

# Financial Results for the Eleven Months Ended 31 May 2018

## Recommendation

That the Board:

- i. Receives the report

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## Section 1 – Overview

This report is prepared referencing the budget reforecast which was approved at the 1 February 2018 Board meeting.

**Deficit from operations** year to date is \$285.3 million, which is \$3.7 million favourable to budget. Achievement of the full year budget, whilst under continuing pressure from the public transport average yield, is supported by the approval of additional NZ Transport Agency funding and a number of cost reduction initiatives.

- Total operating income year to date is higher than budget and expected to remain higher. Items to note are:
  - Transport Agency operating funding is higher than budget due to earlier than planned utilisation of the administration subsidy and approval, in May, of additional public transport service funding to cover the increase in the net costs of implementing the Public Transport Operational Model
  - Parking income is lower than budget due to CRL construction unfavourably impacting on Pay & Display parking revenue in the city centre, delays in implementing new parking areas and reduced average yield per parking ticket with increasing usage of the AT Park app. A proactive onstreet parking demand based pricing strategy is being evaluated for future implementation. Full year parking income expected to be \$1.4 million lower than budget.
  - Public transport fare income is lower than budget. The average yield has declined due to a number of factors, most notably the impact of continued customer migration from cash to lower AT HOP fares and the success of the new network in migrating customers onto feeder services.

In May, rail operations were also impacted by a rail derailment at Britomart. The Britomart Station remained closed for two days with alternative operational plans in place, but rail patronage was negatively impacted by circa 46,500 pax over this period. Investigations as to the cause of the derailment are ongoing, and we are working with our insurers to assess the damage caused to the derailed EMU.
  - Other revenue exceeds budget due to higher than expected rental income on properties acquired for roading projects of \$2.8 million, miscellaneous income (e.g. permit fee, application fee, reimbursements) of \$1.2 million and petrol tax income of \$200,000. The rental income trend is not expected to continue as projects progress to the construction phase, particularly the Eastern Busway (AMETI).
- Total operating expenditure excluding depreciation and amortisation year to date is \$3.6 million or 0.5% higher than budget mainly due to delays in the recovery of current and prior year costs associated with rental properties of \$3.5 million and lower capitalised personnel costs of \$1.3 million. This is offset primarily by an underspend against budget in professional fees, other service delivery and contractor maintenance costs.

The **capital programme** year to date is lower than budget by \$81.8 million or 12.5% mainly driven by delays in land acquisition, timing differences in the payments for the additional electric trains and lower than budgeted Safety and Walking & Cycling programme spend. Items to note are:

- Land purchases for the LRT project are not expected to be completed, recognising that the Transport Agency are leading this project
- Eastern Busway (AMETI) land acquisitions are ahead of forecast but non-land expenditure is behind budget due to delays in archaeological investigations requiring resolution
- Red Hills land acquisition (Special Housing Area) negotiations concluded in May 2018, reflected in the additional spend in the current month
- Other land purchases are behind budget primarily relating to Lincoln Road, Daldy Street upgrade and Ormiston Town Centre Main Street Link projects
- The EMU project is lower than budget due to a timing difference in the payments to CAF
- The Walking & Cycling programme has been delayed pending decisions from the Draft LTP and RLTP
- Public Transport is lower than budget primarily due to:
  - The airport access study being delayed due to ongoing discussion around LRT
  - The Parnell Station project started later than planned due to protracted negotiations with land owners
  - The SaFE project was deferred due to ongoing Rail and Maritime Transport Union negotiations

The capital programme for the year is facing a significant (\$80 million) underspend. This is of less concern than it initially appears as:

- Underlying delivery of most of our key projects are on track
- The resultant carry forward into next year is likely to be approved, smoothing the flow of project delivery between the current three year plan and future years
- The major area of underspending relates to land acquisitions. For example, the LRT had a budget of \$30 million in the original AC budget, reduced to \$17.3 million in the reforecast. This is now unlikely to be spent. The failure to purchase the proposed site for the LRT depot will have no impact on the project and will save AC cash flow in the interim.

The likely full year outturn is \$650 million which is higher than the \$588 million excluding CRL delivered last year.

**Vested assets** amounting to \$29 million were received in May, taking the total year to date to \$223.9 million. This is mainly from property development in Albany, Silverdale and Totara Heights.

## Section 2a – Executive Summary

Financial results for the eleven months ended 31 May 2018:

	Current month variance to revised budget	Year to date variance to revised budget	Year to date results	Year to date Actual	Year to date revised budget	Full year revised budget
	\$m	\$m		\$m	\$m	\$m
Total operating income	1.1	7.1	●	755.7	748.5	817.3
Total operating expenditure	(2.0)	(3.5)	●	1,041.0	1,037.5	1,135.6
Surplus/(deficit) from operations	(0.9)	3.7	●	(285.3)	(289.0)	(318.3)
Income for capital projects	33.0	(0.9)	●	795.2	796.2	880.3
Net surplus/(deficit) before tax	32.1	2.7	●	509.9	507.2	562.0
Total direct capital	(13.0)	81.8	●	571.3	653.2	729.3

### Key to symbols used

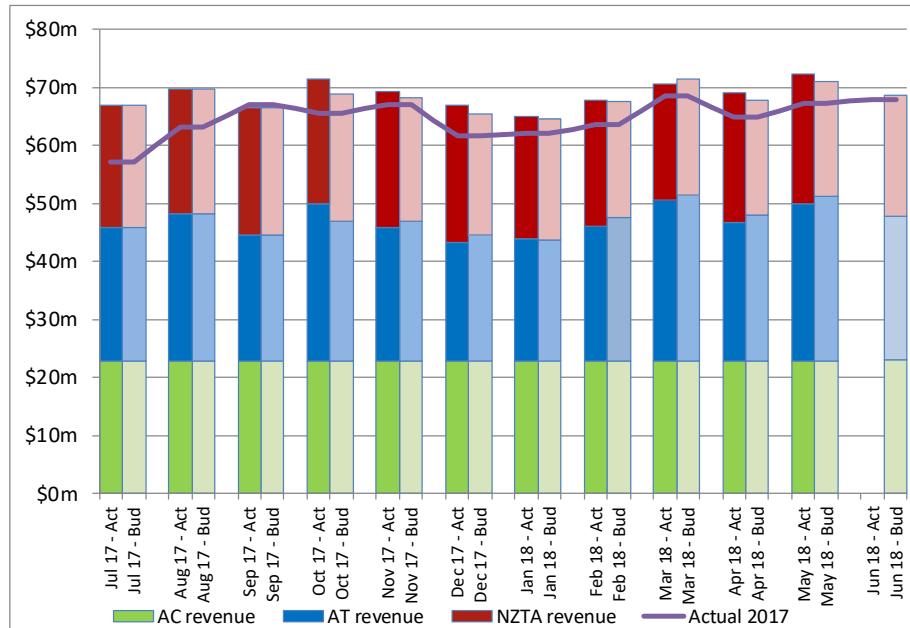
●	Favourable budget variance
●	Unfavourable budget variance less than 5%
●	Unfavourable budget variance greater than 5%

