Financial Results for the Six Months Ended 31 December 2012

This report summarises the Auckland Transport financial results for the six months ended 31 December 2012.

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Executive Summary

Financial Results for the six months ended 31 December 2012:

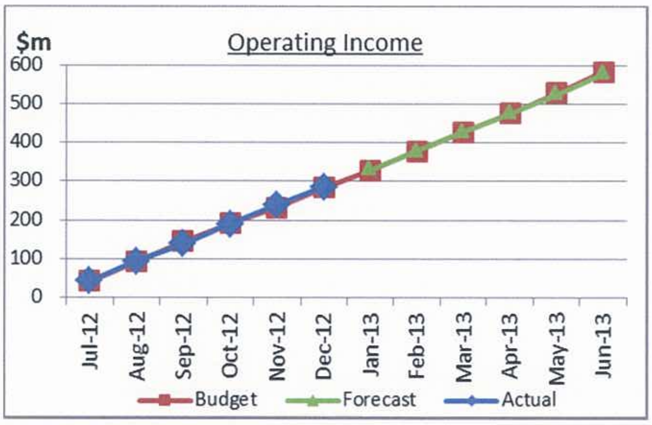
	Current month variance to Budget $m	Year to date variance to Budget $million	Year to date results	Year to date Actual $million	Year to date Budget $million	Full year Forecast $m	Full Year Budget $million
Total operating income	1.4	3.8	⇧ ●	286.4	282.6	578.7	583.6
Total operating expenditure	(0.7)	(22.2)	⇧ ●	417.9	395.7	844.3	824.2
Surplus/(deficit) from operations	0.7	(18.4)	⇩ ●	(131.5)	(113.1)	(265.6)	(240.6)
Income for capital projects	19.7	425.2	⇧ ●	539.3	114.2	677.2	243.0
Net surplus/(deficit) before tax	20.4	406.8	⇧ ●	407.8	1.0	411.6	2.4
Total capital expenditure	(11.9)	(407.1)	⇧ ●	692.4	285.3	690.6	719.8

Key to symbols used:

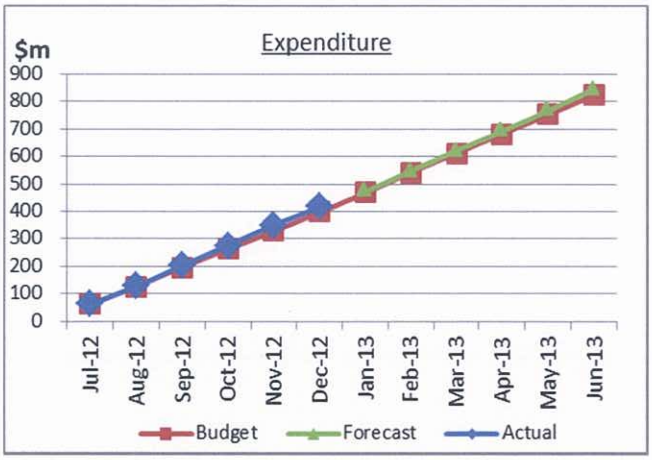
⇔	: Within tolerable range	⇧	: Above budget, favourable variance
⇩	: Below budget, unfavourable variance	●	: Achieved budget or better
⇩	: Below budget, favourable variance	●	: Monitoring, some action taken
⇧	: Above budget, unfavourable variance	●	: Action required

Net surplus before tax year to date is $407.8m. This is $406.8m favourable to the budgeted surplus of $1.0m due to higher than budgeted operating income of $3.8m and income for capital projects of $425.2m (this includes $414.4m unbudgeted vested assets from NZ Transport Agency and Auckland Council). This is partly off-set by an additional $22.2m of operating expenditure.

Excluding the $414.4m unbudgeted vested asset income, the financial result is a **Net deficit before tax year to date** of $6.6m which is $7.6m unfavourable to the budgeted surplus of $1.0m.

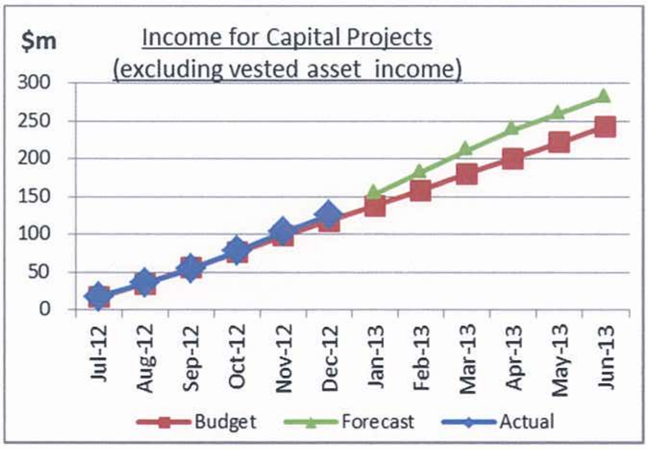


Total operating income year to date is $3.8m favourable to budget. This is mainly due to an additional $1.1m cell phone site rental income, $1.7m unbudgeted reimbursements of street maintenance costs from Auckland Council and $0.7m additional NZ Transport Agency funding.



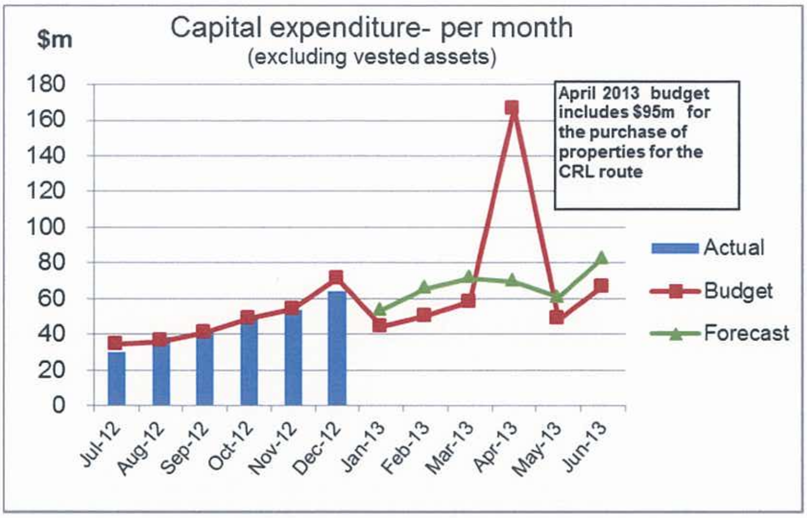
Total operating expenditure year to date is above budget by $22.2m mainly due to:

