	5	804
Other expenditure	104	159	55	984	1,062	78	1,832
Total operating expenditure	1,600	1,754	154	10,506	10,956	450	19,579
Depreciation	253	254	1	1,769	1,771	2	3,043
Surplus/(deficit) from Operations	(446)	(660)	214	(4,363)	(4,547)	184	(7,744)
Internal support costs	189	291	103	1,556	1,769	212	3,462
Surplus/(deficit)	(635)	(951)	317	(5,919)	(6,316)	396	(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	779	570	209	5,512	5,019	493	8,319
NZ Transport Agency operating funding	1,190	1,662	(472)	11,395	12,325	(930)	22,329
Total operating income	1,969	2,232	(263)	16,907	17,344	(437)	30,648
Operating Expenditure							
Personnel costs	1,110	1,238	128	9,141	9,242	101	15,938
Capitalised personnel costs	41	(52)	(93)	69	33	(36)	109
Service delivery costs and professional services	669	1,204	535	7,292	8,474	1,182	17,276
IT costs	53	176	123	1,214	1,284	70	2,173
Other expenditure	685	743	58	5,628	5,664	36	10,371
Total operating expenditure	2,558	3,309	751	23,344	24,697	1,353	45,867
Depreciation	1,363	1,350	(13)	9,131	9,005	(126)	15,937
Surplus/(deficit) from Operations	(1,952)	(2,427)	475	(15,568)	(16,358)	790	(31,156)
Internal support costs	442	683	240	3,646	4,143	498	8,110
Surplus/(deficit)	(2,394)	(3,110)	715	(19,214)	(20,501)	1,288	(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	87	98	(11)	605	664	(59)	1,204
Parking Fees	3,799	3,819	(20)	26,181	26,415	(234)	47,514
Total operating income	3,886	3,917	(31)	26,786	27,079	(293)	48,718
Operating Expenditure							
Personnel costs	214	150	(64)	1,646	1,474	(172)	2,475
Capitalised personnel costs	6	(3)	(9)	(9)	(32)	(23)	(49)
Service delivery costs and professional services	237	246	9	1,672	1,619	(53)	2,845
Occupancy Costs	481	448	(33)	3,519	3,412	(107)	5,676
Other expenditure	28	66	38	482	519	37	859
Total operating expenditure	966	907	(59)	7,310	6,992	(318)	11,806
Depreciation	641	641	-	4,531	4,528	(3)	7,733
Surplus/(deficit) from Operations	2,279	2,369	(90)	14,945	15,559	(614)	29,179
Internal support costs	114	176	62	938	1,067	128	2,087
Surplus/(deficit)	2,165	2,193	(28)	14,007	14,492	(486)	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	2,368	2,205	163	17,307	16,875	432	29,694
Total operating income	2,368	2,205	163	17,307	16,875	432	29,694
Operating Expenditure							
Personnel costs	920	768	(152)	6,103	5,862	(241)	10,371
Capitalised personnel costs	-	5	5	58	64	6	87
Service delivery costs and professional services	198	94	(104)	1,334	1,138	(196)	1,924
Occupancy Costs	1	-	(1)	5	3	(2)	3
Other expenditure	652	776	124	4,136	4,351	215	7,860
Total operating expenditure	1,771	1,643	(128)	11,636	11,418	(218)	20,245
Depreciation	20	16	(4)	113	81	(32)	172
Surplus/(deficit) from Operations	577	546	31	5,558	5,376	182	9,277
Internal support costs	195	301	106	1,609	1,829	220	3,579
Surplus/(deficit)	382	245	137	3,949	3,547	402	5,698