## Section 2b – Financial results for the eleven months ended 31 May 2018

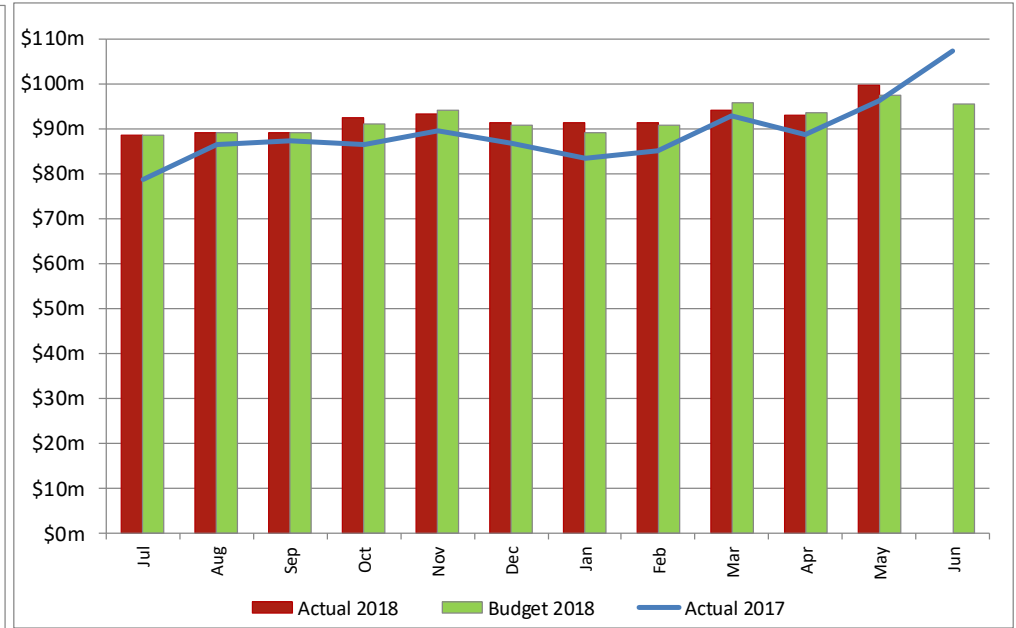
	Current month			Year to date			Full year
	Actual	Revised Budget	Variance	Actual	Revised Budget	Variance	Revised Budget
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Income</b>							
<u>Operating income</u>							
Auckland Council funding	22,924	22,924	-	252,160	252,160	-	275,179
NZ Transport Agency operating funding	22,204	19,847	2,357	240,138	229,056	11,082	249,869
Parking and enforcement income	7,742	7,702	40	75,062	76,227	(1,165)	83,450
Public transport income	16,940	18,340	(1,400)	157,831	164,798	(6,967)	180,187
Other revenue incl. other grants and subsidies	2,463	2,319	144	30,462	26,288	4,174	28,578
<b>Total operating income</b>	<b>72,273</b>	<b>71,132</b>	<b>1,141</b>	<b>755,653</b>	<b>748,529</b>	<b>7,124</b>	<b>817,263</b>
<b>Expenditure</b>							
Personnel costs	15,361	14,778	(583)	147,880	147,851	(29)	162,211
Capitalised personnel costs	(3,642)	(3,545)	97	(33,201)	(34,487)	(1,286)	(37,972)
Depreciation and amortisation	27,674	27,629	(45)	296,133	296,314	181	324,081
Other expenditure	60,083	58,603	(1,480)	602,202	599,877	(2,325)	656,807
Finance costs	2,577	2,577	-	27,985	27,985	-	30,452
<b>Total operating expenditure</b>	<b>102,053</b>	<b>100,042</b>	<b>(2,011)</b>	<b>1,040,999</b>	<b>1,037,540</b>	<b>(3,459)</b>	<b>1,135,579</b>
<b>Surplus/(deficit) from operations</b>	<b>(29,780)</b>	<b>(28,910)</b>	<b>(870)</b>	<b>(285,346)</b>	<b>(289,011)</b>	<b>3,665</b>	<b>(318,316)</b>
<u>Income for capital projects</u>							
NZ Transport Agency capital co-investment	14,521	15,492	(971)	168,902	176,722	(7,820)	190,360
Auckland Council capital grant	59,520	45,801	13,719	401,252	477,041	(75,789)	538,175
Other capital grants	587	-	587	1,192	783	409	783
Vested asset income	28,989	9,366	19,623	223,883	141,631	82,252	150,996
<b>Total income for capital projects</b>	<b>103,617</b>	<b>70,659</b>	<b>32,958</b>	<b>795,229</b>	<b>796,177</b>	<b>(948)</b>	<b>880,314</b>
<b>Net surplus/(deficit) before tax and derivatives</b>	<b>73,837</b>	<b>41,749</b>	<b>32,088</b>	<b>509,883</b>	<b>507,166</b>	<b>2,717</b>	<b>561,998</b>
Gains/(losses) on derivatives	(3,213)	-	(3,213)	(2,646)	817	(3,463)	817
Gain/(loss) on disposal of assets	(64)	-	(64)	(1,373)	(396)	(977)	(396)
Income tax benefit/(expense)	-	-	-	257	-	257	-
<b>Net surplus/(deficit) after tax and derivatives</b>	<b>70,560</b>	<b>41,749</b>	<b>28,811</b>	<b>506,121</b>	<b>507,587</b>	<b>(1,466)</b>	<b>562,419</b>

## Section 2b – Financial results for the eleven months ended 31 May 2018 (continued)

### Operating revenue



### Operating expenditure (excl. disposals and derivatives)



**Note:** Operating revenue and expenditure reflect the phased introduction of the new bus network and Public Transport Operating Model (PTOM) contracts between October 2016 and September 2018.

## Section 2c – Summary of financial results by activity

	Current month			Year to date			Full year
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000	Revised Budget \$000
<b>Operating Income</b>							
Rail	10,880	10,996	(116)	108,895	109,067	(172)	118,473
Bus	18,864	19,123	(259)	185,439	187,090	(1,651)	205,607
Ferry	1,336	1,475	(139)	14,392	15,149	(757)	16,663
Other public transport	2,512	2,893	(381)	27,497	29,325	(1,828)	32,261
Parking	4,470	4,542	(72)	44,885	46,133	(1,248)	50,701
Enforcement	3,272	3,160	112	30,176	30,093	83	32,749
Roading and footpaths	5,972	4,165	1,807	60,683	57,070	3,613	60,563
Internal support	2,042	1,852	190	31,524	22,441	9,083	25,067
Auckland Council operating funding	22,924	22,924	-	252,160	252,160	-	275,179
<b>Total operating income</b>	<b>72,272</b>	<b>71,130</b>	<b>1,142</b>	<b>755,651</b>	<b>748,528</b>	<b>7,123</b>	<b>817,263</b>
<b>Operating Expenditure</b>							
Rail	15,268	15,397	129	154,995	154,978	(17)	168,187
Bus	26,180	25,767	(413)	264,125	262,270	(1,855)	287,212
Ferry	1,752	1,766	14	18,701	18,991	290	20,947
Other public transport	3,716	4,184	468	39,150	41,347	2,197	45,564
Parking	1,107	973	(134)	12,099	11,356	(743)	12,489
Enforcement	1,979	1,762	(217)	18,968	18,969	1	21,152
Roading and footpaths	13,785	12,603	(1,182)	131,023	132,291	1,268	144,121
Internal support	10,591	9,963	(628)	105,804	101,025	(4,779)	111,826
Depreciation and amortisation	27,674	27,629	(45)	296,133	296,314	181	324,081
<b>Total operating expenditure</b>	<b>102,052</b>	<b>100,044</b>	<b>(2,008)</b>	<b>1,040,998</b>	<b>1,037,541</b>	<b>(3,457)</b>	<b>1,135,579</b>
<b>Surplus/(deficit) from Operations</b>	<b>(29,780)</b>	<b>(28,914)</b>	<b>(866)</b>	<b>(285,347)</b>	<b>(289,013)</b>	<b>3,666</b>	<b>(318,316)</b>

## Section 2d – Rail 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
<b>Operating Income</b>							
Activity income	4,761	5,338	(577)	45,215	47,444	(2,229)	51,957
Other income	122	165	(43)	1,503	1,542	(39)	1,787
NZ Transport Agency operating funding	4,312	3,808	504	44,193	42,097	2,096	45,172
NZ Transport Agency operating funding - Electric Trains	1,685	1,685	-	17,984	17,984	-	19,557
<b>Total operating income</b>	<b>10,880</b>	<b>10,996</b>	<b>(116)</b>	<b>108,895</b>	<b>109,067</b>	<b>(172)</b>	<b>118,473</b>
<b>Operating Expenditure</b>							
Personnel costs	585	656	71	3,865	4,085	220	4,691
Capitalised personnel costs	17	-	(17)	122	58	(64)	58
Service delivery costs and professional services	8,358	8,618	260	87,178	87,533	355	94,025
Utilities costs	635	288	(347)	3,530	3,138	(392)	3,422
Track access charges	2,299	2,584	285	24,538	24,880	342	27,549
Other expenditure	797	674	(123)	7,777	7,299	(478)	7,990
Finance costs	2,577	2,577	-	27,985	27,985	-	30,452
<b>Total operating expenditure</b>	<b>15,268</b>	<b>15,397</b>	<b>129</b>	<b>154,995</b>	<b>154,978</b>	<b>(17)</b>	<b>168,187</b>
Depreciation	3,478	3,494	16	38,192	38,296	104	41,793
<b>Surplus/(deficit) from Operations</b>	<b>(7,866)</b>	<b>(7,895)</b>	<b>29</b>	<b>(84,292)</b>	<b>(84,207)</b>	<b>(85)</b>	<b>(91,507)</b>
Internal support costs	2,589	2,496	(94)	23,075	24,133	1,057	26,657
<b>Surplus/(deficit)</b>	<b>(10,455)</b>	<b>(10,391)</b>	<b>(65)</b>	<b>(107,367)</b>	<b>(108,340)</b>	<b>972</b>	<b>(118,164)</b>



## 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
<b>Operating Income</b>							
Activity income	10,259	10,819	(560)	90,618	94,396	(3,778)	103,429
Other income	338	453	(115)	4,264	4,878	(614)	5,082
NZ Transport Agency operating funding	8,267	7,851	416	90,557	87,816	2,741	97,096
<b>Total operating income</b>	<b>18,864</b>	<b>19,123</b>	<b>(259)</b>	<b>185,439</b>	<b>187,090</b>	<b>(1,651)</b>	<b>205,607</b>
<b>Operating Expenditure</b>							
Personnel costs	508	446	(62)	4,290	4,350	60	4,755
Capitalised personnel costs	(76)	(78)	(2)	(427)	(738)	(311)	(816)
Service delivery costs and professional services	25,322	25,191	(131)	257,939	256,674	(1,265)	281,081
Utilities costs	248	95	(153)	1,076	892	(184)	987
Other expenditure	178	113	(65)	1,247	1,092	(155)	1,205
<b>Total operating expenditure</b>	<b>26,180</b>	<b>25,767</b>	<b>(413)</b>	<b>264,125</b>	<b>262,270</b>	<b>(1,855)</b>	<b>287,212</b>
Depreciation	308	335	27	3,242	3,319	77	3,661
<b>Surplus/(deficit) from Operations</b>	<b>(7,624)</b>	<b>(6,979)</b>	<b>(645)</b>	<b>(81,928)</b>	<b>(78,499)</b>	<b>(3,429)</b>	<b>(85,266)</b>
Internal support costs	4,422	4,262	(160)	39,406	41,211	1,805	45,523
<b>Surplus/(deficit)</b>	<b>(12,046)</b>	<b>(11,241)</b>	<b>(805)</b>	<b>(121,334)</b>	<b>(119,710)</b>	<b>(1,624)</b>	<b>(130,789)</b>