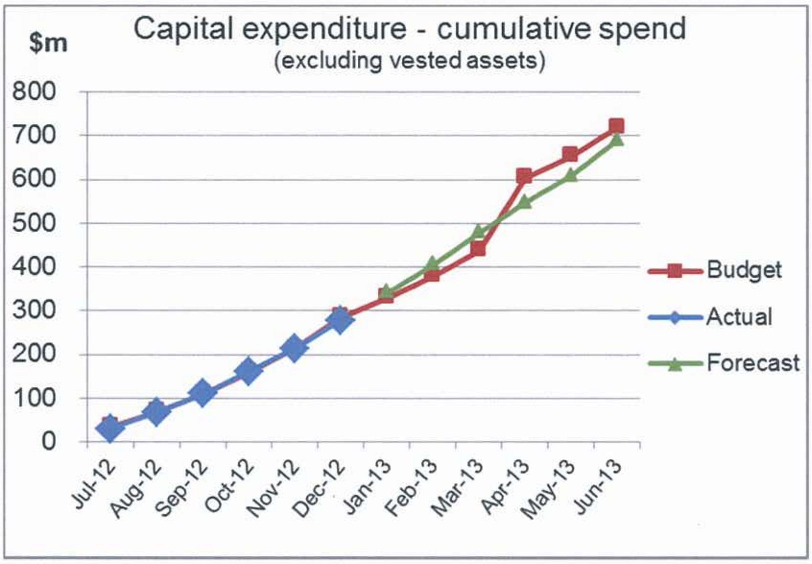
- $4.4m interest rate swap loss due to a $6.6m loss from the close out of interest rate swaps partly offset by $2.2m unrealised interest rate swap gain. The losses on the interest rate swap close outs are due to the market interest rate being lower than the contract rate for the swaps, however Auckland Transport will be paying lower fixed interest rates for related borrowing till April 2023
- $5.9m additional depreciation and amortisation partly due to unbudgeted vested assets depreciation
- $7.2m of street maintenance costs; higher than budgeted rates payment of $1.3m to Auckland Council
- streetlighting costs of $1.6m above budget however it is expected that this is a timing difference and will be within annual budget.



Income for capital projects year to date is above budget by $425.2m primarily due to $414.4m vested asset income. The receipt of the vested asset is a non-cash transaction. The fair value of the vested asset was recorded as a fixed asset in the Statement of Financial Position and recognised as income in the Statement of Financial Performance.

Excluding vested assets, year to date income for capital projects is above budget by $10.7m primarily due to NZ Transport Agency capital funding being higher than expected.





Capital expenditure, excluding vested assets, year to date was $278.0m, which is $7.3m lower than budget due to delayed spending on EMU project of $11m and new capital expenditure of $2.6m, partly offset by renewal capital expenditure ahead of budget by $6.4m. The full year budgeted capital expenditure is $719.8m.

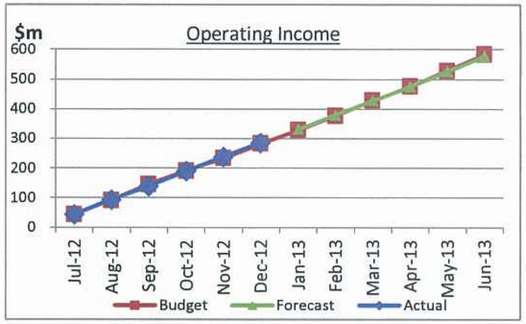
Capital expenditure is forecast to be under budget by $29.2m mainly due to the reduction of $66.5m in land purchase costs in the CRL project partly offset by increase of $27m in AIFS and $15.8m in NORSGA, AMETI projects. The total forecast programme for the year to June 2013 is $690.6m.

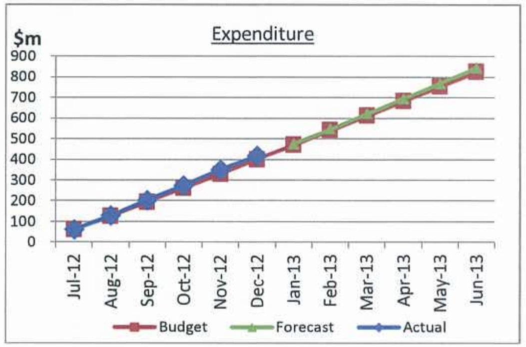
The **asset position** is sound with net assets of $14.0 billion at the end of December and cash flow funding arrangements are in place to ensure all liabilities can be met.

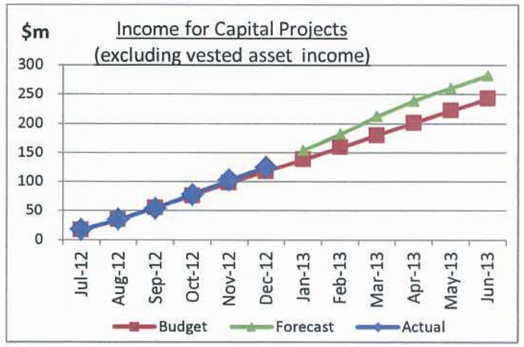
Section 2a - Statement of Financial Performance for the six months ended 31 December 2012