Section 2d – Roading and footpaths operations

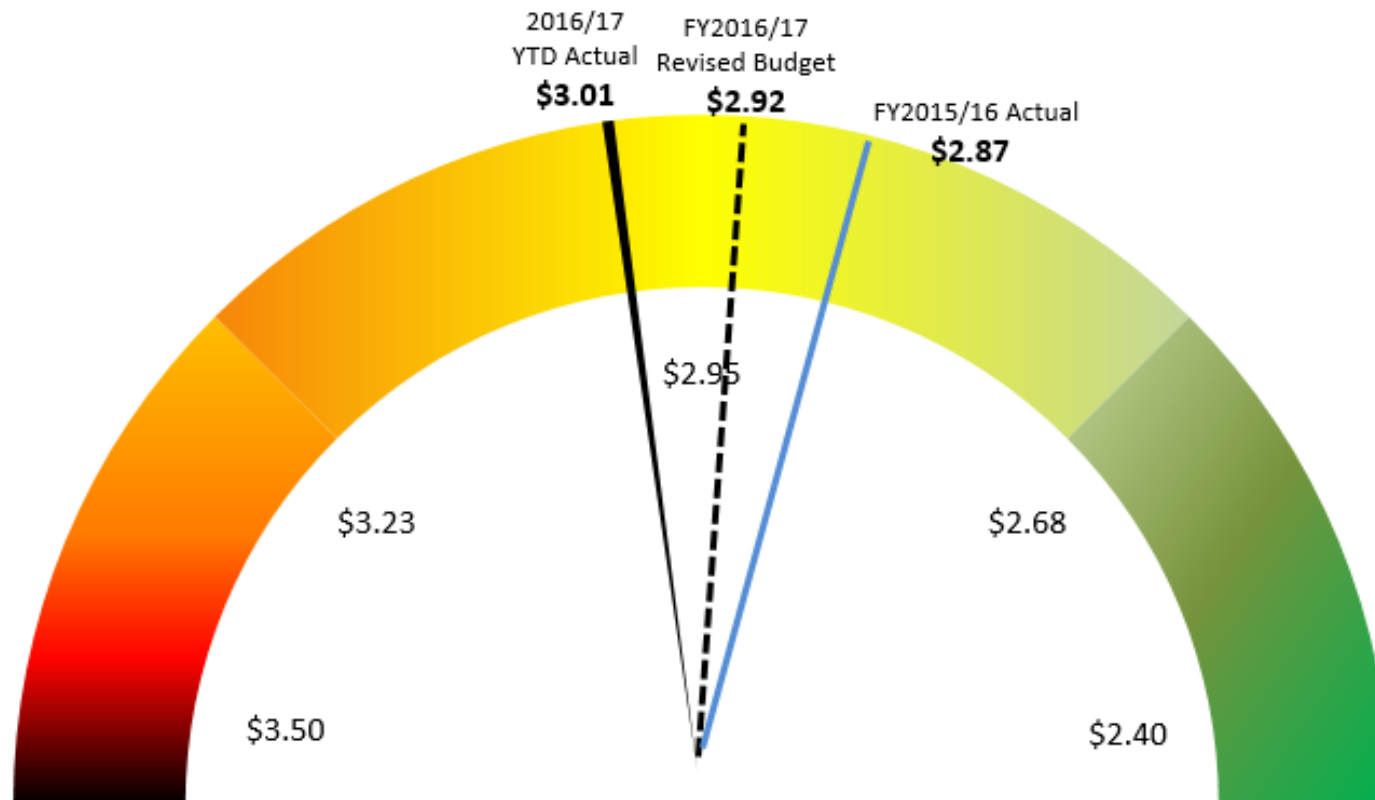
	Current month			Year to date			Full year
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000	Revised Budget \$000
Operating Income							
Petrol tax	818	727	91	5,473	5,285	188	8,919
Other income	315	328	(13)	4,057	3,993	64	6,077
NZ Transport Agency operating funding	3,095	3,417	(322)	24,354	24,808	(454)	42,623
Total operating income	4,228	4,472	(244)	33,884	34,086	(202)	57,619
Operating Expenditure							
Personnel costs	2,399	2,408	9	17,336	17,233	(103)	30,683
Capitalised personnel costs	(577)	(949)	(372)	(3,727)	(4,993)	(1,266)	(9,486)
Service delivery costs and professional services	5,889	6,278	389	45,274	45,465	191	83,605
Occupancy Costs	1,098	1,190	92	9,610	9,728	118	16,308
IT Costs	2	32	30	15	84	69	294
Other expenditure	531	470	(61)	3,514	3,563	49	7,326
Total operating expenditure	9,342	9,429	87	72,022	71,080	(942)	128,730
Depreciation	20,244	20,314	70	138,509	139,265	756	242,137
Surplus/(deficit) from Operations	(25,358)	(25,271)	(87)	(176,647)	(176,259)	(388)	(313,248)
Internal support costs	1,241	1,916	675	10,233	11,629	1,396	22,760
Surplus/(deficit)	(26,599)	(27,187)	588	(186,880)	(187,888)	1,008	(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	1,540	1,129	411	9,782	8,772	1,010	14,416
Other income	(157)	6	(163)	538	701	(163)	1,053
NZ Transport Agency operating funding	1,968	1,523	445	17,322	15,717	1,605	24,383
Total operating income	3,351	2,658	693	27,642	25,190	2,452	39,852
Operating Expenditure							
Personnel costs	6,188	7,284	1,096	47,195	48,310	1,115	85,377
Capitalised personnel costs	(1,823)	(3,053)	(1,230)	(17,095)	(18,549)	(1,454)	(33,378)
Directors Fees	23	43	20	249	297	48	510
Service delivery costs and professional services	1,427	3,113	1,686	18,673	22,155	3,482	41,865
Other expenditure	2,233	2,561	328	18,845	18,157	(688)	33,035
Total operating expenditure	8,048	9,948	1,900	67,867	70,370	2,503	127,409
Depreciation	1,490	2,260	770	10,848	12,784	1,936	25,891
Surplus/(deficit) from Operations	(6,187)	(9,550)	3,363	(51,004)	(57,964)	6,960	(113,448)
Internal support allocated	6,187	9,550	3,363	51,004	57,964	6,960	113,448
Surplus/(deficit)	-	-	-	-	-	-	-

Section 2e – Operational funding requirement per passenger for the six months to December 2016

Note: Due to the timing of the Board meeting, patronage data for the month of January 2017 is not available as at the date of this report. The graph shown below is for the six months to December 2016. The operational funding requirement per passenger will be updated for the March 2017 Board meeting.