## 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
<b>Operating Income</b>							
Operator access fees	452	509	(57)	5,355	5,440	(85)	5,873
Activity income	285	313	(28)	2,337	2,452	(115)	2,680
Other income	56	74	(18)	703	810	(107)	886
NZ Transport Agency operating funding	543	579	(36)	5,997	6,447	(450)	7,224
<b>Total operating income</b>	<b>1,336</b>	<b>1,475</b>	<b>(139)</b>	<b>14,392</b>	<b>15,149</b>	<b>(757)</b>	<b>16,663</b>
<b>Operating Expenditure</b>							
Personnel costs	126	126	-	1,300	1,326	26	1,443
Capitalised personnel costs	14	(42)	(56)	(261)	(387)	(126)	(428)
Service delivery costs and professional services	1,356	1,424	68	15,187	15,430	243	17,035
Utilities costs	136	66	(70)	935	852	(83)	922
Other expenditure	120	192	72	1,540	1,770	230	1,975
<b>Total operating expenditure</b>	<b>1,752</b>	<b>1,766</b>	<b>14</b>	<b>18,701</b>	<b>18,991</b>	<b>290</b>	<b>20,947</b>
Depreciation	334	328	(6)	3,612	3,597	(15)	3,925
<b>Surplus/(deficit) from Operations</b>	<b>(750)</b>	<b>(619)</b>	<b>(131)</b>	<b>(7,921)</b>	<b>(7,439)</b>	<b>(482)</b>	<b>(8,209)</b>
Internal support costs	322	311	(12)	2,874	3,006	132	3,320
<b>Surplus/(deficit)</b>	<b>(1,072)</b>	<b>(930)</b>	<b>(143)</b>	<b>(10,795)</b>	<b>(10,445)</b>	<b>(350)</b>	<b>(11,529)</b>

## 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
<b>Operating Income</b>							
Other income	667	668	(1)	7,836	7,836	-	8,492
NZ Transport Agency operating funding	1,845	2,225	(380)	19,661	21,489	(1,828)	23,769
<b>Total operating income</b>	<b>2,512</b>	<b>2,893</b>	<b>(381)</b>	<b>27,497</b>	<b>29,325</b>	<b>(1,828)</b>	<b>32,261</b>
<b>Operating Expenditure</b>							
Personnel costs	1,610	1,618	8	15,774	16,108	334	17,601
Capitalised personnel costs	(9)	(65)	(56)	(801)	(948)	(147)	(996)
Service delivery costs and professional services	1,362	1,485	123	12,695	14,084	1,389	15,712
IT costs	59	181	122	1,853	2,036	183	2,218
Other expenditure	694	965	271	9,629	10,067	438	11,029
<b>Total operating expenditure</b>	<b>3,716</b>	<b>4,184</b>	<b>468</b>	<b>39,150</b>	<b>41,347</b>	<b>2,197</b>	<b>45,564</b>
Depreciation	1,628	1,408	(220)	15,776	15,406	(370)	16,815
<b>Surplus/(deficit) from Operations</b>	<b>(2,832)</b>	<b>(2,699)</b>	<b>(133)</b>	<b>(27,429)</b>	<b>(27,428)</b>	<b>(1)</b>	<b>(30,118)</b>
Internal support costs	701	676	(25)	6,251	6,538	286	7,222
<b>Surplus/(deficit)</b>	<b>(3,533)</b>	<b>(3,375)</b>	<b>(158)</b>	<b>(33,680)</b>	<b>(33,966)</b>	<b>285</b>	<b>(37,340)</b>

## 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
<b>Operating Income</b>							
Other income	115	121	(6)	1,380	1,356	24	1,478
Parking Fees	4,355	4,421	(66)	43,505	44,777	(1,272)	49,223
<b>Total operating income</b>	<b>4,470</b>	<b>4,542</b>	<b>(72)</b>	<b>44,885</b>	<b>46,133</b>	<b>(1,248)</b>	<b>50,701</b>
<b>Operating Expenditure</b>							
Personnel costs	320	291	(29)	2,969	2,999	30	3,267
Capitalised personnel costs	(24)	(4)	20	(6)	(36)	(30)	(40)
Service delivery costs and professional services	247	234	(13)	3,410	3,379	(31)	3,796
Utilities costs	454	403	(51)	4,595	4,491	(104)	4,894
Other expenditure	110	49	(61)	1,131	523	(608)	572
<b>Total operating expenditure</b>	<b>1,107</b>	<b>973</b>	<b>(134)</b>	<b>12,099</b>	<b>11,356</b>	<b>(743)</b>	<b>12,489</b>
Depreciation	640	638	(2)	7,047	7,016	(31)	7,654
<b>Surplus/(deficit) from Operations</b>	<b>2,723</b>	<b>2,931</b>	<b>(208)</b>	<b>25,739</b>	<b>27,761</b>	<b>(2,022)</b>	<b>30,558</b>
Internal support costs	192	185	(7)	1,714	1,792	79	1,979
<b>Surplus/(deficit)</b>	<b>2,531</b>	<b>2,746</b>	<b>(215)</b>	<b>24,025</b>	<b>25,969</b>	<b>(1,943)</b>	<b>28,579</b>

## 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
<b>Operating Income</b>							
Other income	-	-	-	(1)	(1)	-	(38)
Infringement income	3,272	3,160	112	30,177	30,094	83	32,787
<b>Total operating income</b>	<b>3,272</b>	<b>3,160</b>	<b>112</b>	<b>30,176</b>	<b>30,093</b>	<b>83</b>	<b>32,749</b>
<b>Operating Expenditure</b>							
Personnel costs	953	941	(12)	9,641	9,763	122	11,058
Capitalised personnel costs	26	7	(19)	162	48	(114)	155
Service delivery costs and professional services	235	150	(85)	2,072	1,758	(314)	1,909
Utilities costs	-	-	-	-	-	-	-
Other expenditure	765	664	(101)	7,093	7,400	307	8,030
<b>Total operating expenditure</b>	<b>1,979</b>	<b>1,762</b>	<b>(217)</b>	<b>18,968</b>	<b>18,969</b>	<b>1</b>	<b>21,152</b>
Depreciation	66	50	(16)	653	545	(108)	595
<b>Surplus/(deficit) from Operations</b>	<b>1,227</b>	<b>1,348</b>	<b>(121)</b>	<b>10,555</b>	<b>10,579</b>	<b>(24)</b>	<b>11,002</b>
Internal support costs	326	314	(12)	2,902	3,035	133	3,353
<b>Surplus/(deficit)</b>	<b>901</b>	<b>1,034</b>	<b>(133)</b>	<b>7,653</b>	<b>7,544</b>	<b>109</b>	<b>7,649</b>

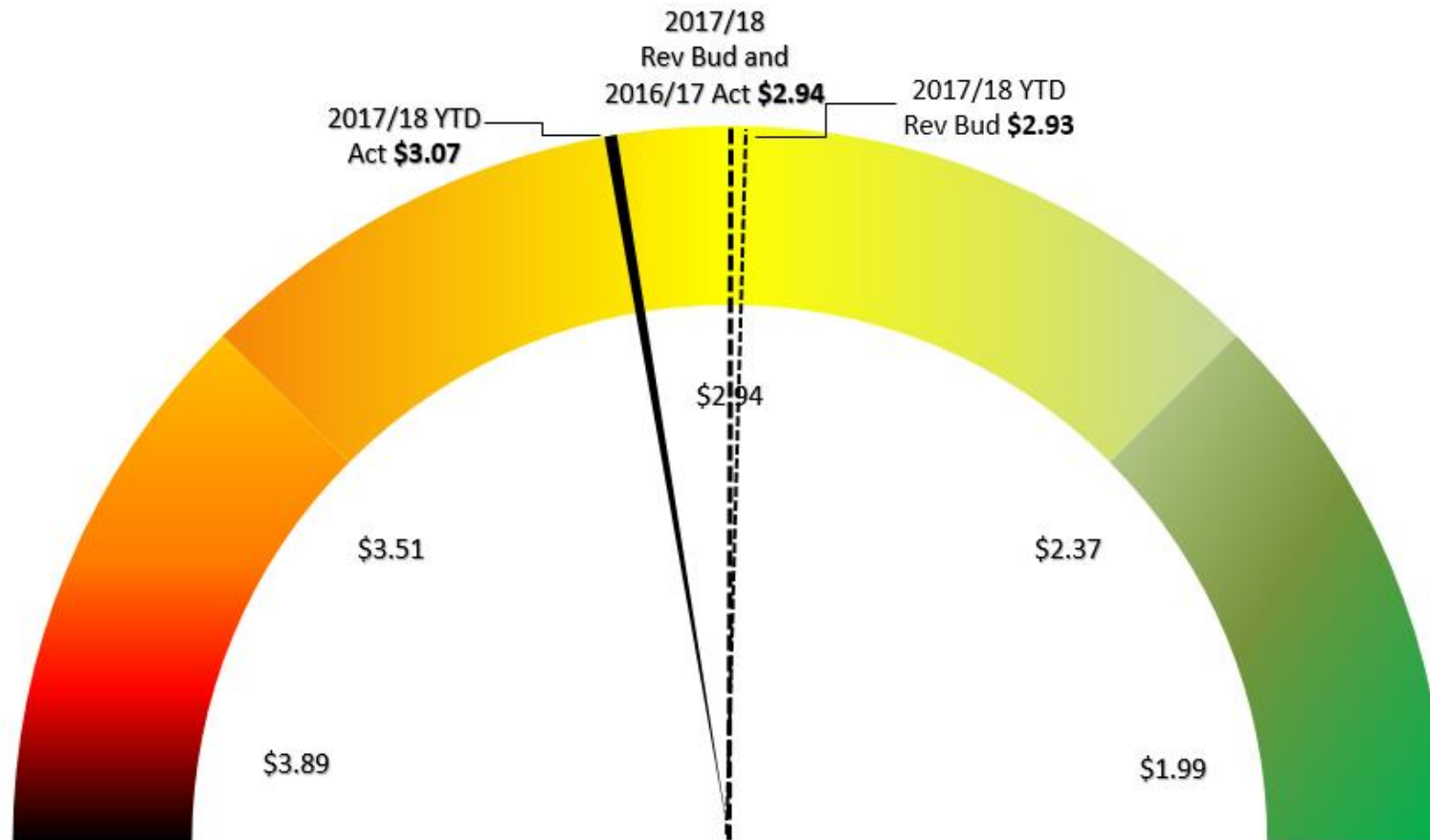
## Section 2d – Roading and Footpaths Operations