	Current month			Year to date				Full year			
	Actual $000	Budget $000	Variance $000	Actual $000	Budget $000	Variance $000	Results achieved	Forecast $000	Budget $000	Variance $000	Results achieved
Income											
Operating income											
Auckland Council funding	17,946	17,946	-	**107,674**	107,674	-	🟢	**222,347**	**215,347**	**7,000**	🟢
NZ Transport Agency	19,323	18,621	702	**108,260**	107,530	730	🟢	**210,291**	**209,075**	**1,216**	🟢
Parking and enforcement income	4,926	4,554	372	**33,679**	33,899	(220)	🟡	**79,734**	**79,946**	**(212)**	🟡
Public transport income	3,064	3,135	(71)	**23,303**	23,927	(624)	🟡	**48,229**	**60,180**	**(11,951)**	🟡
Other revenue including other grants and subsidies	2,028	1,589	439	**13,455**	9,539	3,916	🟢	**18,101**	**19,078**	**(977)**	🟡
Total operating income	47,287	45,845	1,442	**286,371**	282,569	3,802	🟢	**578,702**	**583,626**	**(4,924)**	🟡
Expenditure											
Personnel costs	6,974	7,201	227	**47,059**	46,665	(394)	🟡	**99,960**	**95,710**	**(4,250)**	🟡
Capitalised personnel costs	(1,856)	(2,419)	(563)	**(11,062)**	(13,772)	(2,710)	🟡	**(24,669)**	**(26,310)**	**(1,641)**	🟡
Depreciation and amortisation expense	21,803	20,051	(1,752)	**126,231**	120,308	(5,923)	🟡	**260,000**	**240,615**	**(19,385)**	🟡
Other expenses	42,434	40,028	(2,406)	**247,589**	237,048	(10,541)	🟡	**492,782**	**501,965**	**9,183**	🟢
Finance costs (Electric Trains)	725	1,053	328	**3,684**	5,465	1,781	🟢	**11,140**	**12,261**	**1,121**	🟢
Losses/(gains) on derivatives	(3,437)	-	3,437	**4,402**	-	(4,402)	🟡	**5,109**	**-**	**(5,109)**	🟡
Total operating expenditure	66,643	65,914	(729)	**417,903**	395,714	(22,189)	🟡	**844,322**	**824,241**	**(20,081)**	🟡
Profit/(loss) from Operations	(19,356)	(20,069)	713	**(131,532)**	(113,145)	(18,387)	🟡	**(265,620)**	**(240,615)**	**(25,005)**	🟡
Income for capital projects											
NZ Transport Agency	12,448	12,333	115	**62,922**	52,182	10,740	🟢	**158,343**	**119,076**	**39,267**	🟢
Auckland Council capital grant	10,329	10,329	-	**61,974**	61,974	-	🟢	**123,949**	**123,949**	**-**	🟢
Other capital grants	-	-	-	**10**	-	10	🟢	**10**	**-**	**10**	🟢
Vested asset income	19,538	-	19,538	**414,433**	-	414,433	🟢	**394,895**	**-**	**394,895**	🟢
	42,315	22,662	19,653	**539,339**	114,156	425,183	🟢	**677,197**	**243,025**	**434,172**	🟢
Net surplus/(deficit) before tax	**22,959**	**2,593**	**20,366**	**407,807**	**1,011**	**406,796**	🟡	**411,577**	**2,410**	**409,167**	🟡
Income tax expense	1,125	-	(1,125)	1,125	-	(1,125)		**-**	**-**	**-**	
Net surplus/(deficit) after tax	21,834	2,593	19,241	**406,682**	1,011	405,671	🟡	**411,577**	**2,410**	**409,167**	🟡