Section 3a – Summary of Capital Expenditure

	Current month			Year to date			Results achieved	Full year Revised Budget \$000
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000		
Land								
CRL	485	596	111	5,173	6,424	1,251	●	10,625
AMETI	(1,565)	12	1,577	9,936	6,284	(3,652)	●	8,390
Special Housing Areas (SHAs)	1	6	5	12	23	11	●	1,772
Other	3,924	316	(3,608)	28,296	25,244	(3,052)	●	33,985
Total land	2,845	930	(1,915)	43,417	37,975	(5,442)	●	54,772
Major new capital projects								
CRL	8,277	13,458	5,181	69,728	78,440	8,712	●	139,057
Albany Highway Upgrade	755	1,100	345	5,425	5,769	344	●	6,127
Otahuhu Bus Interchange	(504)	-	504	9,483	10,357	874	●	10,786
Te Atatu Road Corridor Improvements	1,086	1,704	618	5,842	7,301	1,459	●	11,392
NorthWest Transformation	38	66	28	1,296	1,246	(50)	●	3,151
AMETI	488	825	337	3,533	4,197	664	●	8,041
Manukau Bus Interchange	958	1,825	867	3,301	4,136	835	●	17,002
Total major new capital projects	11,098	18,978	7,880	98,608	111,446	12,838	●	195,556
Other ring-fenced projects								
EMU	7	969	962	1,133	2,065	932	●	4,964
Local Board initiatives	155	833	678	10,497	11,424	927	●	17,603
Special Housing Areas (SHAs)	93	293	200	715	936	221	●	3,938
Other	4,181	404	(3,777)	6,285	2,834	(3,451)	●	23,971
Total other ring-fenced projects	4,436	2,499	(1,937)	18,630	17,259	(1,371)	●	50,476
Other								
Roads and footpaths	7,962	6,689	(1,273)	57,211	58,982	1,771	●	127,042
AT Metro	1,979	4,406	2,427	17,031	21,503	4,472	●	60,088
Parking operations	72	277	205	1,848	2,370	522	●	4,701
Internal support - BT	1,299	428	(871)	10,040	9,892	(148)	●	13,978
Internal support - Accomodation	147	95	(52)	938	1,111	173	●	3,737
Internal support - Other	75	330	255	237	773	536	●	3,385
Total other	11,534	12,225	691	87,305	94,631	7,326	●	212,931
Renewals	22,788	22,169	(619)	110,402	110,496	94	●	223,319
Total direct capital	52,701	56,801	4,100	358,362	371,807	13,445	●	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	6,063	7,446	(1,383)	46,536	51,820	(5,284)	104,123
NZ Transport Agency renewal co-investment	10,696	13,284	(2,588)	47,884	49,228	(1,344)	64,312
Other Capital grants	370	597	(227)	3,567	3,295	272	7,774
Auckland Council capital grant	35,572	35,474	98	260,375	267,464	(7,089)	507,310
Funding shortfall for core capital expenditure	-	-	-	-	-	-	53,535
Total direct capital funding	52,701	56,801	(4,100)	358,362	371,807	(13,445)	737,054

Section 4a – Statement of Financial Position

As at 31 January 2017

	Note	Actual 31 January 2017 \$000	Actual 31 December 2016 \$000
Assets			
Current assets			
Cash and cash equivalents	1	7,702	19,182
Trade and other receivables	2	240,989	219,597
Inventories		9,796	9,617
Other assets		15,485	21,008
Non-current asset held for sale		6,845	6,737
Total current assets		280,817	276,141
Non-current assets			
Property, plant and equipment		16,470,085	16,395,257
Property, plant and equipment - work-in-progress		719,771	705,905
Intangible assets		130,488	130,607
Total non-current assets		17,320,344	17,231,769
Total assets		17,601,161	17,507,910

Section 4a – Statement of Financial Position (continued)

As at 31 January 2017

	Note	Actual 31 January 2017 \$000	Actual 31 December 2016 \$000
Liabilities			
Current liabilities			
Derivative financial instruments	3	-	102
Trade and other payables	4	157,860	166,007
Employee benefit liabilities	5	14,367	14,497
Borrowings	6	5,541	5,394
Total current liabilities		177,768	186,000
Non-current liabilities			
Derivative financial instruments	3	1,198	2,739
Trade and other payables	4	19,674	18,447
Employee benefit liabilities	5	624	624
Borrowings	6	497,492	488,011
Deferred tax liability	7	11,356	11,356
Total non-current liabilities		530,344	521,177
Total liabilities		708,112	707,177
Net assets		16,893,049	16,800,733
Equity			
Contributed capital		13,464,226	13,464,226
Accumulated surplus/(deficit)		1,311,365	1,219,049
Other reserves		2,117,458	2,117,458
Total equity		16,893,049	16,800,733

Section 4b – Notes to the Financial Statements

As at 31 January 2017

	Actual 31 January 2017 \$000	Actual 31 December 2016 \$000
1 Cash and cash equivalents		
Cash at bank - Trading	7,405	18,885
Till floats	297	297
Total cash and cash equivalents	7,702	19,182
The carrying value of cash and cash equivalents approximates their fair value.		
2 Trade and other receivables		
Trade debtors	5,243	4,035
Finance lease receivable	42	44
Infringements receivable	32,961	33,354
Amounts due from related parties	165,250	150,089
Accrued income	41,971	39,778
Goods and services tax	9,843	6,438
	255,310	233,738
Less provision for impairment of receivables	(14,321)	(14,141)
Total trade and other receivables	240,989	219,597

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

As at 31 January 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 January 2017 is detailed below:

	Gross	Impaired	Net
	\$000	\$000	\$000
Not past due	221,285	-	221,285
Past due 1 - 30 days	3,093	-	3,093
Past due 31 - 60 days	1,687	-	1,687
Past due 61 - 90 days	1,366	-	1,366
Past due > 90 days	27,879	(14,321)	13,558
	255,310	(14,321)	240,989

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	720
Provisions reversed	(17)
Receivables written-off	-
At 31 January 2017	14,321

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

As at 31 January 2017

	Actual 31 January 2017 \$000	Actual 31 December 2016 \$000
3 Derivative financial instruments		
Current liability portion		
Forward foreign exchange contracts - not hedge accounted	-	102
Current derivative financial instruments	-	102
Non-current liability portion		
Interest rate swaps - not hedge accounted	1,198	2,739
Non-current derivative financial instruments	1,198	2,739
Total derivative financial instrument liabilities	1,198	2,841

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 last of the FX outstanding contracts matured in January. The cash flow hedge gain of \$242,298 for the year 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 \$8 million. At 31 January 2017 the fixed interest rates of cash flow hedge interest rate swaps was 5.99%. The gain on their revaluation of \$2.380m has been recorded in the Statement of Financial Performance.