	Current month			Year to date			Full year
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000	Revised Budget \$000
<b>Operating Income</b>							
Petrol tax	822	793	29	8,724	8,530	194	9,219
Other income	523	405	118	7,239	5,971	1,268	6,446
NZ Transport Agency operating funding	4,627	2,967	1,660	44,720	42,569	2,151	44,898
<b>Total operating income</b>	<b>5,972</b>	<b>4,165</b>	<b>1,807</b>	<b>60,683</b>	<b>57,070</b>	<b>3,613</b>	<b>60,563</b>
<b>Operating Expenditure</b>							
Personnel costs	3,601	3,222	(379)	32,920	33,402	482	36,754
Capitalised personnel costs	(1,009)	(889)	120	(9,170)	(9,033)	137	(10,237)
Service delivery costs and professional services	8,908	8,256	(652)	85,684	86,841	1,157	93,918
Utilities costs	1,316	1,377	61	13,896	13,612	(284)	15,356
IT Costs	109	24	(85)	595	273	(322)	306
Other expenditure	860	613	(247)	7,098	7,196	98	8,024
<b>Total operating expenditure</b>	<b>13,785</b>	<b>12,603</b>	<b>(1,182)</b>	<b>131,023</b>	<b>132,291</b>	<b>1,268</b>	<b>144,121</b>
Depreciation	18,998	19,105	107	205,896	206,325	429	225,500
<b>Surplus/(deficit) from Operations</b>	<b>(26,811)</b>	<b>(27,543)</b>	<b>732</b>	<b>(276,236)</b>	<b>(281,546)</b>	<b>5,310</b>	<b>(309,058)</b>
Internal support costs	2,219	2,139	(80)	19,774	20,680	906	22,843
<b>Surplus/(deficit)</b>	<b>(29,030)</b>	<b>(29,682)</b>	<b>652</b>	<b>(296,010)</b>	<b>(302,226)</b>	<b>6,216</b>	<b>(331,901)</b>

## 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
<b>Operating Income</b>							
Rental income	851	868	(17)	11,490	8,399	3,091	9,252
Other income	267	253	14	3,009	3,388	(379)	3,661
NZ Transport Agency operating funding	924	731	193	17,025	10,654	6,371	12,154
<b>Total operating income</b>	<b>2,042</b>	<b>1,852</b>	<b>190</b>	<b>31,524</b>	<b>22,441</b>	<b>9,083</b>	<b>25,067</b>
<b>Operating Expenditure</b>							
Personnel costs	7,657	7,479	(178)	77,121	75,818	(1,303)	82,642
Capitalised personnel costs	(2,581)	(2,474)	107	(22,820)	(23,449)	(629)	(25,667)
Directors Fees	38	42	4	439	467	28	510
Service delivery costs and professional services	2,342	2,508	166	21,374	23,196	1,822	27,210
Other expenditure	3,135	2,408	(727)	29,690	24,993	(4,697)	27,131
Finance costs	-	-	-	-	-	-	-
<b>Total operating expenditure</b>	<b>10,591</b>	<b>9,963</b>	<b>(628)</b>	<b>105,804</b>	<b>101,025</b>	<b>(4,779)</b>	<b>111,826</b>
Depreciation	2,223	2,271	48	21,716	21,810	94	24,138
<b>Surplus/(deficit) from Operations</b>	<b>(10,772)</b>	<b>(10,382)</b>	<b>(390)</b>	<b>(95,996)</b>	<b>(100,394)</b>	<b>4,398</b>	<b>(110,897)</b>
Internal support allocated	10,772	10,382	(390)	95,996	100,394	4,398	110,897
<b>Surplus/(deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Section 2e – Operational funding requirement per passenger for the eleven months ended 31 May 2018



The operational cost (net of third party revenue) of \$3.07 per passenger on the Public Transport Network is higher than the budget of \$2.93 and prior year of \$2.94 per passenger. With annual patronage now at 92 million, each one cent change in operational cost per passenger represents up to \$920,000 operational cost impact to Auckland Transport.



## Section 3a – Summary of Capital Expenditure

	Current month			Year to date			Full year
	Actual \$000	Revised Budget \$000	Variance \$000	Actual \$000	Revised Budget \$000	Variance \$000	Revised Budget \$000
<b>Land</b>							
Mass Transit	-	-	-	-	12,300	12,300	17,300
AMETI	2,545	137	(2,408)	19,131	11,514	(7,617)	11,514
Mill Road improvements	1,710	4,260	2,550	27,496	29,892	2,396	33,897
Growth Infrastructure Fund	1,411	-	(1,411)	2,041	2,212	171	2,212
Drury South	-	-	-	3	16	13	16
Special Housing Areas (SHAs)	3,038	-	(3,038)	3,080	6,007	2,927	6,007
Other	4,832	107	(4,725)	18,742	30,856	12,114	31,275
<b>Total land</b>	<b>13,536</b>	<b>4,504</b>	<b>(9,032)</b>	<b>70,493</b>	<b>92,797</b>	<b>22,304</b>	<b>102,221</b>
<b>Major new capital projects</b>							
AMETI	2,167	2,694	527	12,158	16,363	4,205	18,061
Manukau Bus Interchange	885	-	(885)	20,061	20,188	127	20,188
EMU	136	1,284	1,148	8,057	26,936	18,879	28,091
NorthWest Transformation	10	120	110	170	774	604	882
Dominion Road bus lane improvements	4	728	724	913	2,352	1,439	3,080
Franklin Road enhancements	1,160	816	(344)	4,224	4,789	565	5,572
Murphys Road upgrade	268	200	(68)	3,634	2,517	(1,117)	2,967
<b>Total major new capital projects</b>	<b>4,630</b>	<b>5,842</b>	<b>1,212</b>	<b>49,217</b>	<b>73,919</b>	<b>24,702</b>	<b>78,841</b>
<b>Other ring-fenced projects</b>							
Local Board initiatives	945	1,153	208	4,608	7,995	3,387	9,134
Special Housing Areas (SHAs)	772	610	(162)	5,532	4,902	(630)	5,427
Other	2,006	1,322	(684)	9,249	6,839	(2,410)	8,473
<b>Total other ring-fenced projects</b>	<b>3,723</b>	<b>3,085</b>	<b>(638)</b>	<b>19,389</b>	<b>19,736</b>	<b>347</b>	<b>23,034</b>
<b>Other</b>							
Roads and footpaths	17,877	19,360	1,483	113,501	126,290	12,789	139,911
Public transport	8,205	12,776	4,571	85,299	110,554	25,255	132,740
Parking operations	(50)	1,324	1,374	4,535	3,379	(1,156)	3,545
Internal support - BT	1,459	340	(1,119)	12,346	5,607	(6,739)	5,847
Internal support - Accomodation	49	55	6	3,823	4,398	575	4,553
Internal support - Other	62	312	250	1,966	6,189	4,223	8,927
<b>Total other</b>	<b>27,602</b>	<b>34,167</b>	<b>6,565</b>	<b>221,470</b>	<b>256,417</b>	<b>34,947</b>	<b>295,523</b>
<b>Renewals</b>	<b>24,525</b>	<b>13,425</b>	<b>(11,100)</b>	<b>210,776</b>	<b>210,307</b>	<b>(469)</b>	<b>229,700</b>
<b>Total direct capital</b>	<b>74,016</b>	<b>61,023</b>	<b>(12,993)</b>	<b>571,345</b>	<b>653,176</b>	<b>81,831</b>	<b>729,319</b>

## 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
<b>Direct capital funding</b>							
NZ Transport Agency new capital co-investment	12,375	13,599	(1,224)	98,418	107,632	(9,214)	120,264
NZ Transport Agency renewal co-investment	2,146	1,893	253	70,484	69,091	1,393	70,096
Other capital grants	587	-	587	1,192	783	409	783
Auckland Council capital grant	59,520	45,801	13,719	401,252	477,041	(75,789)	538,175
<b>Total direct capital funding</b>	<b>74,628</b>	<b>61,293</b>	<b>13,335</b>	<b>571,346</b>	<b>654,547</b>	<b>(83,201)</b>	<b>729,318</b>

