

Financial Results for the Month Ended 31 July 2013

This report summarises the Auckland Transport financial results for the month ended 31 July 2013.

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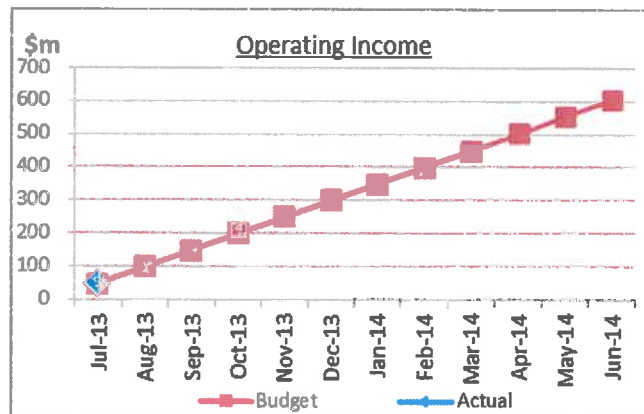
Executive Summary

Financial Results for the month ended 31 July 2013:

	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	(0.4)	(0.4)	↓	●	49.0	49.4	604.0
Total operating expenditure	4.4	4.4	↓	●	63.4	67.9	856.7
Surplus/(deficit) from operations	4.0	4.0	↑	●	(14.4)	(18.4)	(252.7)
Income for capital projects	0.7	0.7	↑	●	26.2	25.5	305.8
Net surplus/(deficit) before tax	4.7	4.7	↑	●	11.8	7.1	53.1
Total capital expenditure	19.3	19.3	↓	●	37.6	56.9	859.5

Key to symbols used:

↔	: Within tolerable range	↑	: Above forecast, favourable variance
↓	: Below forecast, unfavourable variance	●	: Achieved forecast or better
↓	: Below forecast, favourable variance	●	: Monitoring, some action taken
↑	: Above forecast, unfavourable variance	●	: Action required

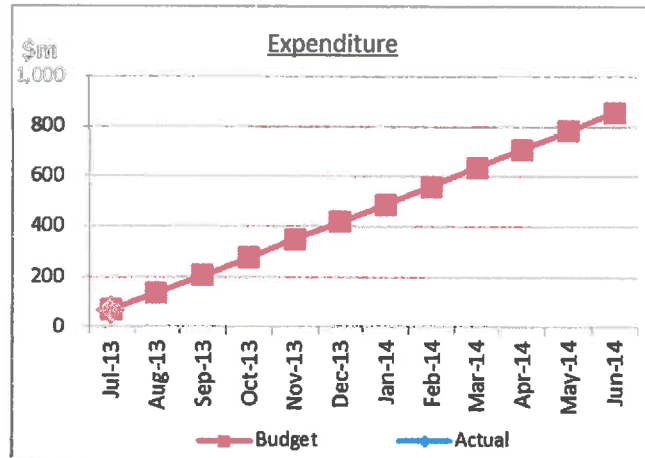


Total operating income is \$0.4m net unfavourable to budget. This is mainly due to:

- lower than budget NZTA operational income \$0.7m due to actual NZTA renewal subsidy that was budgeted for under operating subsidy

partly offset by:

- higher than budget income for public transport \$0.3m



Total operating expenditure is below budget by net \$4.4m mainly due to:

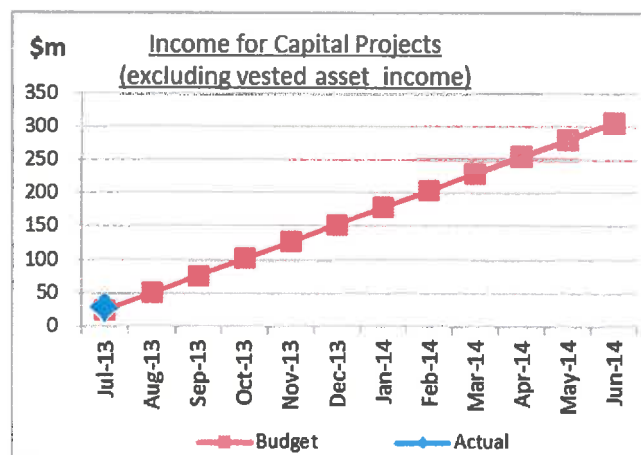
- \$3.6m favourable variance for derivatives, due to unrealised interest rate swap gain of \$4.0m, partly offset by realised interest rate swap loss of \$0.4m
- \$1.6m lower than budget operating expenditure from other public transport operations

Partly offset by:

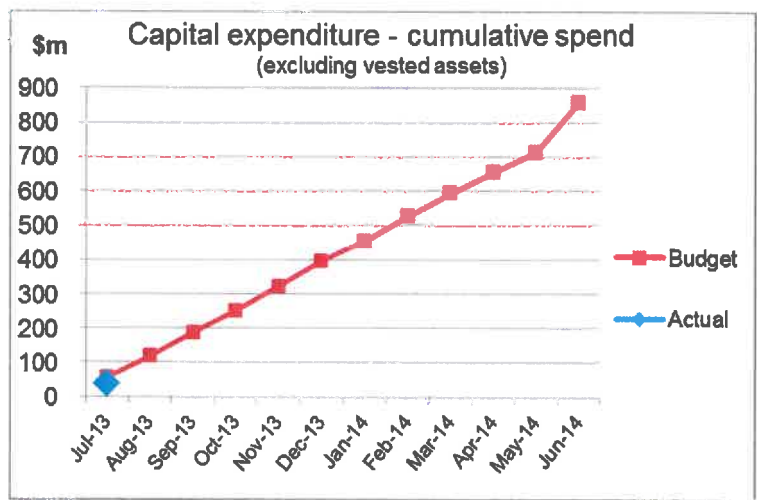
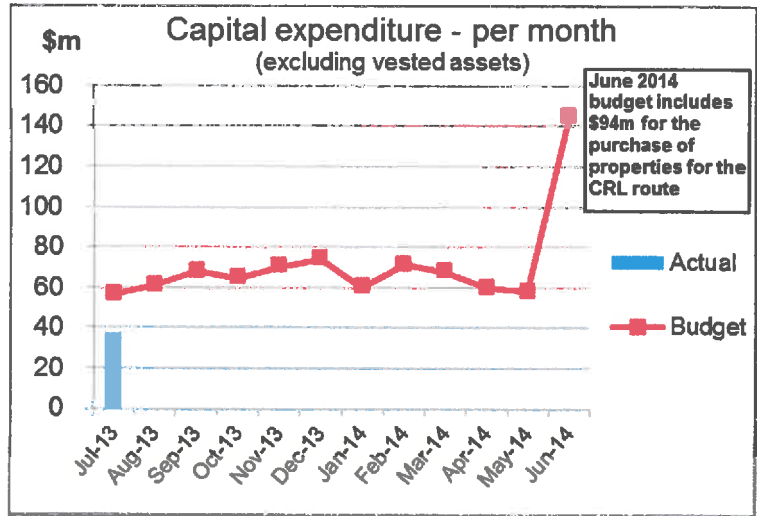
- \$0.9m higher than budget depreciation and amortisation expense

Net surplus before tax is \$4.7m favourable to budget and includes a \$0.7m favourable variance for income for capital projects.

The operational result deficit, excluding income for capital projects of \$14.4m, is \$4.0m favourable to the budget deficit of \$18.4m. This includes a \$3.6m favourable variance from derivatives which are in place for capital programmes, partly offset by \$0.9m higher than budget depreciation and amortisation expense.



Income for capital projects year to date is higher than budget by \$0.7m due to actual NZTA renewal subsidy that was budgeted for under operating subsidy.



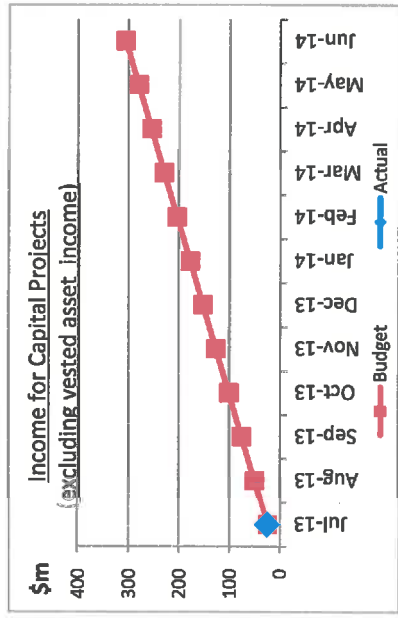
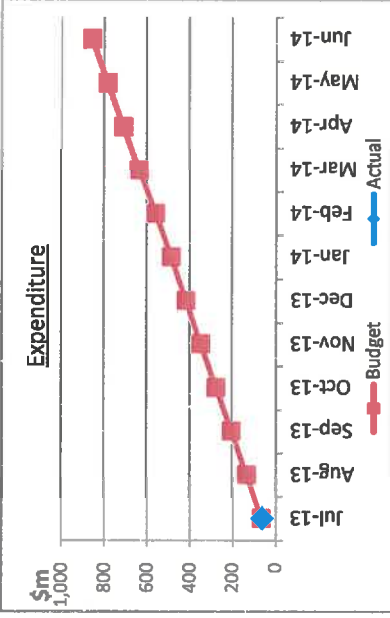
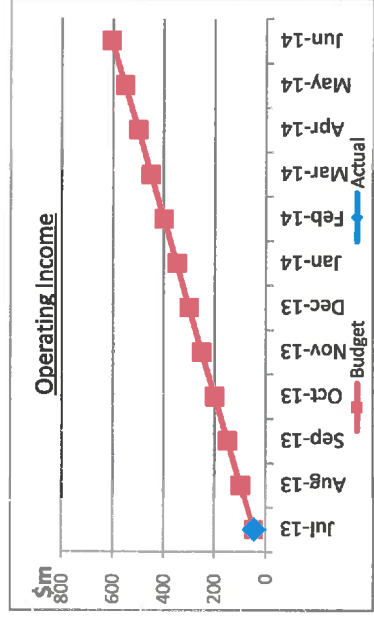
Capital expenditure, was \$37.6m, which is \$19.2m lower than budget due to less expenditure on new capital of \$11.4m, renewal capital of \$5.2m and EMU project \$2.6m. Further detail of the variances is in section 3a.