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

As at 31 January 2017

	Actual 31 January 2017 \$000	Actual 31 December 2016 \$000
4 Trade and other payables		
Current portion		
Creditors	39,383	30,127
Accrued expenses	96,277	112,743
Retentions	10,692	11,931
Amounts due to related parties	4,600	4,551
Income in advance	6,908	6,655
Total current trade and other payables	157,860	166,007
Non-current portion		
Amounts due to related parties	19,674	18,447
Total non-current trade and other payables	19,674	18,447
<p>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.</p>		
5 Employee benefit liabilities		
Current portion		
Accrued salaries and wages	6,263	5,324
Accrued leave	8,104	9,173
Current employee benefit liabilities	14,367	14,497
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 January 2017

	Actual 31 January 2017 \$000	Actual 31 December 2016 \$000
6 Borrowings		
Current portion		
Loans from Auckland Council	5,541	5,394
Current borrowings	5,541	5,394
Non-current portion		
Loans from Auckland Council	497,492	488,011
Non-current borrowings	497,492	488,011
Weighted average cost of funds on total borrowings	6.01%	6.01%

Auckland Transport's loan debt of \$503 million is issued at fixed rates of interest ranging from 5.55% to 6.56%.

7 Deferred tax liability

	Property, Plant and Equipment \$000	Other Provisions \$000	Tax Losses \$000	Actual 31 January 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 January 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	837,380	831,514	1,457,825
Cash applied to:			
Payments to suppliers, employees and directors	429,590	413,249	739,173
Interest paid	15,702	17,490	29,735
Goods and services tax (net)	12,149	-	-
Total cash applied	457,441	430,739	768,908
Net cash from operating activities	379,939	400,775	688,917
Cash flows from investing activities			
Cash provided from:			
Sale of property, plant and equipment	1,605	-	-
Total cash provided	1,605	-	-
Cash applied to:			
Capital expenditure projects	383,938	397,808	737,053
Total cash applied	383,938	397,808	737,053
Net cash from investing activities	(382,333)	(397,808)	(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	2,909	2,967	5,399
Total cash applied	2,909	2,967	5,399
Net cash from financing activities	7,091	(2,967)	(5,399)
Net (decrease)/increase in cash and cash equivalents	4,697	-	(53,535)
Opening cash balance	3,005	-	-
Closing cash balance	7,702	-	(53,535)

Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities	
	Actual \$000
Surplus/(deficit) after tax	314,131
Add/(less) non cash items	
Depreciation and amortisation	188,694
Vested assets	(125,718)
Loss on disposal of property, plant and equipment	614
(Gains)/losses on forward foreign exchange contracts	(242)
(Gains)/losses on interest rate swaps	(2,380)
Income tax	(69)
	60,899
Add/(less) movements in working capital	
Decrease/(Increase) in debtors and other receivables	37,226
Decrease/(Increase) in inventories	(49)
(Decrease)/Increase in creditors and other payables	(18,351)
(Decrease)/Increase in employee benefits payable	784
Decrease/(Increase) in other assets	(13,856)
Decrease/(Increase) in non current asset held for sale	(845)
	4,909
Net cash flow from operating activities	379,939

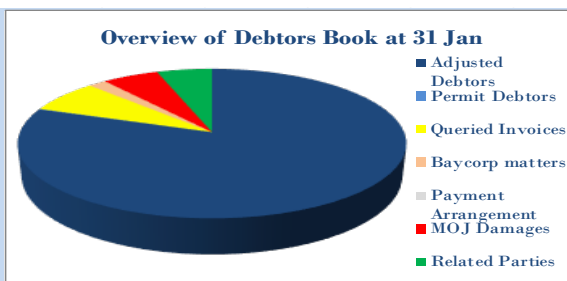
Section 6 – Accounts Receivable Report

Accounts Receivable

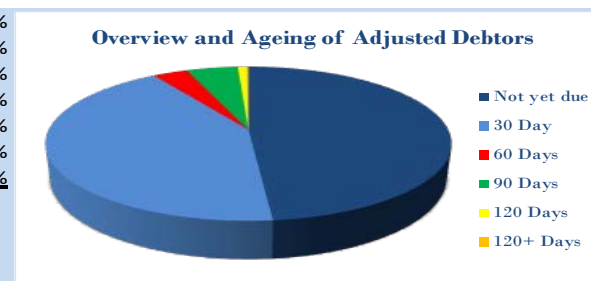
An overview of the Debtors as at 31 January has 94.1% (98.7% December) of adjusted Debtors in 30 and 60 days, or not yet due.