## Section 3c – Major Capital Projects whole of life forecast

Project description	Notes	What we have spent so far			What we expect to spend in total		Approved funding		
		from Nov 2010 to Jun 2017 \$000	YTD May 2018 \$000	Total to date \$000	Forecast remaining \$000	Estimate at completion (EAC) \$000	Approved funding \$000	% spend to date	Variance to EAC \$000
Manukau Station		18,647	20,062	38,709	548	39,257	41,316	94%	(2,059)
Pukekohe Station		5,955	9,619	15,574	868	16,442	14,150	110%	2,292
East West (FN32 Bus, Cycle, Truck Improvements)	1	8,277	2,666	10,943	33,505	44,448	54,000	20%	(9,552)
Mill Road Improvements	2	26,587	28,084	54,671	415,991	470,662	144,440	38%	326,222
Lincoln Road - Corridor Improvements	3	8,355	6,206	14,561	73,000	87,561	56,590	26%	30,971
Murphys Road Upgrade Bridge Improvements (PC20)		2,176	3,645	5,821	18,827	24,648	20,700	28%	3,948
Tamaki Ngapipi Intersection Safety Improvements		2,654	6,795	9,449	5,044	14,493	14,581	65%	(88)
Franklin Road Enhancements		1,273	4,224	5,497	9,545	15,042	16,266	34%	(1,224)
EMU (Rolling Stock Tranche 2017)	4	-	6,893	6,893	126,340	146,368	133,000	5%	13,368
Northcote Safe Route Cycleway		2,180	6,407	8,587	10,006	18,593	17,751	48%	842
Nelson Street Downtown Cycleway		3,686	2,613	6,299	144	6,443	6,965	90%	(522)

### Notes

1. East West Link was originally planned as a single initiative covering roading and PT elements at an estimated cost of \$135 million. Subsequently this was split into two projects and \$54 million was allocated to the FN32 project as a planned spend.
2. Mill Road was budgeted at \$144 million in the last LTP to deliver the Northern section of Mill Road improvements. The current forecast reflects the February 2018 cost estimates for a different project scope. The revised project is included in Draft LTP and RLTP at a funding level of \$507 million.
3. Post public consultation the Lincoln Road project footprint has changed compared with the original scope. The cost increases are a combination of scope/design changes and price increases related to land take and construction costs.

## Section 4a – Statement of Financial Position

As at 31 May 2018

	Note	Actual 31 May 2018 \$000	Actual 30 April 2018 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	1	5,552	7,582
Receivables	2	278,274	257,069
Inventories		11,720	11,361
Other assets		9,328	15,439
Non-current assets held for sale		2,021	2,021
Total current assets		306,895	293,472
<b>Non-current assets</b>			
Receivables		1,801	1,801
Property, plant and equipment (PPE)		18,463,282	18,373,777
Intangible assets		98,446	99,669
Work in progress (PPE and intangible assets)	3	545,204	529,085
Total non-current assets		19,108,733	19,004,332
<b>Total assets</b>		<b>19,415,628</b>	<b>19,297,804</b>

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

As at 31 May 2018

	Note	Actual 31 May 2018 \$000	Actual 30 April 2018 \$000
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables and accruals	4	176,294	162,792
Employee entitlements	5	16,007	13,918
Derivative financial instruments		541	194
Borrowings	6	6,092	6,071
Total current liabilities		198,934	182,975
<b>Non-current liabilities</b>			
Payables and accruals	4	16,743	17,018
Employee entitlements	5	427	494
Derivative financial instruments		5,080	1,939
Borrowings	6	497,252	497,817
Deferred tax	7	11,409	11,409
Total non-current liabilities		530,911	528,677
<b>Total liabilities</b>		<b>729,845</b>	<b>711,652</b>
<b>Net assets</b>		<b>18,685,783</b>	<b>18,586,152</b>
<b>Equity</b>			
Contributed capital		12,995,647	12,966,577
Accumulated funds		2,162,079	2,059,509
Other reserves		3,528,057	3,560,066
<b>Total equity</b>		<b>18,685,783</b>	<b>18,586,152</b>

## Section 4b – Notes to the Financial Statements

As at 30 April 2018

	Actual 31 May 2018 \$000	Actual 30 April 2018 \$000
<b>1 Cash and cash equivalents</b>		
Cash at bank	5,172	7,248
Till floats	380	334
<b>Total cash and cash equivalents</b>	<b>5,552</b>	<b>7,582</b>

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

<b>2 Receivables</b>		
Trade and other debtors	3,525	5,806
Infringement receivable	36,860	36,551
Amounts due from related parties	212,192	190,408
Accrued revenue	41,743	37,085
Goods and services tax	-	3,117
	<b>294,320</b>	<b>272,967</b>
Less provision for impairment of receivables	(16,046)	(15,898)
<b>Total current receivables</b>	<b>278,274</b>	<b>257,069</b>

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

### As at 31 May 2018

The carrying value of debtors and other receivables approximates their fair value.

There is no concentration of credit risk with respect to receivables as there are a large number of customers.

The maximum exposure to credit risk at reporting date is the carrying value of each class of receivable mentioned above.

The ageing profile of receivables at is detailed below:

	<b>Gross \$000</b>	<b>Impaired \$000</b>	<b>Net \$000</b>
Not past due	259,648	-	259,648
Past due 1 - 30 days	1,593	-	1,593
Past due 31 - 60 days	1,483	-	1,483
Past due 61 - 90 days	1,160	-	1,160
Past due > 90 days	30,436	(16,046)	14,390
	<b>294,320</b>	<b>(16,046)</b>	<b>278,274</b>

All receivables greater than 30 days in age are considered to be past due.

The provision for impairment of receivables has been calculated on an individual basis. The provision is based on a review of significant debtor balances. Receivables are assessed as impaired due to significant financial difficulties being experienced by the debtor, and Auckland Transport management concluding that it is remote that the overdue amounts will be recovered.

Movements in the provision for impairment of receivables are as follows:

	<b>Actual 31 May 2018 \$000</b>
Balance at 1 July 2017	15,016
Additional provisions made	1,030
Provisions reversed	-
Provisions relating to receivables written-off	-
<b>Balance at 31 May 2018</b>	<b>16,046</b>

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

As at 31 May 2018

	Opening Balance 1 July 2017 \$000	Acquisition YTD 31 May 2018 \$000	Capitalisation YTD 31 May 2018 \$000	Closing Balance 31 May 2018 \$000
<b>3 Work in Progress (WIP)</b>				
<b>WIP by activity</b>				
Roads and footpaths	272,498	224,162	(177,632)	319,028
Public Transport	124,059	113,773	(38,018)	199,814
Parking operations	7,209	4,535	(2,686)	9,058
Internal support	28,445	18,163	(29,304)	17,304
<b>Total WIP</b>	<b>\$432,212</b>	<b>\$360,633</b>	<b>(247,641)</b>	<b>545,204</b>
<b>WIP by status</b>				
Current WIP (completion in future)				448,874
Due for capitalisation within policy				54,831
Due for capitalisation not within policy				35,503
Forecast completion date not yet provided (new projects)				5,995
<b>Total WIP</b>				<b>545,204</b>
<b>Top 10 Programmes</b>				<b>WIP Closing Balance 31 May 2018 \$000</b>
AMETI				64,286
Manukau Bus Interchange (Lot 59)				38,708
Walking And Cycling				22,790
SMART				20,248
Pukekohe Station Upgrade				15,575
MMEWS				15,023
Penlink Toll Road				13,661
Growth Infra. Fund				11,247
Mill Road Improvement				11,121
Newmarket Crossing				9,706
<b>Total</b>				<b>222,365</b>



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

As at 31 May 2018

	Actual 31 May 2018 \$000	Actual 30 April 2018 \$000
<b>4 Payables and accruals</b>		
<b>Current portion</b>		
Creditors	29,155	14,288
Goods and services tax	1,568	-
Accrued expenses	125,117	128,494
Retentions	13,019	12,691
Amounts due to related parties	5,407	5,169
Revenue in advance	2,028	2,150
<b>Total current payables</b>	<b>176,294</b>	<b>162,792</b>
<b>Non-current portion</b>		
Amounts due to related parties	16,743	17,018
<b>Total non-current payables</b>	<b>16,743</b>	<b>17,018</b>

Creditors and other payables are non-interest bearing and are normally settled on 20 day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

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

As at 31 May 2018

	Actual 31 May 2018 \$000	Actual 30 April 2018 \$000
<b>5 Employee entitlements</b>		
<b>Current portion</b>		
Accrued salaries and wages	5,154	3,428
Accrued leave	10,853	10,490
<b>Total current employee entitlements</b>	<b>16,007</b>	<b>13,918</b>
<b>Non-current portion</b>		
Retirement gratuities	314	314
Long service leave	113	180
<b>Total non-current employee entitlements</b>	<b>427</b>	<b>494</b>
<b>6 Borrowings</b>		
<b>Current portion</b>		
Loans from Auckland Council	6,092	6,071
<b>Total current borrowings</b>	<b>6,092</b>	<b>6,071</b>
<b>Non-current portion</b>		
Loans from Auckland Council	497,252	497,817
<b>Total non-current borrowings</b>	<b>497,252</b>	<b>497,817</b>
Weighted average cost of funds on total borrowings	6.02%	6.02%

Auckland Transport's loan debt of \$503 million is issued at fixed rates of interest ranging from 5.55% to 6.57%.