The **asset position** is sound with net assets of \$14.4 billion at the end of July and cash flow funding arrangements in place to ensure all liabilities can be met.

Section 2a - Statement of Financial Performance for the month ended 31 July 2013

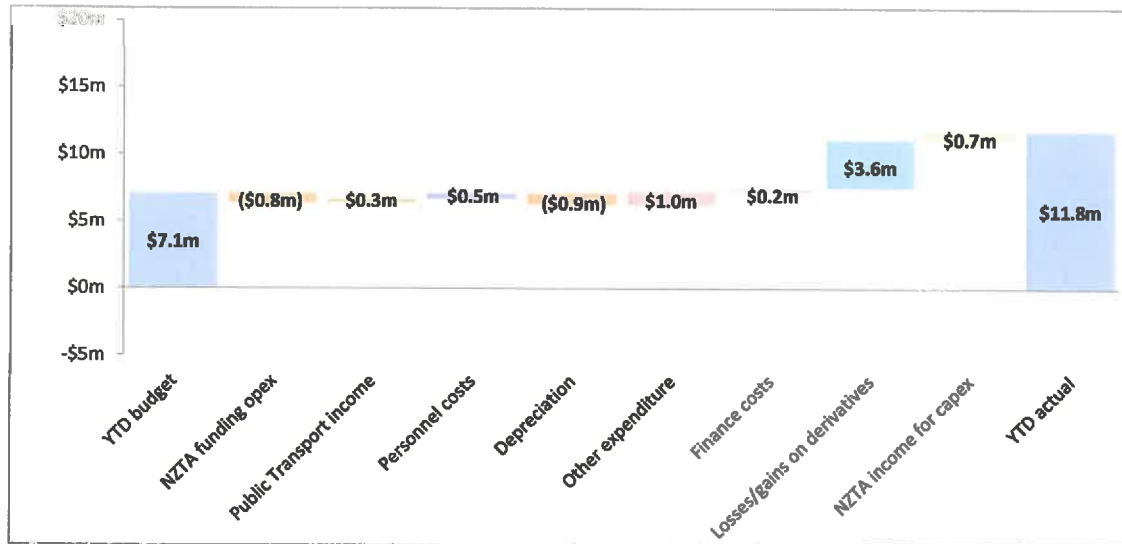
	Current month			Results achieved	Full year	
	Actual \$'000	Budget \$'000	Variance \$'000		Budget \$'000	
Income						
Operating income						
Auckland Council funding	19,178	19,178	-	●	230,138	
NZ Transport Agency	17,580	18,326	(746)	●	219,917	
Parking and enforcement income	5,842	5,800	42	●	78,932	
Public transport income	4,555	4,259	296	●	51,379	
Other revenue including other grants and subsidies	1,839	1,861	(22)	●	23,620	
Total operating income	48,994	49,424	(430)	●	603,986	
Expenditure						
Personnel costs	8,928	9,277	349	●	108,471	
Capitalised personnel costs	(2,256)	(2,157)	99	●	(24,355)	
Depreciation and amortisation expense	22,010	21,118	(892)	●	253,422	
Other expenses	37,418	38,426	1,008	●	500,865	
Finance costs (Electric Trains)	950	1,188	238	●	18,285	
Losses/(gains) on derivatives	(3,641)	-	3,641	●	-	
Total operating expenditure	63,409	67,852	4,443	●	856,688	
Profit/(loss) from Operations	(14,415)	(18,428)	4,013	●	(252,702)	
Income for capital projects						
NZ Transport Agency	15,487	14,803	684	●	177,639	
Auckland Council capital grant	10,678	10,678	-	●	128,140	
Other capital grants	-	-	-	●	-	
Vested asset income	-	-	-	●	-	
Net surplus/(deficit) before tax	26,165	25,481	684	●	305,779	
Income tax expense	11,750	7,053	4,697	●	53,077	
Net surplus/(deficit) after tax	11,750	7,053	4,697	●	53,077	

- : Largely on track
- : Monitoring/some action
- : Action required/taken



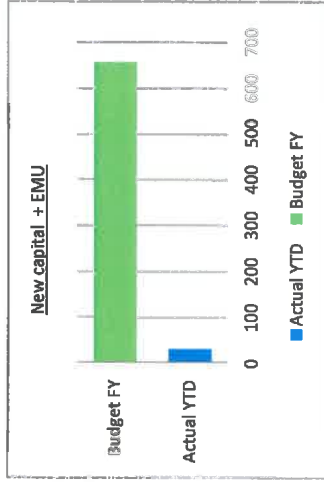
Section 2b - Net surplus/(deficit) waterfall

Net surplus/(deficit) - Year to date budget to actual (excluding vested asset income)

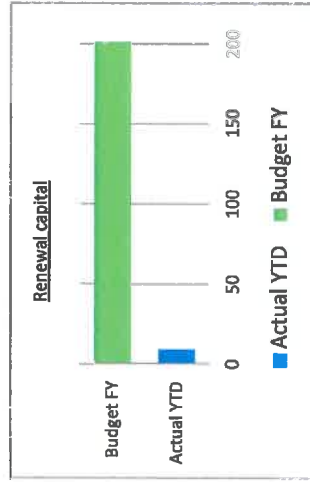


Section 3a - Summary of Capital Expenditure for the month ended 31 July 2013 Split by activity