🟢 : Largely on track
🟡 : Monitoring/some action
🔴 : Action required/taken

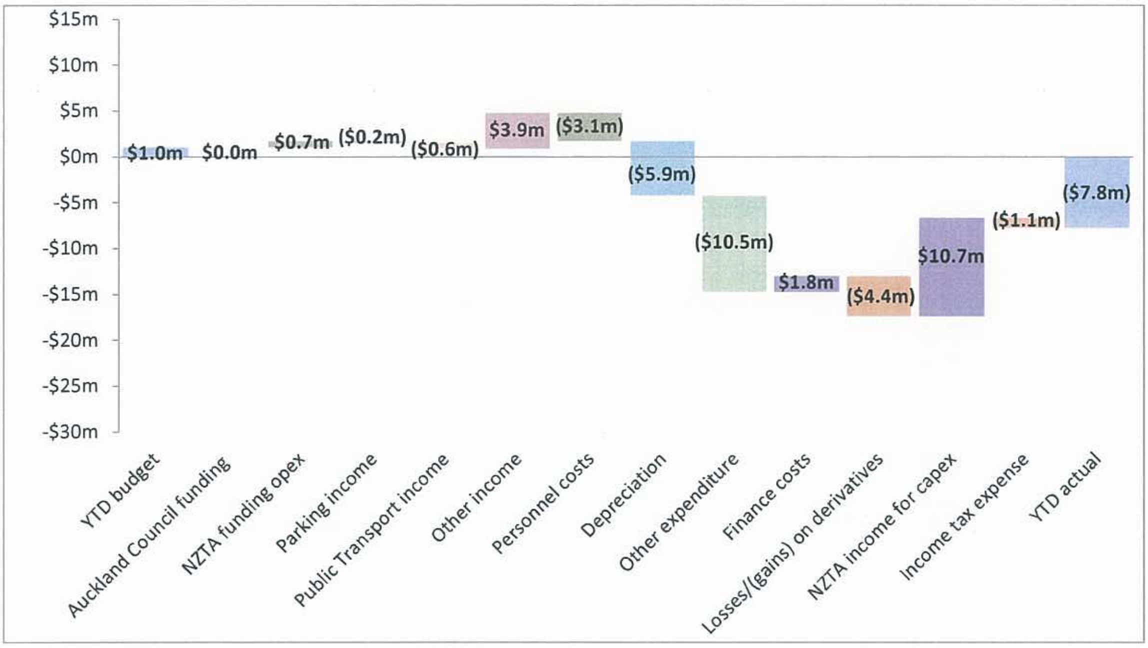




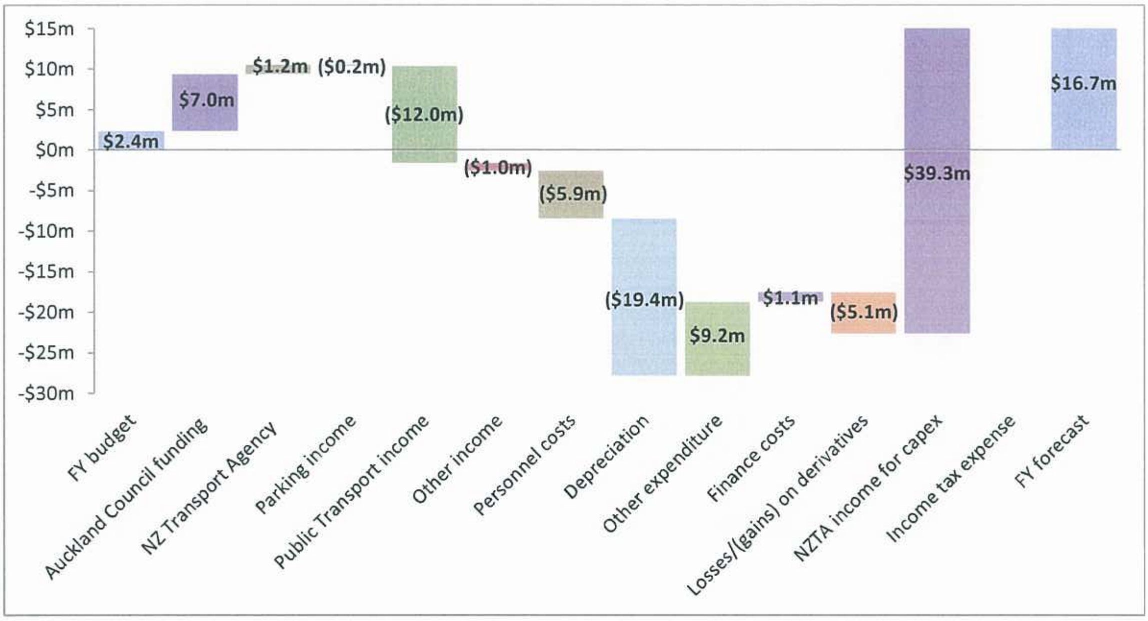


Section 2b - Net suplus/(deficit) waterfall

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



Net surplus/(deficit) - Full year budget to forecast (excluding vested asset income)



Section 2c - Financial results by activity for the six months ended 31 December 2012

		Parking and Enforcement $000	Public Transport $000	Road Network $000	Other $000	Total $000
Operational costs: (excluding income for capital projects)						
YTD Actual/Budget variance	Revenue - NZTA	-	1. (3,208)	3,536	402	730
	Revenue - Other	(220)	(624)	3,648	268	3,072
	Expenditure	2,929	2. 389	3. (17,237)	4. (8,270)	(22,189)
	Net result	2,709	(3,443)	(10,053)	(7,600)	(18,387)
Capital Expenditure:						
YTD Actual/Budget variance		3,010	6,293	(3,177)	1,183	7,309

1. Reduced NZTA income for Public Transport due to lower than budgeted expenditure on Public Transport facilities.

2. The favourable variance in Public Transport of $0.4m was due to lower than budgeted operating expenditure on Public Transport $5.6m partly offset by higher than planned depreciation of $2.6m and finance costs of $2.6m.

3. Roading unfavourable expenditure variance of $17.2m includes costs planned for in future months for street cleaning $7.2m, and street lighting $1.6m, and a loss of $1.2m on the disposal of assets. It also includes additional depreciation of $5.9m for vested assets received from NZTA.

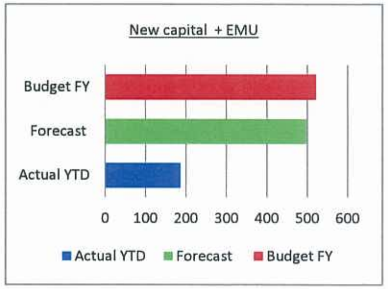
4. The $8.3m unfavourable variance for Other expenditure includes a $10.6m efficiency target which is to be achieved across all activities.

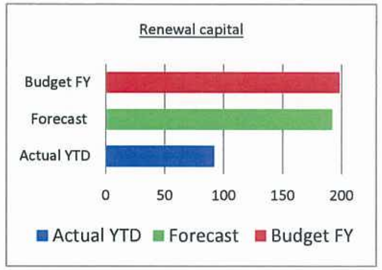
: Largely on track
: Monitoring/minor action taken
: Action required/taken

Section 3a - Summary of Capital Expenditure for the six months ended 31 December 2012

Split by activity

	Note	Current month Actual $000	Current month Budget $000	Current month Variance $000	Year to date Actual $000	Year to date Budget $000	Year to date Variance $000	Results Achieved	Full Year Forecast $000	Full Year Budget $000	Full Year Variance $000
New capital expenditure											
Parking operations	1	221	204	(17)	1,301	2,534	1,233	🟢	5,153	5,229	76
Public transport	2	8,589	7,125	(1,464)	37,975	29,654	(8,321)	🟡	127,597	163,945	36,348
Roads	3	17,155	19,873	2,718	98,442	106,960	8,518	🟢	262,515	248,594	(13,921)
Other	4	787	352	(435)	3,544	4,727	1,183	🟢	6,483	7,556	1,073
Total new capital		**26,752**	**27,554**	**802**	**141,262**	**143,875**	**2,613**	🟢	**401,748**	**425,324**	**23,576**
Renewal capital expenditure											
Parking operations	5	30	473	443	272	2,049	1,777	🟢	6,225	6,225	-
Public transport	6	441	805	364	1,535	5,087	3,552	🟢	10,562	10,223	(339)
Roads	7	19,167	18,061	(1,106)	89,771	78,076	(11,695)	🟡	175,709	181,662	5,953
Other		-	-	-	-	-	-		-	-	-
Total renewal		**19,638**	**19,339**	**(299)**	**91,578**	**85,212**	**(6,366)**	🟡	**192,496**	**198,110**	**5,614**
Electric motor units (EMUs)											
Procurement		14,398	20,528	6,130	21,304	26,551	5,247	🟡	44,080	44,080	-
Depot	8	2,626	3,654	1,028	23,816	29,631	5,815	🟢	52,263	52,263	-
Total EMUs		**17,024**	**24,182**	**7,158**	**45,120**	**56,182**	**11,062**	🟢	**96,343**	**96,343**	**-**
Total direct capital		**63,414**	**71,075**	**7,661**	**277,960**	**285,269**	**7,309**		**690,587**	**719,777**	**29,190**
Vested assets		19,538	-	(19,538)	414,433	-	(414,433)		-	-	-
Total capital		**82,952**	**71,075**	**(11,877)**	**692,393**	**285,269**	**(407,124)**		**690,587**	**719,777**	**29,190**





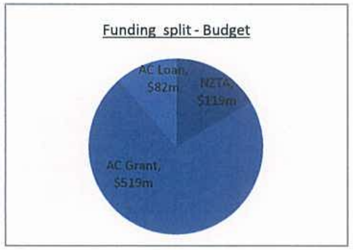
🟢 : Largely on track
🟡 : Some issues or risks
: Project issues or risks