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

As at 31 May 2018

	<b>Actual</b>
	<b>31 May 2018</b>
	<b>\$000</b>
<b>7 Deferred tax liability</b>	
Balance at 1 July 2017	11,667
Debited to surplus or deficit	(258)
Charged to equity	-
<b>Balance 31 May 2018</b>	<b>11,409</b>

## Section 5 – Cashflow

	Year to date		Full year
	Actual \$000	Revised Budget \$000	Revised Budget \$000
<b>Cash flows from operating activities</b>			
<b>Total cash provided</b>	<b>1,372,962</b>	<b>1,473,077</b>	<b>1,546,584</b>
<b>Cash applied to</b>			
Payments to suppliers and employees	726,148	716,598	781,049
Interest paid	24,938	27,985	30,452
<b>Total cash applied</b>	<b>751,086</b>	<b>744,583</b>	<b>811,501</b>
<b>Net cash from operating activities</b>	<b>621,876</b>	<b>728,494</b>	<b>735,083</b>
<b>Cash flows from investing activities</b>			
<b>Cash provided from</b>			
Sale of property, plant and equipment	5,376	-	-
<b>Cash applied to:</b>			
Purchase of property, plant and equipment	622,073	723,176	729,319
<b>Net cash from investing activities</b>	<b>(616,697)</b>	<b>(723,176)</b>	<b>(729,319)</b>
<b>Cash flows from financing activities</b>			
<b>Cash applied to</b>			
Repayments of EMU loan from Auckland Council	5,319	5,318	5,764
<b>Net cash from financing activities</b>	<b>(5,319)</b>	<b>(5,318)</b>	<b>(5,764)</b>
<b>Net (decrease)/increase in cash and cash equivalent</b>	<b>(140)</b>	<b>-</b>	<b>-</b>
Opening cash and cash equivalents	5,692	-	-
<b>Closing cash balance</b>	<b>5,552</b>	<b>-</b>	<b>-</b>

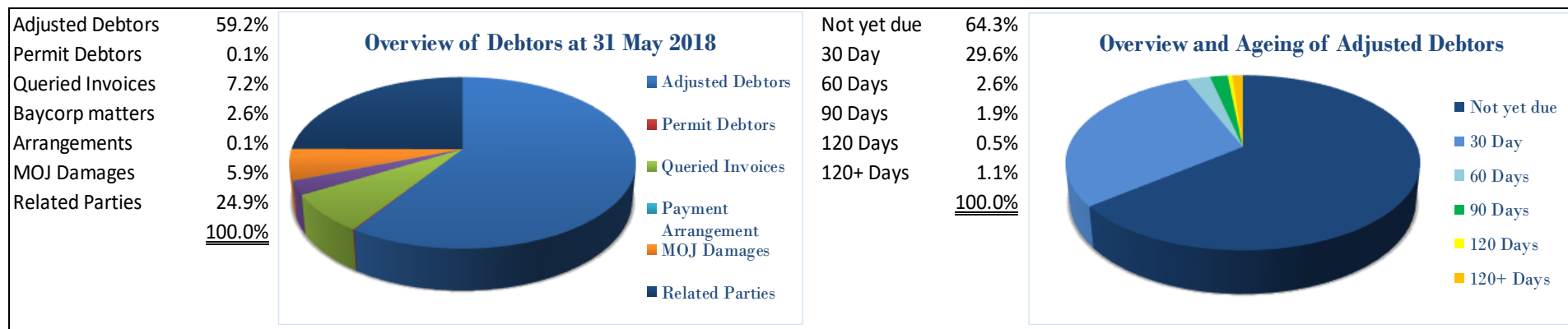
<b>Reconciliation of surplus after tax to net cash from operating activities</b>	
	<b>Actual \$000</b>
<b>Surplus after tax</b>	<b>506,121</b>
<b>Add/(less) non-cash items</b>	
Depreciation and amortisation	296,133
Vested asset income	(223,883)
Loss on disposal of property, plant and equipment	438
(Gains)/losses on derivatives	5,621
Income tax (benefit)/expense	(257)
	<b>78,052</b>
<b>Add/(less) movements in balance sheet items</b>	
Receivables	43,679
Inventories	(277)
Other assets	(5,960)
Payables and accruals	(419)
Employee entitlements	680
	<b>37,703</b>
<b>Net cash from operating activities</b>	<b>621,876</b>

## Section 6 – Accounts Receivable Report

### Accounts Receivable

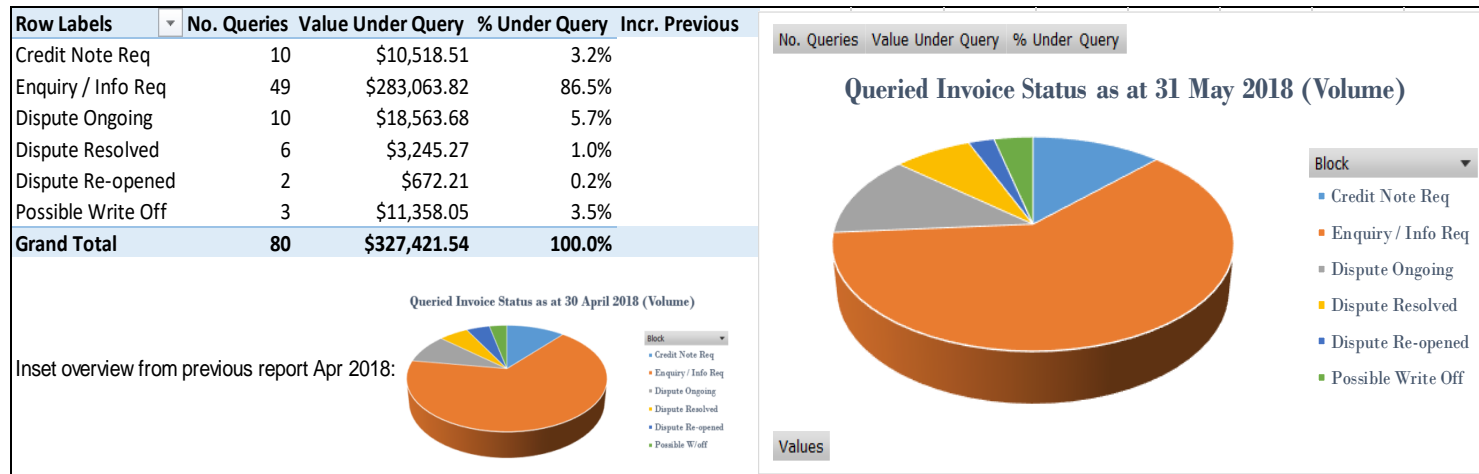
An overview of Debtors as at 31 May has 96.4% (98.3% April) of adjusted Debtors in 30 and 60 days, or not yet due.

<u>Debtors Ageing Analysis as at 31 May 2018</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	149	4,515,974	2,213,037	1,013,229	137,041	109,114	84,873	958,682	1
Parking Permit Debtors	39	4,085	200	0	0	0	3,885	0	2
<b>Total Debtors</b>		<b>4,520,059</b>	<b>2,213,237</b>	<b>1,013,229</b>	<b>137,041</b>	<b>109,114</b>	<b>88,758</b>	<b>958,682</b>	
		100.0%	49.0%	22.4%	3.0%	2.4%	2.0%	21.2%	
O/s Related Parties	65	1,127,683	426,469	137,675	55,021	45,764	37,537	425,216	3
<b>Trade Debtors</b>	<b>118</b>	<b>3,392,376</b>	<b>1,786,767</b>	<b>875,553</b>	<b>82,019</b>	<b>63,350</b>	<b>51,221</b>	<b>533,466</b>	
		100.0%	52.7%	25.8%	2.4%	1.9%	1.5%	15.7%	
Queried Invoices	191	327,422	17,803	78,376	10,334	6,572	37,230	177,106	4
To Baycorp (Collection)	688	116,790	215	0	545	573	290	115,167	5
Payment Arrangement	193	2,898	0	0	0	0	0	2,898	6
Lodged Courts (Damages)	694	264,776	46,152	5,024	938	4,955	0	207,705	7
<b>Adjusted Debtors</b>		<b>2,680,491</b>	<b>1,722,598</b>	<b>792,154</b>	<b>70,201</b>	<b>51,249</b>	<b>13,700</b>	<b>30,589</b>	8
		100.0%	64.3%	29.6%	2.6%	1.9%	0.5%	1.1%	