	Note	Current month			Results achieved	Full year	
		Actual \$'000	Budget \$'000	Variance \$'000		Budget \$'000	Budget \$'000
New capital expenditure							
Parking operations	46	65	19	●	8,299		
Public transport	1	4,028	10,594	●	252,487		
Roads	2	12,013	17,343	●	236,912		
Other	3	876	390	●	4,712		
Total new capital		16,963	28,392		502,410		



Renewal capital expenditure						
Parking operations	32	21	(11)	●	2,121	
Public transport	115	209	94	●	12,722	
Roads	4	8,699	13,837	●	188,200	
Other	-	-	-		-	
Total renewal	8,846	14,067	5,221		203,043	



Electric motor units (EMUs)						
Procurement	8,311	10,236	1,927	●	135,589	
Depot	3,507	4,182	675	●	18,429	
Total EMUs	5	11,818	14,420	●	154,018	
Total direct capital	37,627	56,879	19,252		859,471	
Vested assets	-	-	-		-	
Total capital	37,627	56,879	19,252		859,471	

● : Largely on track
● : Some issues or risks
● : Project issues or risks

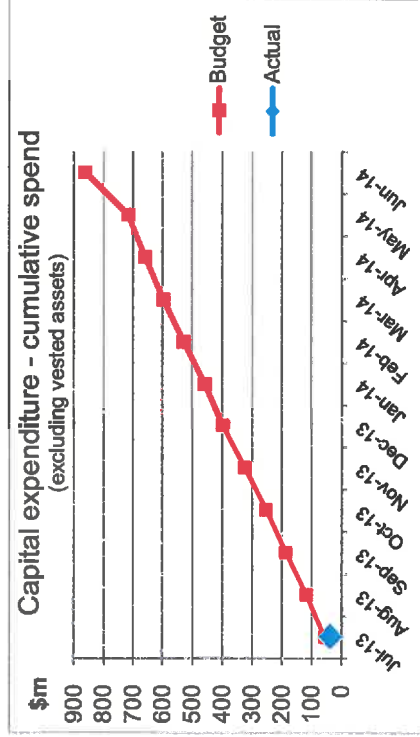
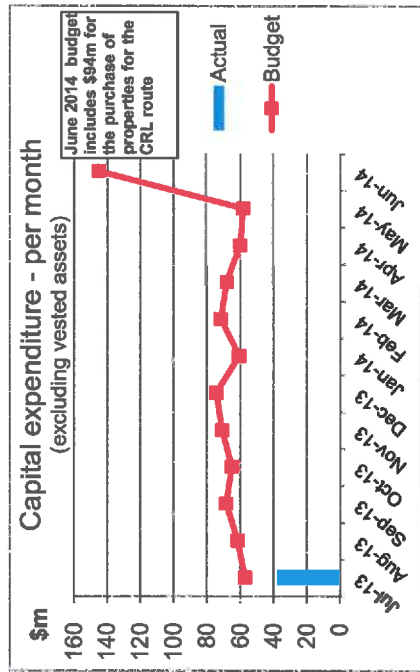
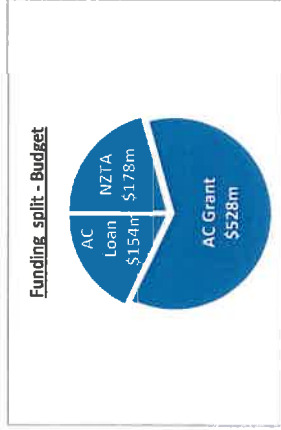
Notes: (Year to date)

- \$6.6m favourable variance against budget in public transport is mainly due to AIFS (\$6.0m, forecast payment for Thales milestones were settled in the previous year), Central Rail Link (\$0.4m, property settlement expected in July will occur in August).
- \$5.3m favourable variance against budget in roads is mainly due to Local Board Initiatives (\$0.8m, delay in the assingng projects to the budget), Regional road reconstruction (\$1.0m, project has not started. The project will be transferred to renewals in August), Walking and cycling (\$0.8m, delay in few construction projects), Safety improvement (\$1.7m, delay).
- \$0.5m unfavourable variance in others is primarily in IT and results from a June 2013 invoice posted in July which was not accrued.
- \$5.1m renewals underspending on roads is due to contractors who are in the process of restructuring to match contract requirements in first month of the new maintenance contracts, which resulted in a lower than usual activity level.
- \$2.6m underspending on EMU project is mainly due to delay in adoption of full driver simulator and smaller than expected initial spare parts

order. It is not expected to impact the overall programme.