<u>Debtors Ageing Analysis as at 31 January 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 Jan	282	5,513,792	2,388,441	1,996,615	196,564	302,839	115,182	514,152	1
Parking Permit Debtors	26	5,730	0	1,400	550	0	3,780	0	2
Total Debtors		5,519,522	2,388,441	1,998,015	197,114	302,839	118,962	514,152	
		100.0%	43.3%	36.2%	3.6%	5.5%	2.2%	9.3%	
O/s Related Parties	29	294,166	197,984	12,526	2,878	33,933	34,326	12,520	3
Trade Debtors	151	5,225,356	2,190,457	1,985,489	194,236	268,905	84,636	501,632	
		100.0%	41.9%	38.0%	3.7%	5.1%	1.6%	9.6%	
Queried Invoices	126	392,041	32,570	92,008	34,472	49,061	36,249	147,681	4
To Baycorp (Collection)	392	94,128	0	0	0	1,169	66	92,893	5
Payment Arrangement	95	1,778	0	0	0	1,778	0	0	6
Lodged Courts (Damages)	340	299,722	10,147	11,360	13,364	229	11,161	253,461	7
Adjusted Debtors		4,437,687	2,147,739	1,882,121	146,400	216,670	37,161	7,597	
		100.0%	48.4%	42.4%	3.3%	4.9%	0.8%	0.2%	

Adjusted Debtors	80.3%
Permit Debtors	0.1%
Queried Invoices	7.1%
Baycorp matters	1.7%
Arrangements	0.0%
MOJ Damages	5.4%
Related Parties	5.3%
	100.0%



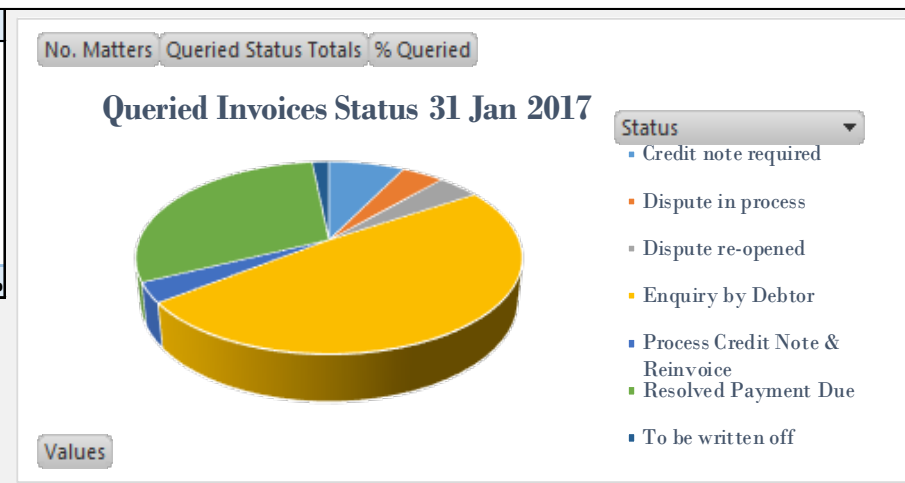
Not yet due	48.4%
30 Day	42.4%
60 Days	3.3%
90 Days	4.9%
120 Days	0.8%
120+ Days	0.2%
	100.0%



Notes relating to the Debtors Ageing Analysis:

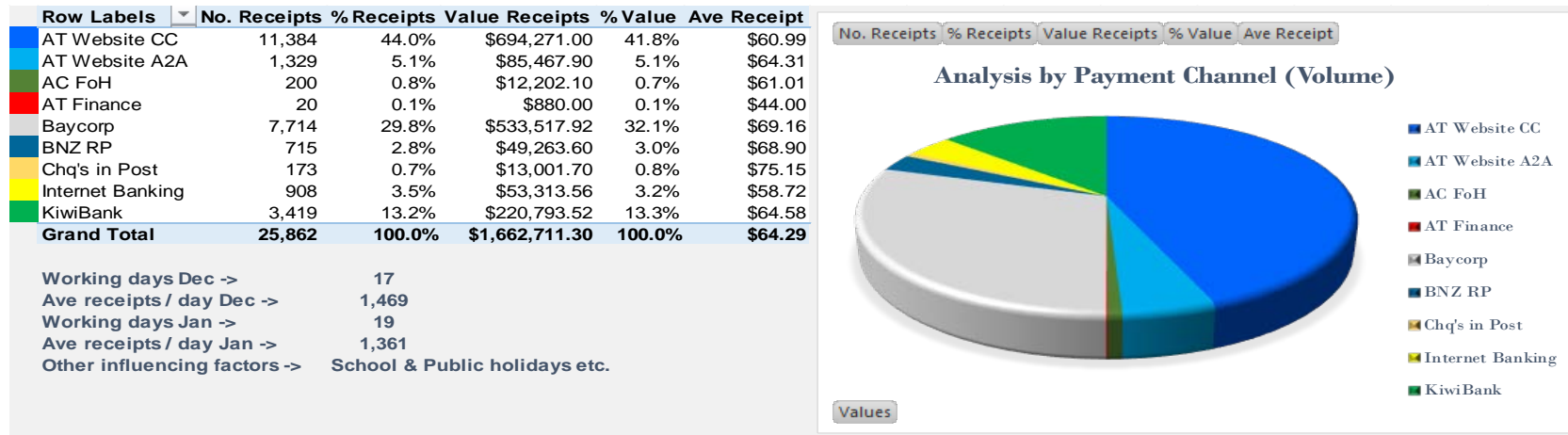
- 1 - Sundry Debtors administered in the SAP system.
- 2 - Parking Permit Debtors administered in the Pathway system. These invoices are for on street permits issued. Amounts not collected within 60 days are lodged with Baycorp for collection. Accounts not paying on time are blocked for further permits.
- 3 - Inter-Council Group debts.
- 4 - Relates to invoices which have been queried or disputed by customers. The \$76,000 matter has been referred to Legal and a meeting has been set up with the debtor. The new matter for \$110,000 reported in January has been resolved and funds received. A new matter totalling \$86,000 (30 days) is receiving urgent attention.
- 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.