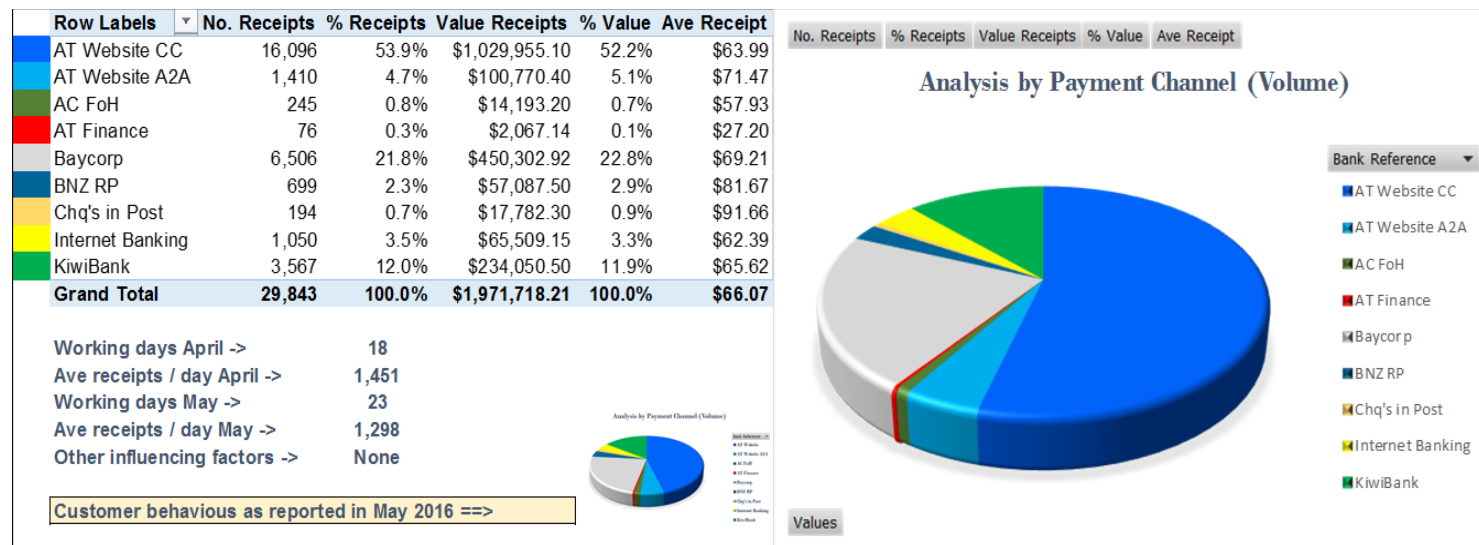
### Notes relating to the Debtors Ageing Analysis:

1. Sundry Debtors administered in the SAP system
2. Parking Permit Debtors administered in the Pathway system. These invoices are for on street permits issued. Amounts not collected within 60 days are lodged with Baycorp for collection. Debtors 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 the internal legal team who continue to investigate the matter. A dispute (\$215,000) reported previously has been resolved.
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.
8. Debtors in total have decreased by \$2.5 million in May 2018 compared with April 2018

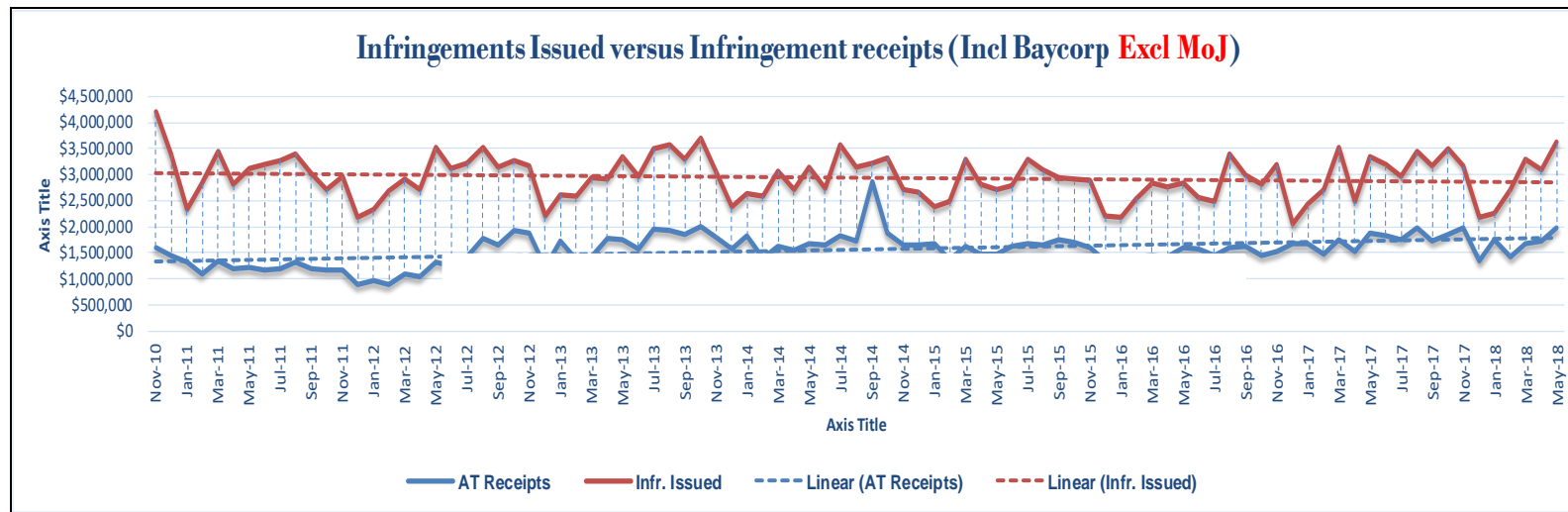


### Infringement Overview:

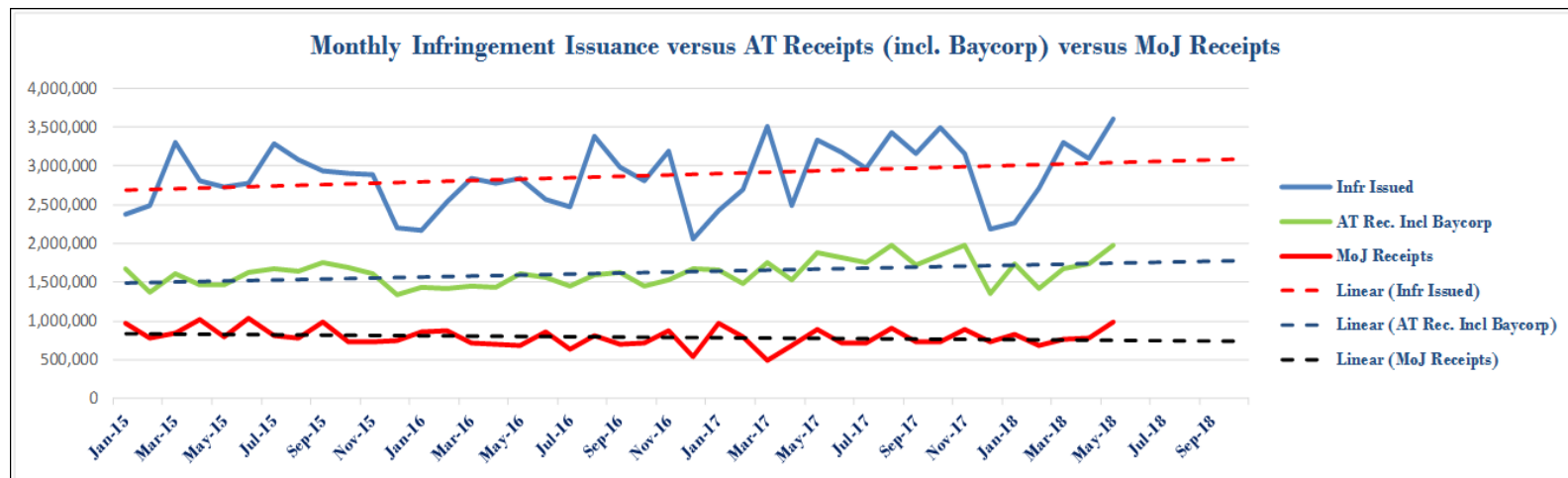
May's Infringement receipts by volume are up 14.3% on March primarily as a result of increased infringement issuance in March, April and May. Of the customers not paying in response to a Baycorp demand, 79.5% are making use of electronic payment methods (79.9% in April). The AT website recorded 58.7% of all receipts (60.2% in April). The inset graph compares customer behaviour as reported in May 2016.



When comparing infringements issued against AT receipts (including Baycorp but excluding MoJ) over the long term (seven year period), the trend for receipts is increasing while the trend for infringements issued is decreasing.



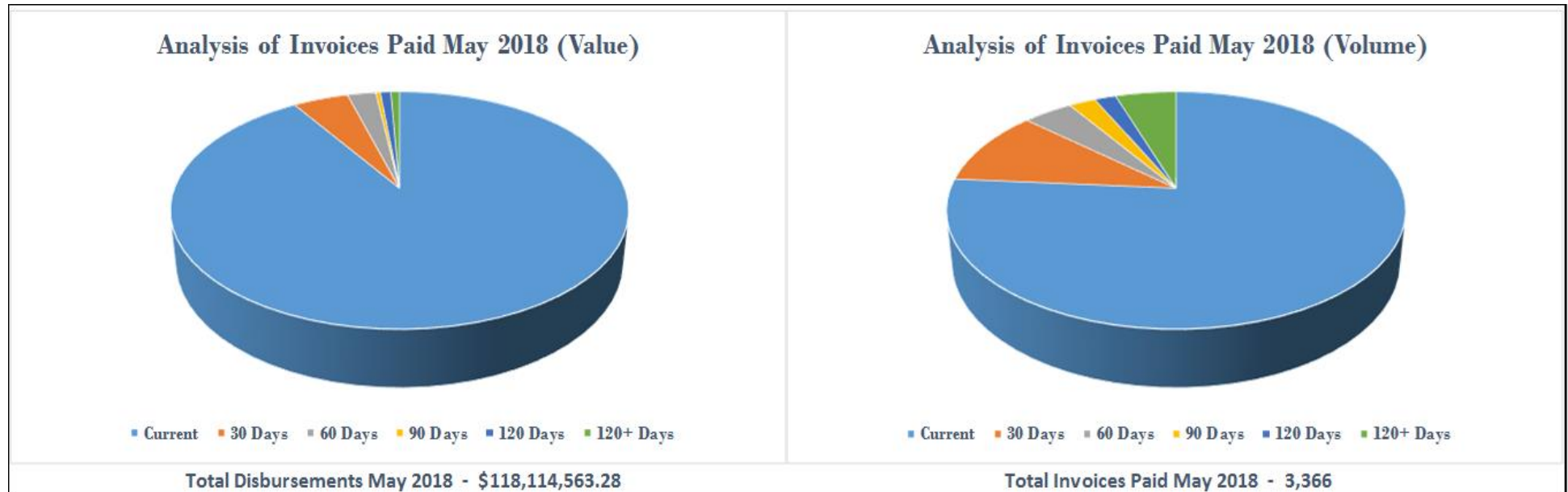
Over a shorter period, 41 months (January 2015 to May 2018), the trend for both infringements issues and received (incl. Baycorp) is positive while the trend for receipts by MoJ has remained relatively static.