Section 3b - Capital Expenditure Funding for the month ended 31 July 2013

Funding	Current month		Variance	Full year	
	Actual \$000	Budget \$000		Budget \$000	\$000
NZTA - new capital	5,754	5,754	-	69,046	
NZTA - renewal capital	9,733	9,049	684	108,593	
Other grants and subsidies	-	-	-	-	
Auckland Council funding (Non EMU)	10,322	27,656	(17,334)	527,815	
Auckland Council loan (EMU)	11,818	14,420	(2,602)	154,017	
Total funding	37,627	56,879	(19,252)	859,471	



**Section 4a - Statement of Financial Position
As at 31 July 2013**

	Note	Actual 31 July 2013 \$000	Actual 30 June 2013 \$000
Assets			
Current assets			
Cash and cash equivalents	1	90,349	52,107
Trade and other receivables	2	120,107	171,844
Inventories		4,496	4,496
Other assets		9,889	867
Total current assets		224,841	229,314
Non-current assets			
Property, plant and equipment - assets		13,931,424	13,942,040
Property, plant and equipment - work-in-progress		581,435	555,338
Intangible assets		72,778	72,990
Amounts due from related parties		46,000	46,000
Other non-current assets		-	-
Total non-current assets		14,631,637	14,616,368
Total assets		14,856,478	14,845,682
Liabilities			
Current liabilities			
Derivative financial instruments	3	11,282	7,423
Trade and other payables	4	142,546	181,689
Employee benefit liabilities	5	9,651	8,618
Borrowings	6	1,419	1,351
Total current liabilities		164,898	199,081
Non-current liabilities			
Derivative financial instruments	3	22,419	22,917
Employee benefit liabilities	5	851	851
Borrowings	6	228,768	220,962
Deferred tax liability	7	9,173	9,173
Total non-current liabilities		261,211	253,903
Total liabilities		426,109	452,984
Net assets		14,430,369	14,392,698
Equity			
Contributed equity		12,979,650	12,945,914
Retained earnings/(losses)		330,454	319,136
Reserves		1,120,265	1,127,648
Total equity		14,430,369	14,392,698

**Section 4b - Notes to the Financial Statements
As at 31 July 2013**

	Actual 31 July 2013 \$000	Actual 30 June 2013 \$000
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1 Cash and cash equivalents

Cash at bank - Trading	10,480	8,843
Cash at bank - AIFS	2,081	1,754
Till floats	265	265
Cash investment with Auckland Council	77,523	41,245
Total cash and cash equivalents	90,349	52,107

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

Auckland Transport operates a restricted bank account for Auckland Integrated Fares System (AIFS). This account is used for the deposit of unused stored value on AT HOP cards and is therefore considered restricted funds. This account does not form part of the assets or liabilities of Auckland Transport (see also note 4).

2 Trade and other receivables

Trade debtors	3,173	37,485
Infringements receivable	16,241	16,680
Amounts due from related parties	67,514	71,236
Accrued income	34,933	48,197
Goods and services tax	-	-
	121,861	173,598
Less provision for impairment of receivables	(1,754)	(1,754)
Total trade and other receivables	120,107	171,844

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 the reporting date is the carrying value of each class of receivable mentioned above.

The ageing profile of receivables at 31 July 2013 is detailed below:

	Gross \$000	Impaired \$000	Net \$000
Not past due	101,855	-	101,855
Past due 1 - 30 days	2,739	-	2,739
Past due 31 - 60 days	1,660	-	1,660
Past due 61 - 90 days	1,364	-	1,364
Past due > 90 days	14,243	(1,754)	12,489
	121,861	(1,754)	120,107

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 2013	1,754
Additional provisions made	-
Provisions reversed	-
Receivables written-off	-
At 31 July 2013	1,754

**Section 4b - Notes to the Financial Statements
As at 31 July 2013**

	Actual 31 July 2013	Actual 30 June 2013
	\$000	\$000

3 Derivative financial instruments

Current liability portion

Forward foreign exchange contracts - cash flow hedges	11,038	7,187
Forward foreign exchange contracts - not hedge accounted	244	236
Current derivative financial instruments	11,282	7,423

Non-current liability portion

Interest rate swaps - cash flow hedges	7,447	11,477
Forward foreign exchange contracts - cash flow hedges	14,972	11,440
Non-current derivative financial instruments	22,419	22,917

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 - not hedge accounted

The notional principal amount of outstanding forward foreign exchange contracts that were not hedge accounted was NZD \$869k. The foreign currency principal amount was EUR 375k. The loss on their revaluation of \$7k has been recorded in the Statement of Financial Performance.

Forward foreign exchange contracts - hedge accounted

The notional principal amount of outstanding forward foreign exchange contract cash flow hedges was NZD \$338m. The foreign currency principal amount was USD \$241m. These cash flow hedges have been accounted for as effective and the loss of \$7.4m on their revaluation has been transferred to the cash flow hedge reserve within equity.

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 \$347m. At 31 July 2013 the fixed interest rates of cash flow hedge interest rate swaps varied from 5.04% to 5.4%. The gain on their revaluation of \$4m has been recorded in the Statement of Financial Performance.

4 Trade and other payables

Creditors	11,741	22,927
Goods and services tax	5,547	8,968
Accrued expenses	101,561	125,996
Retentions	7,884	7,521
Amounts due to related parties	12,493	13,260
Income in advance	1,239	1,263
AIFS Hop Card unsecured obligation	2,081	1,754
	142,546	181,689

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.

The AIFS Hop Card unsecured obligation represents card holder deposits held in trust in a separate bank account for the benefit of the holders. Accordingly, the balance does not form part of the assets or liabilities of Auckland Transport (See note 1).