Row Labels	No. Matters	Queried Status Totals	% Queried
Credit note required	9	\$32,573.02	8.3%
Dispute in process	5	\$3,578.51	0.9%
Dispute re-opened	5	\$746.95	0.2%
Enquiry by Debtor	58	\$289,840.51	73.9%
Process Credit Note & Reinvoice	4	\$3,466.09	0.9%
Resolved Payment Due	36	\$57,488.98	14.7%
To be written off	2	\$4,347.00	1.1%
Grand Total	119	\$392,041.06	100.0%

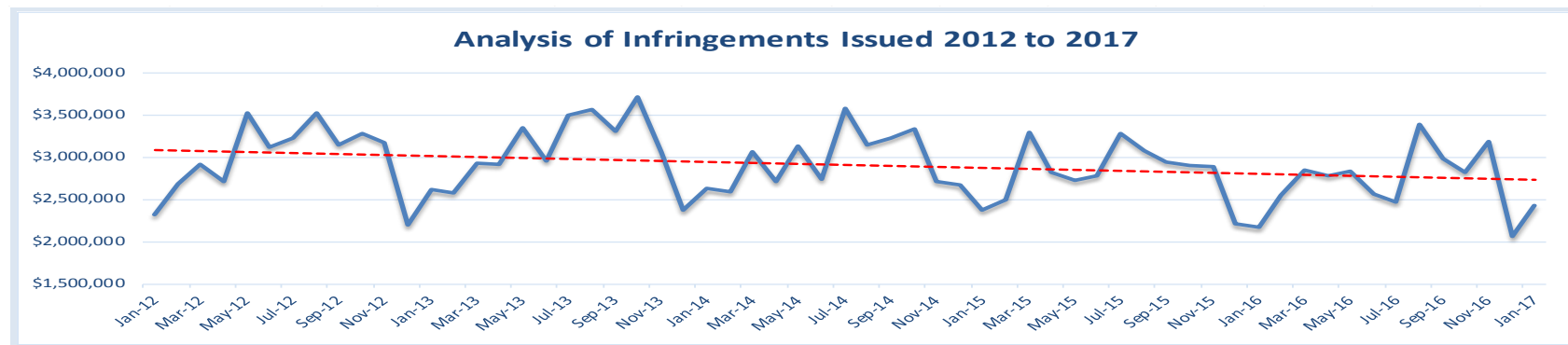


Infringement Overview:

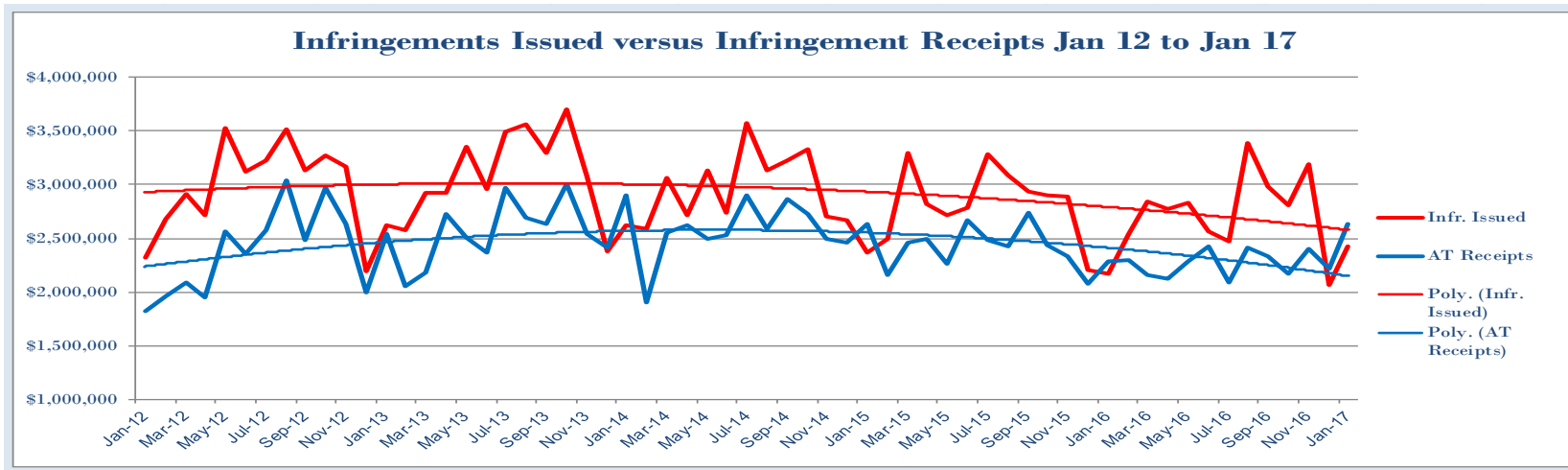
January's Infringement receipts by volume are up 3.6% on December (19 working days in January compared with 17 in December). Of the customers not paying in response to a Baycorp demand, 75.1% are making use of electronic payment methods (72.8% in December). The AT website recorded 49.2% of all receipts (43.6% in December). The highest average receipt by value was received via cheque payments.