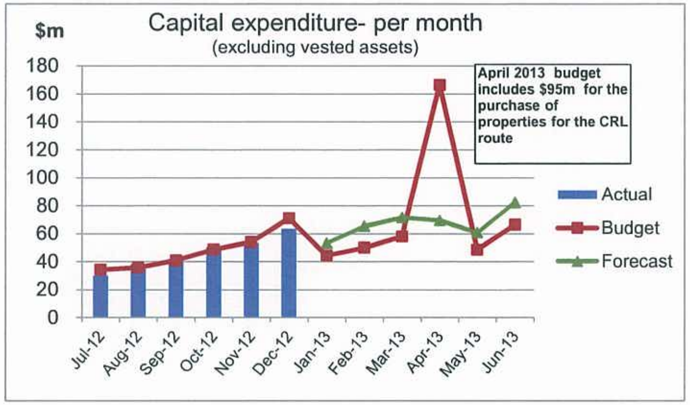
Notes: (Year to date)

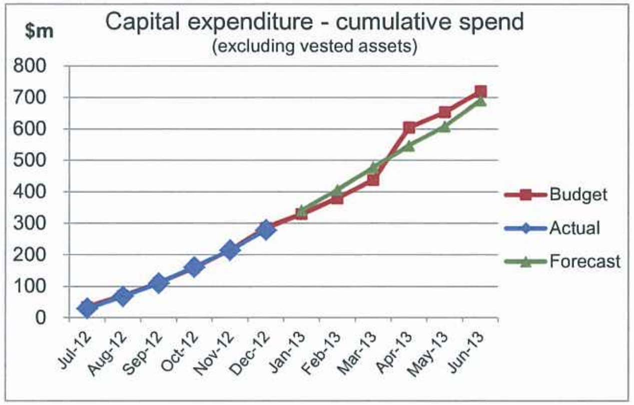
1. $1.2m favourable variance in parking is mainly due to delay on car park building works.
2. $8.3m unfavourable variance in public transport is mainly due to $2.3m unfavourable variance in the CRL project (In support of the 2012/2013 objective of CRL, it is anticipated the project will exceed budget); $1.3m unfavourable variance in Papakura Train Station upgrade project (advancement of construction but full year spend is expected to be within the budget; $1.4m and $1.2m unfavourable variance in ferry terminal upgrade projects - Hobsonville and Downtown pier 1C, respectively (budget has been revised in current forecast to include the budget carry forwarded from financial year 2011/2012).
3. $8.5m favourable variance in roads is mainly due to $4m favourable variance in the Albany Highway project (planning assumption in budget have been revised to the more realistic level in current forecast); $2.8m on road construction that has not yet started pending approval from NZTA.
4. $1.2m favourable variance in others is mainly due to $0.8m IT projects delayed to second half of year.
5. $1.8m favourable variance in parking renewals due to delay on car park building renewal works.
6. $3.6m favourable variance in public transport renewal is mainly due to $2.4m rolling stock contracts delay.
7. $11.7m unfavourable
8. $5.2m favourable variance in the EMU procurement is mainly due to design documentation not yet completed; $5.8m favourable variance in the EMU depot project is mainly due to connection not yet completed by Kiwirail. The completion date and overall cost of EMU project is not expected to be affected.

Section 3b - Capital Expenditure Funding for the seven months ended 31 January 2013

	Current month			Year to date			Full Year		
	Actual $000	Budget $000	Variance $000	Actual $000	Budget $000	Variance $000	Forecast $000	Budget $000	Variance $000
Funding									
NZTA - new capital	7,741	8,786	(1,045)	36,157	37,354	(1,197)	111,971	89,875	22,096
NZTA - renewal capital	4,707	3,547	1,160	26,765	14,828	11,937	46,372	29,201	17,171
Other grants and subsidies	-	-	-	10	-	10	-	-	-
Auckland Council funding (Non EMU)	33,942	34,560	(618)	169,908	176,905	(6,997)	450,554	519,011	(68,457)
Auckland Council loan (EMU)	17,024	24,182	(7,158)	45,120	56,182	(11,062)	81,690	81,690	-
Vested assets	19,538	-	19,538	414,433	-	414,433	-	-	-
Total funding	**82,952**	**71,075**	**11,877**	**692,393**	**285,269**	**407,124**	**690,587**	**719,777**	**(29,190)**







Section 4a - Statement of Financial Position
As at 31 December 2012

	Note	Actual 31 December 2012 $000	Actual 30 November 2012 $000
Assets			
Current assets			
Cash and cash equivalents	1	16,459	21,688
Trade and other receivables	2	128,726	141,521
Inventories		5,044	5,203
Other assets		16,668	5,373
Total current assets		166,897	173,785
Non-current assets			
Property, plant and equipment - assets		13,551,922	13,725,218
Property, plant and equipment - work-in-progress		596,925	556,596
Intangible assets		34,341	34,122
Amounts due from related parties		46,000	46,000
Other non-current assets		28,456	12,285
Total non-current assets		14,257,644	14,374,221
Total assets		14,424,541	14,548,006
Liabilities			
Current liabilities			
Derivative financial instruments	3	7,507	6,977
Trade and other payables	4	140,740	125,904
Employee benefit liabilities	5	8,320	8,863
Borrowings	6	832	792
Total current liabilities		157,399	142,536
Non-current liabilities			
Derivative financial instruments	3	57,735	63,604
Employee benefit liabilities	5	900	900
Borrowings	6	179,407	163,509
Deferred tax liability	7	12,145	11,020
Total non-current liabilities		250,187	239,033
Total liabilities		407,586	381,569
Net assets		**14,016,955**	**14,166,437**
Equity			
Contributed equity		12,647,591	12,624,942
Retained earnings/(losses)		255,870	427,893
Reserves		1,113,494	1,113,602
Total equity		**14,016,955**	**14,166,437**

Section 4b - Notes to the Financial Statements
As at 31 December 2012

	Actual 31 December 2012 $000	Actual 30 November 2012 $000

1 Cash and cash equivalents

	Actual 31 December 2012 $000	Actual 30 November 2012 $000
Cash at bank - Trading	6,126	4,303
Cash at bank - AIFS	1,005	981
Till floats	191	191
Cash investment with Auckland Council	9,137	16,213
Total cash and cash equivalents	**16,459**	**21,688**

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.