**Section 4b - Notes to the Financial Statements
As at 31 July 2013**

Actual
31 July 2013
\$000

Actual
30 June 2013
\$000

5 Employee benefit liabilities

Current portion

Accrued salaries and wages	2,791	1,806
Accrued leave	6,860	6,812
Current employee benefit liabilities	9,651	8,618

Non-current portion

Retirement gratuities	383	383
Long service leave	468	468
Non-current employee benefit liabilities	851	851

6 Borrowings

Current portion

Loans from Auckland Council	1,237	1,186
Finance Leases	182	165
Current borrowings	1,419	1,351

Non-current portion

Loans from Auckland Council	228,333	220,496
Finance Leases	435	466
Non-current borrowings	228,768	220,962

Weighted average cost of funds on total borrowings 5.45% 5.43%

Auckland Transport's loan debt of \$229,569,463 is issued at fixed rates of interest ranging from 4.20% to 6.06%. The interest rate on finance leases is 3%.

7 Deferred tax liability

Actual
31 July 2013

	Property, plant and equipment	Other provisions	Tax losses	Total
	\$000	\$000	\$000	\$000
Balance at 1 July 2012	(11,020)	-	-	(11,020)
Charged to profit and loss	1,847	-	-	1,847
Charged to equity	-	-	-	-
Balance at 31 July 2013	(9,173)	-	-	(9,173)

Section 5a - Cash Flow Rolling Forecast as at 31 July 2013

	Current month		Forecast rolling 3 months		
	Actual	Forecast	Forecast	Forecast	Forecast
	\$000	\$000	Aug 2013	Sep 2013	Oct 2013
			\$000	\$000	\$000
Cash flows from operating activities					
Total cash provided	122,444	74,905	75,604	75,604	75,604
Cash applied to:					
Payments to suppliers, employees and directors	58,221	48,236	48,935	48,346	49,067
Interest paid	1,818	1,188	1,188	1,306	1,453
Goods and services tax (net)	3,422	-	-	-	-
Total cash applied	63,461	49,424	50,123	49,652	50,520
Net cash from operating activities	58,983	25,481	25,481	25,481	25,481

Cash flows from investing activities					
Cash provided from:					
Sale of property, plant and equipment	350	-	-	-	-
Total cash provided	350	-	-	-	-
Cash applied to:					
Capital expenditure projects	66,488	56,540	61,441	68,285	64,935
Total cash applied	66,488	56,540	61,441	68,285	64,935
Net cash from investing activities	(66,138)	(56,540)	(61,441)	(68,285)	(64,935)

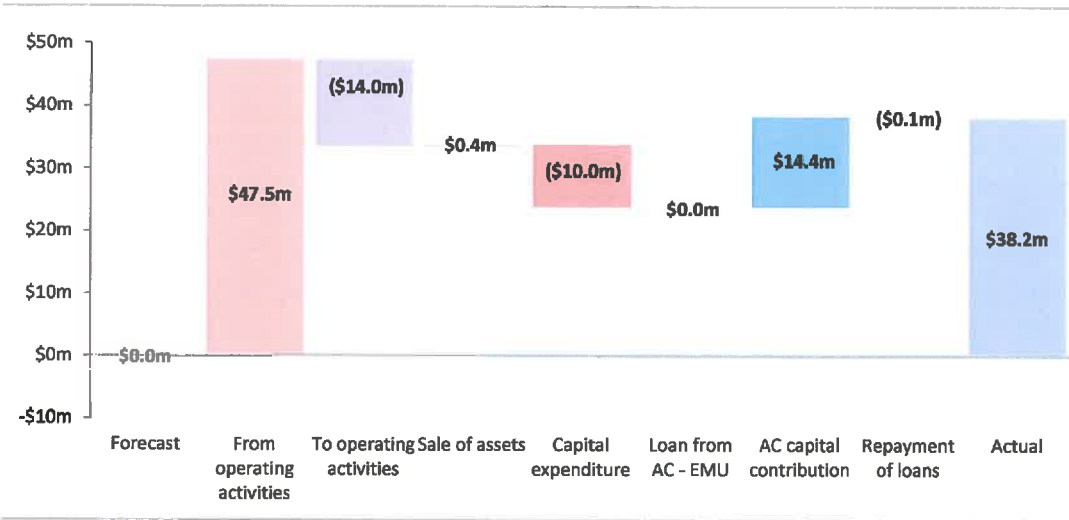
Cash flows from financing activities					
Cash provided from:					
Loan from Auckland Council - EMU	8,000	8,000	-	14,000	-
Capital contribution from Auckland Council	37,522	23,059	35,960	28,804	39,454
Total cash provided	45,522	31,059	35,960	42,804	39,454
Cash applied to:					
Repayments of EMU loan from Auckland Council	113	-	-	-	-
Repayments of finance lease principal	14	-	-	-	-
Total cash provided	127	-	-	-	-
Net cash from financing activities	45,395	31,059	35,960	42,804	39,454

Net (decrease)/increase in cash and cash equivalents	38,240	-	-	-	-
Opening cash balance	52,108	-	-	-	-
Closing cash balance	90,348	-	-	-	-

Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities		Current month
Surplus/(deficit) after tax		\$000
		11,750
Add/(less) non cash items		
Depreciation and amortisation		22,010
Vested assets		-
Loss on disposal of property, plant and equipment		-
Loss on asset write off		-
Revaluation decrement		-
Foreign exchange gains		8
Loss on interest rate swaps		(4,030)
Income tax		-
		<u>17,988</u>
Add/(less) movements in working capital		
Decrease/(Increase) in debtors and other receivables		36,321
Decrease/(Increase) in inventories		-
(Decrease)/Increase in creditors and other payables		(6,865)
(Decrease)/Increase in employee benefits payable		1,033
(Decrease)/Increase in investment funding from AC		(1,244)
		<u>29,245</u>
Net cash flow from operating activities		58,983

Section 5b - Cash flow

Cash flow - Current month forecast to actual



Section 6 - Accounts Receivable and Accounts Payable Monthly Report.

Accounts Receivable

An overview of the Debtors as at 31 July has 97.4% of adjusted Debtors in 30 and 60 days.

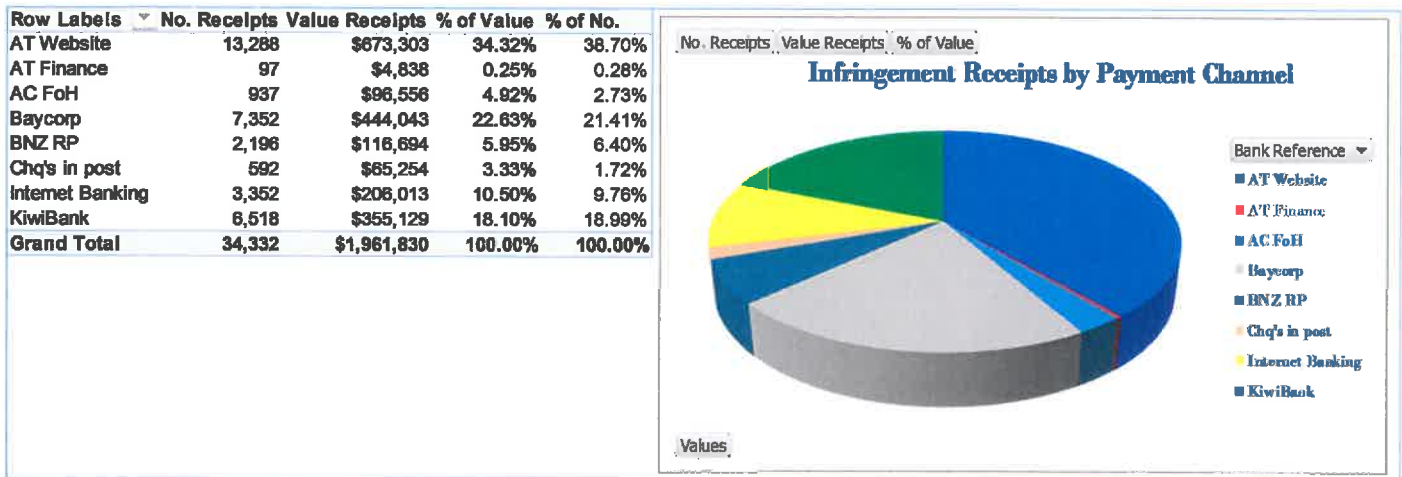
Debtors Ageing Analysis as at 31 July 2013

<u>Description</u>	<u>Ave Days</u>	<u>Total O/s</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 Jul	158	4,651,488	1,765,236	781,618	81,732	76,223	1,946,680	
		100.0%	37.9%	16.8%	1.8%	1.6%	41.9%	
O/s Related Parties	na	1,478,535	865,711	577,615	230	34,980	0	1
Trade Debtors	88	3,172,953	899,526	204,003	81,502	41,243	1,946,680	
		100.0%	28.3%	6.4%	2.6%	1.3%	61.4%	
Queried Invoices	212	275,003	5,182	7,493	40,096	31,766	190,465	2
Cell Sites - Property	391	1,834,668	0	114,861	8,497	0	1,711,310	3
To Baycorp (Collection)	373	23,770	1,035	559	1,853	6,287	14,036	4
Payment Arrangement	34	4,220	1,855	1,968	398	0	0	5
Lodged Courts (Damages)	105	96,685	49,452	7,174	10,762	130	29,167	6
Adjusted Debtors	N/a	938,607	842,002	71,948	19,895	3,059	1,702	
		100.0%	89.7%	7.7%	2.1%	0.3%	0.2%	