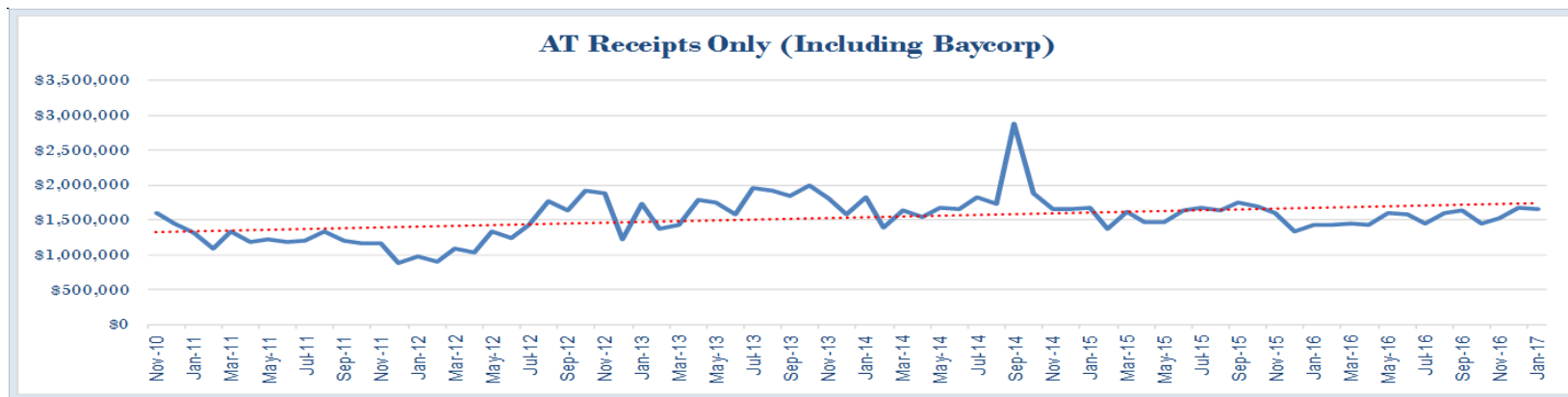
The following graph illustrates the seasonal issuance of infringements. The average monthly infringements issued over the past 5 years [displayed in \$ millions] is 2012 - \$2,981 / 2013 - \$3,071 / 2014 - \$2,958 / 2015 \$2,814 / 2016 - \$2,719. The average monthly infringements issued in January over the past 5 years is \$2,421million compares with January 2017 issuance of \$2,422million.



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 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 graph below have started moving apart slightly as a result of lower MoJ collections and three months of record infringements issued (Aug, Sep & Nov).