2 Trade and other receivables

	Actual 31 December 2012 $000	Actual 30 November 2012 $000
Trade debtors	2,463	1,930
Infringements receivable	18,646	18,132
Amounts due from related parties	64,076	66,369
Accrued income	49,603	51,951
Goods and services tax	10,854	3,875
	145,642	**142,257**
Less provision for impairment of receivables	(745)	(736)
Total trade and other receivables	**144,897**	**141,521**

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 December 2012 is detailed below:

	Gross $000	Impaired $000	Net $000
Not past due	126,751	-	126,751
Past due 1 - 30 days	2,528	-	2,528
Past due 31 - 60 days	1,805	-	1,805
Past due 61 - 90 days	1,803	-	1,803
Past due > 90 days	12,755	(745)	12,010
	145,642	**(745)**	**144,897**

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 2012	792
Additional provisions made	478
Provisions reversed	(525)
Receivables written-off	-
At 31 December 2012	745

	Actual 31 December 2012 $000	Actual 30 November 2012 $000

3 Derivative financial instruments

	Actual 31 December 2012 $000	Actual 30 November 2012 $000
Current liability portion		
Forward foreign exchange contracts - cash flow hedges	7,261	6,210
Forward foreign exchange contracts - not hedge accounted	246	767
Current derivative financial instruments	**7,507**	**6,977**
Non-current liability portion		
Interest rate swaps - cash flow hedges	31,787	36,711
Forward foreign exchange contracts - cash flow hedges	25,948	26,893
Non-current derivative financial instruments	**57,735**	**63,604**

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 hedged accounted

The notional principal amount of outstanding forward foreign exchange contracts that were not hedge accounted was NZD $375k. The foreign currency principal amount was EUR 851k. The loss on their revaluation of $246k 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 $359.8m. The foreign currency principal amount was USD 255.9m. These cash flow hedges have been accounted for as effective and the loss of $33.2m 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 $461m. At 31 December 2012 the fixed interest rates of cash flow hedge interest rate swaps varied from 4.9% to 5.4%.

4 Trade and other payables

	Actual 31 December 2012 $000	Actual 30 November 2012 $000
Creditors	30,574	28,962
Accrued expenses	84,041	74,523
Retentions	6,732	7,381
Amounts due to related parties	16,954	11,825
Income in advance	2,439	3,213
	140,740	**125,904**

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
As at 31 December 2012

5 Employee benefit liabilities

	Actual 31 December 2012 $000	Actual 30 November 2012 $000
Current portion		
Accrued salaries and wages	2,016	1,676
Accrued leave	6,304	7,187
Current employee benefit liabilities	**8,320**	**8,863**
Non-current portion		
Retirement gratuities	383	383
Long service leave	517	517
Non-current employee benefit liabilities	**900**	**900**

Borrowings

	Actual 31 December 2012 $000	Actual 30 November 2012 $000
Current portion		
Loans from Auckland Council	832	792
Current borrowings	**832**	**792**
Non-current portion		
Loans from Auckland Council	179,322	163,509
Finance Leases	85	-
Non-current borrowings	179,407	163,509
Weighted average cost of funds on total borrowings	5.32%	5.38%

Auckland Transport's debt of $180,239,000 is issued at fixed rates of interest ranging from 4.20% to 6.06%.

7 Deferred tax liability

Actual 31 December 2012

	Property, plant and equipment	Other provisions	Tax losses	Total
Deferred tax liability	**$000**	**$000**	**$000**	**$000**
Balance at 1 July 2012	(11,020)	-	-	(11,020)
Charged to profit and loss	(1,125)	-	-	(1,125)
Charged to equity	-	-	-	-
Balance at 31 December 2012	(12,145)	-	-	(12,145)

Section 5a - Cash Flow Rolling Forecast as at 31 December 2012

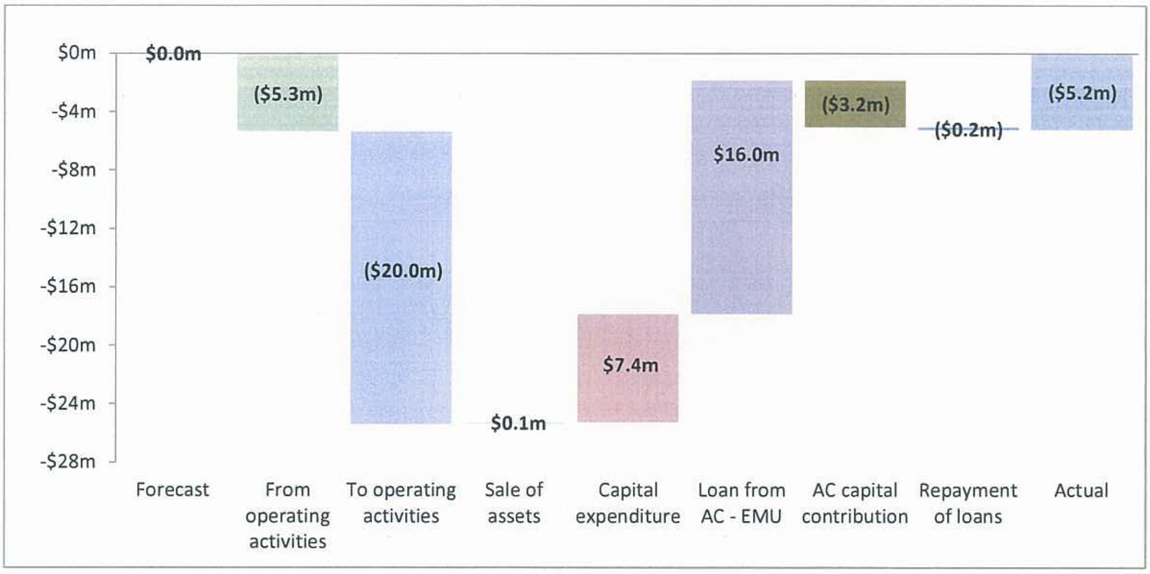
	Current month		Forecast rolling 3 months		
	Actual	Forecast	Forecast Jan 2013	Forecast Feb 2013	Forecast Mar 2013
	$000	$000	$000	$000	$000
Cash flows from operating activities					
Total cash provided	63,165	68,507	62,888	62,888	62,888
Income from activities	4,868	9,278	7,267	7,267	7,267
Operational funding from Auckland Council	17,946	17,946	17,946	17,946	17,946
Operational funding from NZTA	18,751	18,621	17,423	17,423	17,423
Capital funding from Auckland Council	10,329	10,329	10,329	10,329	10,329
Capital funding from NZTA	17,470	12,333	9,923	9,923	9,923
Interest received	14	-		-	-
Goods and services tax (net)	(6,213)	-	-	-	-
Total cash provided	**63,165**	**68,507**	**62,888**	**62,888**	**62,888**
Cash applied to:					
Payments to suppliers, employees and directors	48,382	30,354	67,394	65,734	57,638
Interest paid	2,012	-	-		
Total cash applied	**50,394**	**30,354**	**67,394**	**65,734**	**57,638**
Net cash from operating activities	**12,771**	**38,153**	**(4,506)**	**(2,846)**	**5,250**
Cash flows from investing activities					
Cash provided from:					
Sale of property, plant and equipment	125	-	-		
Total cash provided	**125**	**-**	**-**	**-**	**-**
Cash applied to:					
Capital expenditure projects	63,692	71,075	44,416	50,076	58,172
Total cash applied	**63,692**	**71,075**	**44,416**	**50,076**	**58,172**
Net cash from investing activities	**(63,567)**	**(71,075)**	**(44,416)**	**(50,076)**	**(58,172)**
Cash flows from financing activities					
Cash provided from:					
Loan from Auckland Council - EMU	16,000	-	16,000	20,000	20,000
Capital contribution from Auckland Council	29,725	32,922	32,922	32,922	32,922
Total cash provided	**45,725**	**32,922**	**48,922**	**52,922**	**52,922**
Cash applied to:					
Repayments of EMU loan from Auckland Council	148	-	-	-	-
Repayments of finance lease principal	10				
Total cash provided	**158**	**-**	**-**	**-**	**-**
Net cash from financing activities	**45,567**	**32,922**	**48,922**	**52,922**	**52,922**
Net (decrease)/increase in cash and cash equivalents	**(5,229)**	**-**	**(0)**	**(0)**	**(0)**
Opening cash balance	21,688	-	-	-	-
Closing cash balance	**16,459**	**-**	**(0)**	**(0)**	**(0)**