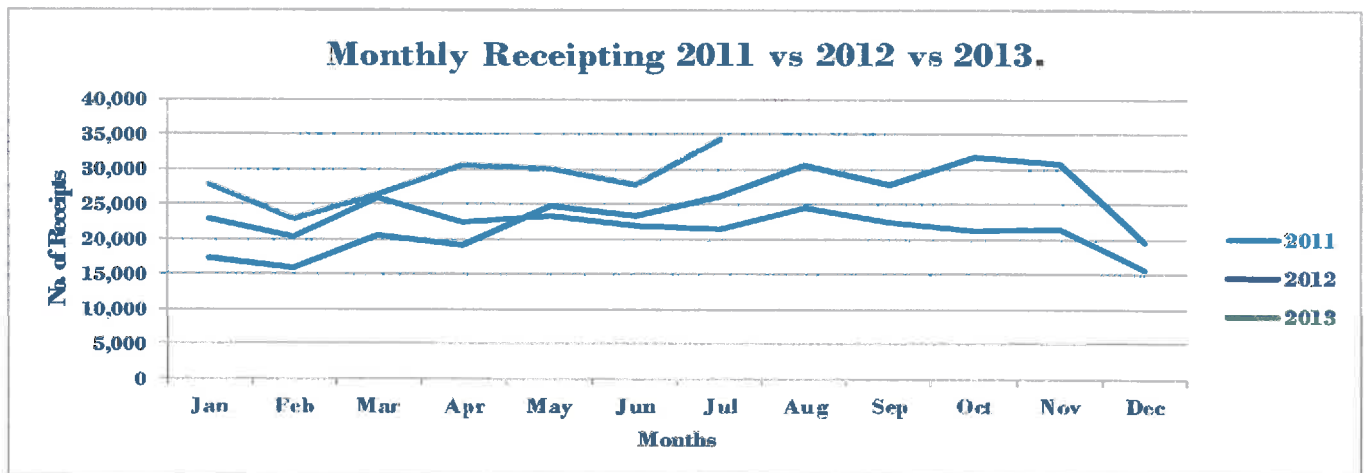
- 1 - This section relates to amounts owed by related parties (inter-company).
- 2 - A number of invoices have been queried by customers and we are working with them and the relevant Departments in an effort to resolve these queries. The bulk of the outstanding amount is made up of two groups of Debtors with combined outstanding invoices totalling \$214k. Finance are in constant contact with Property in an effort to resolve these queries.
- 3 - Property are currently working to resolve on-going issues around outstanding amounts relating to rental of cell sites. Of this an amount of \$1,681,840 was impaired at 30 June as they were considered doubtful. This has been revised from \$788k last year. The additional invoices have been included as doubtful as they remain unpaid while the issue of whether AT can recover rentals of cell sites is resolved. This matter is now with senior management for resolution.
- 4 - These are amounts which may be written off in the future. All amounts written off are approved by the CFO in accordance with accepted practice. A number of Debtors have been handed over to Baycorp for collection.
- 5 - Slow payers with payment arrangements.
- 6 - Lodged at Court relates to matters where AT is recovering damages from road accidents investigated by the Police. Many of the matters are being paid off at a nominal amount per week as instructed by the Courts.

Infringement Overview

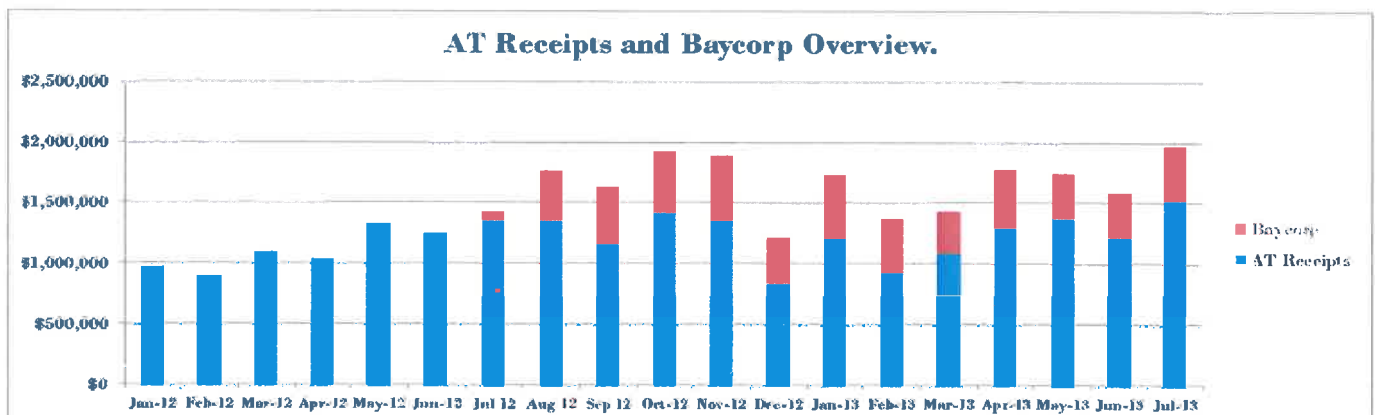
In July, we have recorded the highest number and value of receipts in a month since the inception of AT.



July Infringement receipts are 23% up on June receipts mainly due to 23 working days in July compared with 19 in June. The breakdown across the various payment channels has remained mostly static during July even with the additional receiving days. The AT Website remains the favourite channel with Baycorp a clear second.



The average number of receipts for the first 7 months of 2011 was 22,694, compared with 21,117 for 2012 and 28,641 for the first 7 months of 2013. January to July 2013 receipts are 36% up on the same period in 2012 before the Baycorp project started.



Recommendation

It is recommended that the Auckland Transport Board receive the report.

Prepared by	Katy Wang Planning and Reporting Accountant Susan Cairns Senior Financial Reporting Accountant	 
Recommended by	Julian Michael Financial Reporting Manager Stephen Smith Finance Manager	 
Approved for submission	David Foster Chief Financial Officer	