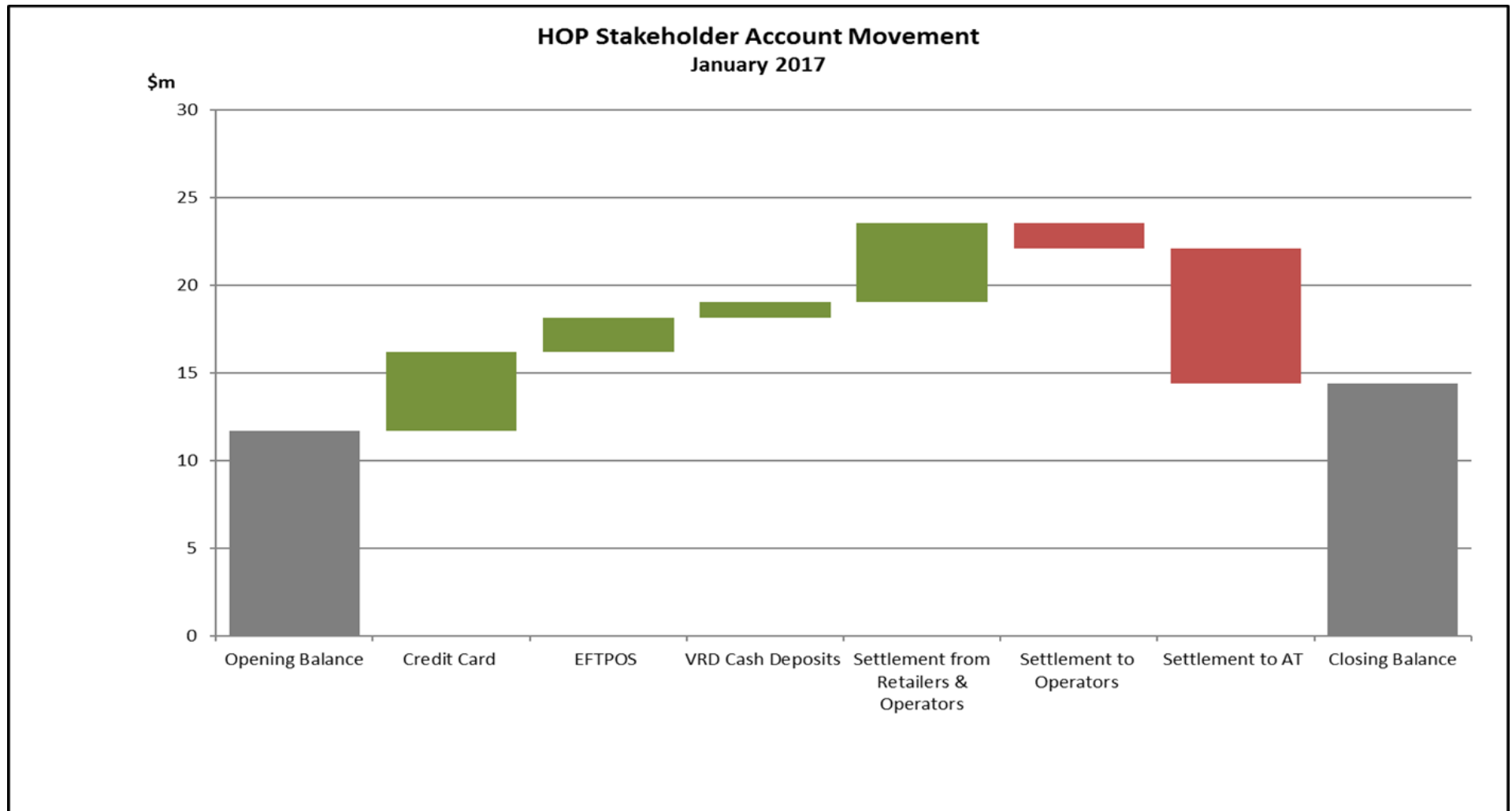


Direct receipts prior to lodging with MoJ continue to show an upward trend as a result of the Baycorp arrangement.

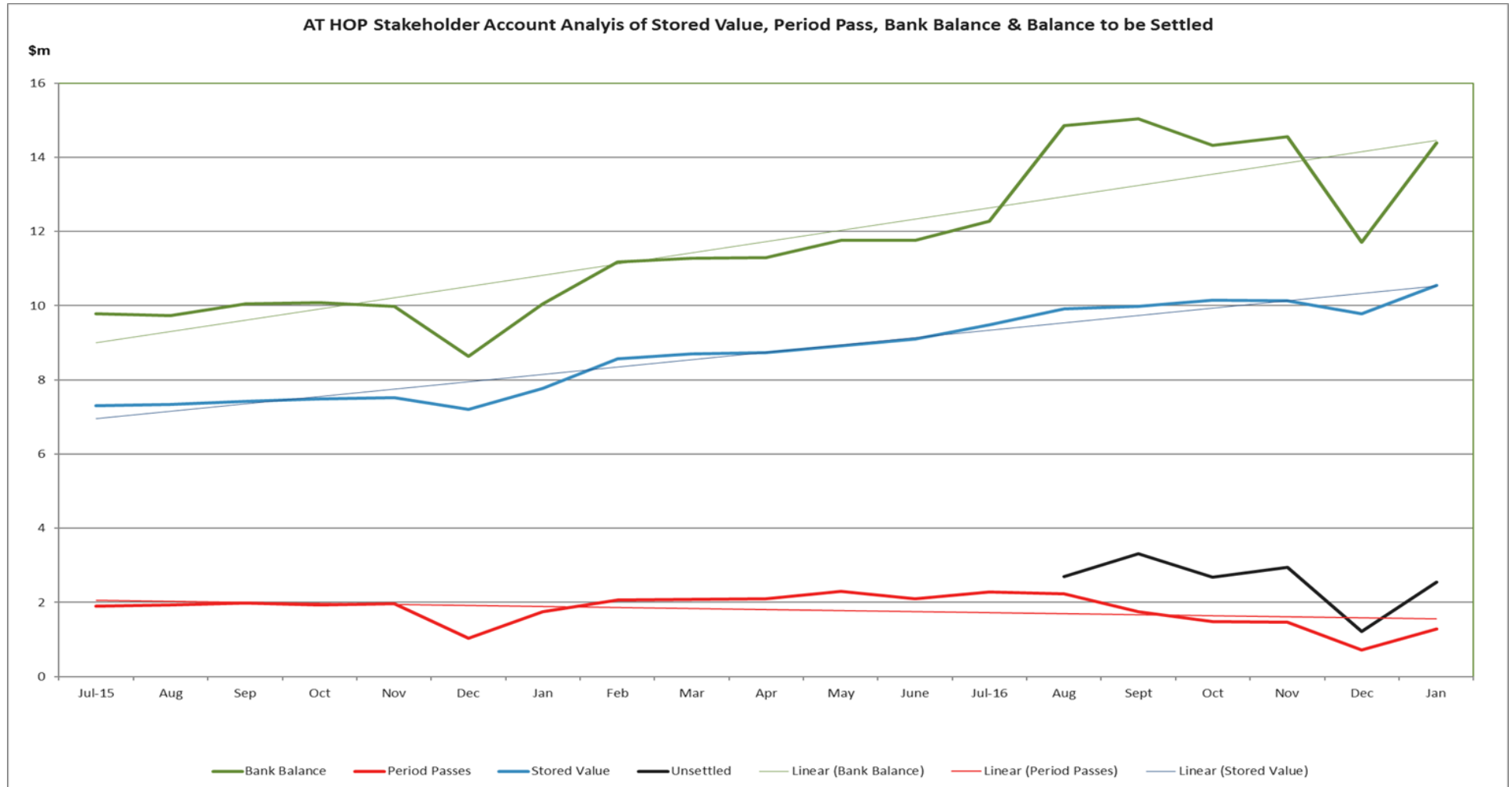


Section 7 – AT HOP Stakeholder Monthly Report



From \$11.7 million in December 2016, the AT HOP Stakeholder bank account increased to \$14.4 million, or 22% up from the previous month.



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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