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

	Current month
	Actual
	$000
Surplus/(deficit) after tax	**21,834**
Add/(less) non cash items	
Vested asset	(19,538)
Depreciation and amortisation	21,804
Loss in fair value of derivatives	(5,447)
Loss on disposal of asset	-
	(3,181)
Add/(less) movements in working capital	
Decrease/(Increase) in trade and other receivables	(19,485)
Decrease/(Increase) in inventories	159
(Decrease)/Increase in accounts payable and accruals	12,259
(Decrease)/Increase in employee benefits payable	(542)
(Decrease)/Increase in income tax payable	1,125
(Decrease)/Increase in other liabilities	602
	(5,882)
Net cash flow from operating activities	**12,771**

Section 5b - Cash flow

Cash flow - Current month forecast to actual



Forecast review changes summary
For the year ended 30 June 2013
Reconciliation for Q1 and Q2 forecast to 30 June 2013

No.	Description of change forecast			Operational results: Operating costs $000	Operational results: Revenue $000	Capital expenditure: New capital $000	Capital expenditure: Renewal capital $000
	Total per Approved LTP (2012/13 Budget)			**(824,241)**	**826,651**	**(521,667)**	**(198,110)**
	Approved forecast changes first quarter						
	Operating Revenue changes						
1	Reduction in off- street parking revenue. This reduction is offset with a reduction in other expenditure	U	⇩		(513)		
2	Rail revenue in the budget was based on Cranleigh model. This was revised based on negotiations with operators, resulting in $4.5m reduction (offset below with reduced expenses). Also reduced ferry revenues due to delayed start of Hobsonville ferry service $500k.	U	⇩		(5,162)		
3	A late last minute adjustment to AIFS opex costs was made based on updated information at that time. AIFS opex costs were increased by $5.7M. This was offset with decreases in other PT opex costs mainly in bus and ferry operations $4.1M, decreased PT revenues $0.1M and an assumed increase in NZTA revenues $1.7M. Thus the net impact is zero but Opex costs increased $1.6M, **PT revenues decreased by $0.1M (shown on this line)** and NZTA subsidy increased by $1.7M . The NZTA subsidy levels will need to be confirmed as part of the second quarter reforecast following discussions between both parties. Not reflected in September board paper but net impact is zero	U	⇩		(66)		
	NZTA revenue changes						
4	A late last minute adjustment to AIFS opex costs was made based on updated information at that time. AIFS opex costs were increased by $5.7M. This was offset with decreases in other PT opex costs mainly in bus and ferry operations $4.1M, decreased PT revenues $0.1M and an assumed increase in NZTA revenues $1.7M. Thus the net impact is zero but Opex costs increased $1.6M, PT revenues decreased by $0.1M **and NZTA subsidy increased by $1.7M (shown on this line)**. The NZTA subsidy levels will need to be confirmed as part of the second quarter reforecast following discussions between both parties. Not reflected in September board paper but net impact is zero.	F	⇧		1,720		
	Operating expenditure changes						
5	Net change in labour recoveries as result of forecast changes	U	⇧	(61)			
6	Release of generic efficiency target and assumption to offset with reduced renewals as discussed in September board paper and reflected below in ($6.2m) increase in opex cost. This was offset with reduced rail operating costs to those in Cranleigh model after negotiations with operators $4.5m. reduced ferry costs due to delay in Hobsonville ferry service $1.3m.	U	⇧	(499)			
7	A late last minute adjustment to AIFS opex costs was made based on updated information at that time. AIFS opex costs were increased by $5.7M. This was offset with decreases in other PT opex costs mainly in bus and ferry operations $4.1M, decreased PT revenues $0.1M and an assumed increase in NZTA revenues $1.7M. Thus the net impact is zero but **Opex costs increased $1.6M (shown on this line)**, PT revenues decreased by $0.1M and NZTA subsidy increased by $1.7M. The NZTA subsidy levels will need to be confirmed as part of the second quarter reforecast following discussions between both parties. Not reflected in September board paper but net impact is zero.	U	⇧	(1,654)			

#	Description of change forecast			Operational results: Operating costs $000	Operational results: Revenue $000	Capital expenditure: New capital $000	Capital expenditure: Renewal capital $000
	Capital expenditure changes						
8	As detailed in the September board paper a risk adjustment created capacity to bring forward / accelerate some projects while still coming in under funding envelope. The major changes under this risk adjustment provision were the acceleration of Beach Haven Ferry terminal, Kingseat/Glenbrook, AIFS, Otahuhu bus interchange, Dominion Road corridor upgrade, Smales Allens Rd widening, Flatbush School Rd upgrades Stg 4, New Lynn TOD, NORSGA, Sarawia level crossing upgrade. The total capex forecast remained unchanged at $521.7M	-	⇔			0	
	Renewal expenditure changes						
9	To help alleviate funding shortfall evident in LTP approach taken was to reduce renewal spend by $6.2M while maintaining level of funding and use the excess funding to help offset opex funding shortfall. (As detailed in September board paper)	F	⇩				6,235
	Sub-total all changes for first forecast review			**(2,214)**	**(4,021)**	**-**	**6,235**
	First Quarter Forecast			**(826,455)**	**822,630**	**(521,667)**	**(191,875)**