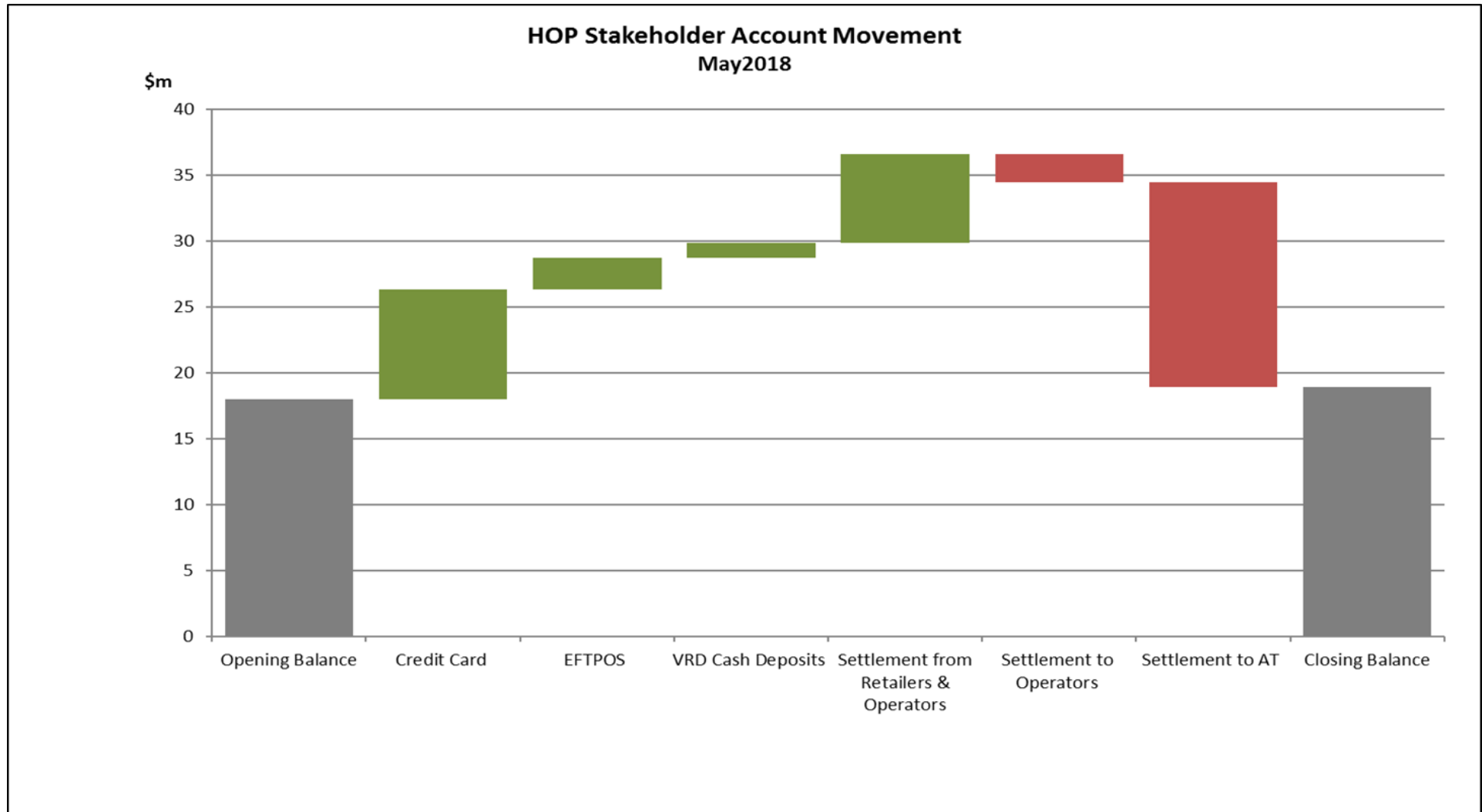
### Accounts Payable:

The following analysis of all invoices disbursed in May with the focus on the age of the invoice at time of payment. The graph comparing value by age, shows that AT has paid 96% of invoices on time or within 30 days of due date (97% April). The invoices by volume shows that 86% of invoices have been paid on time or within 30 days of due date (89% April). Value comparison May \$118 million / April \$136 million. Volume comparison May 3,366 / April 3,925 invoices.

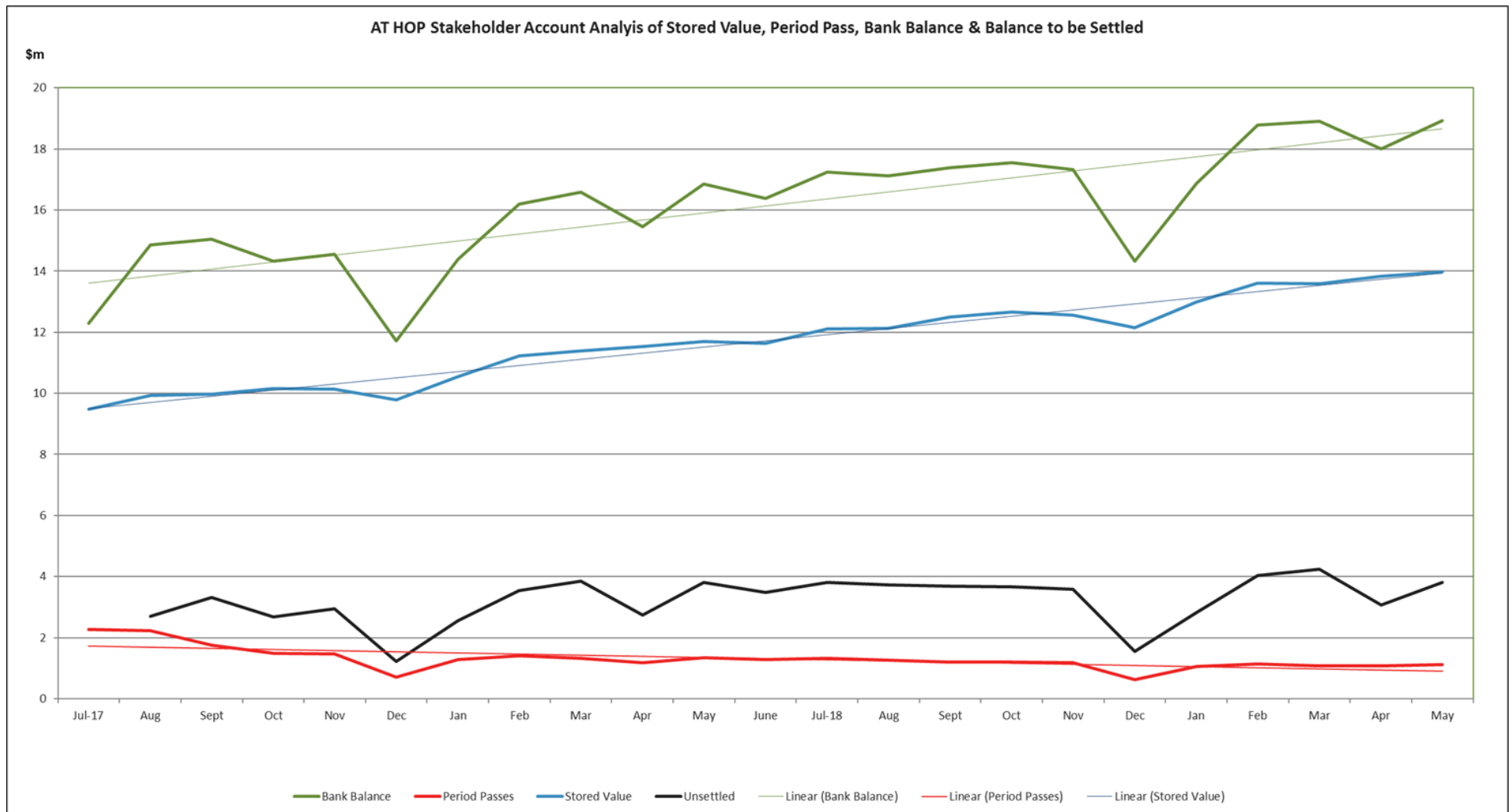


## Section 7 – AT HOP Stakeholder Monthly Report


The AT HOP Stakeholder bank account as of May 2018 increased by 5% from \$17.9 million in April to \$18.9 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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