New forecast changes second quarter

#	Description			Operating costs $000	Revenue $000	New capital $000	Renewal capital $000
	Revenue changes above the line						
1	Reduction in parking revenues reflecting the removal of the new parking bay line marking initiative to repaint parking bays with smaller dimensions thereby increasing number of available parking bays. This revenue reduction is offset with reduced court costs due to use of Baycorp (see below)	U	⇩		(1,455)		
2	Increase in forecast ACPL property revenues	F	⇧		572		
3	Dividends received that were unbudgeted (AECT)	F	⇧		222		
4	One off subsidy / grant for SMART project	F	⇧		200		
5	Removal of CRL property rental revenues for budgeted purchase of Downtown shopping mall. This is now not going ahead. In calculating AT funding in the AC CRL funding model it was assumed we would get these revenues and as such AC funding was adjusted downwards. We have assumed an offsetting increase in AC funding to compensate for this reduced revenue, see below.	U	⇩		(7,000)		
6	Public Transport Operations has forecast reduced bus rail and Ferry income totalling $900K reflecting underperformance in the first quarter and a re-alignment against projected patronage numbers. There is also reduced advertising and sponsorship revenue $121K reflecting market conditions and reduced demand from advertisers.	U	⇩		(904)		
7	Net impact of other small changes in revenues across divisions	U	⇩		(17)		
	Sub-total for all revenue changes above the line (excluding NZTA) for the second forecast review			**-**	**(8,382)**	**-**	**-**

	Description of change forecast			Operational results		Capital expenditure	
				Operating costs $000	Revenue $000	New capital $000	Renewal capital $000
	NZTA revenue changes						
8	Overall reduction in forecast NZTA opex subsidy due to updated opex forecast and changed AIFS opex subsidy assumptions.	U	⇩		(1,217)		
9	Increase in NZTA capex / renewal funding. Renewals funding increased by $17.1M due to the fact in the original budget figures it was assumed there would be a second tranche under s6 of the front loading agreement. This is no longer the case with the frontloading agreement having now finished. Forecast new capex subsidy has increased based on the new forecast capex programme forecast. Subsidy has been forecast on NZTA approved projects and projects ranked as "probable" awaiting NZTA approval.	F	⇧		29,480		
10	Assumption around getting additional NZTA funding for increased AIFS capex programme. As noted in the paper this is a still being negotiated with the NZTA.	F	⇧		10,500		
	Sub-total for all NZTA revenue changes for the second forecast review			**-**	**38,763**	**-**	**-**
	Operating expenditure changes above the line						
11	Community Transport have increased their staff costs to reflect approved FTEs. Offsetting savings within Community Transport and the wider COO division have been found to cover these increases (see below).	U	⇧	(970)			
12	Road Corridor Operations increased their staff costs to reflect approved FTEs. Offsetting savings within Road Corridor Operations have been found to cover these increases (see below).	U	⇧	(800)			
13	Road Corridor Maintenance have decreased their staff costs to reflect approved FTEs.	F	⇩	155			
14	A number of other small changes in staff costs across the divisions	F	⇩	280			
15	Reduction in Community Transport operating costs to help offset increased staff costs above.	F	⇩	577			
16	Savings in JTOC operating costs due to reduced software licences fees due to new competitive market rates	F	⇩	1,197			
17	Parking have reflected a reduction in court costs due to use of Baycorp. This offsets the reduction in parking revenues noted above	F	⇩	1,642			
18	Increase in AIFS opex costs due to increases in staff costs, VRD collections, Thales monitoring outside call hours, partially offset with increased labour recoveries.	U	⇧	(560)			
19	Reduced PT operating costs reflecting delay in implementing some new bus services $2,690K and Ferry services $462K. Also a reduction in wharf facility operating cost $464K partially offset with net increase of $165K in a number of other operating cost items.	F	⇩	3,451			
20	Reduced forecast for Interest expense payable to Bank on EMU loan (excludes IRS realised loss shown below)	F	⇩	987			
21	Reduced sundry expenses forecast in HR	F	⇩	191			
22	Net reduction in other operating cost forecast in CIO division	F	⇩	170			
23	A net reduction in operating expenses due to a number of other small forecast changes across the CEO, CFO and CIO divisions	F	⇩	173			
	Sub-total for all operating expenditure changes above the line for the third forecast review			**6,493**	**-**	**-**	**-**

#	Description of change forecast			Operational results: Operating costs $000	Operational results: Revenue $000	Capital expenditure: New capital $000	Capital expenditure: Renewal capital $000
	Revenue changes below the line						
24	Increase in vested assets income with vesting of assets from NZTA	F	⇧		588,753		
25	A property, 53 Tyler Street, was identified as owned by AT but was not in our books. Ie a "found asset". This entry brings it on our books ay fair value.	F	⇧		993		
26	Increase in grant income from Auckland Council for reduced CRL revenues (see above)	F	⇧		7,000		
	Sub-total for revenue changes below the line for the third forecast review			-	**596,746**	-	-
	Operating expenditure changes below the line						
27	Realised interest rate swap and FX hedge losses	U	⇧	(4,975)			
28	Forecast depreciation has increased due to vesting of new assets not budgeted ($5m extra depreciation). This forecast was also the first time the SAP depreciation simulation package has been used and using this new detailed methodology with changes in assumptions as to timing of capitalisation and asset classes etc has resulted in an increased forecast, refer to body of the paper for more details.	U	⇧	(19,385)			
	Sub-total for operating expenditure changes below the line for the third forecast review			**(24,360)**	-	-	-
	Capital expenditure changes						
29	Reduction in forecast land purchase costs in CRL project $71M partially offset with an increase of $4m in project investigation cost	F	⇩			66,474	
30	Increase in AIFS capex forecast based on latest information	U	⇧			(27,074)	
31	Net of other capex changes in the forecast. Main ones were increases in NORSGA, AMETI and reinstatement of full Safety Around Schools programme. Refer to accompanying board paper and attachments for more details on the specific changes.	U	⇧			(15,823)	
32	Increase in Road Rehabilitation work offset with decrease in Road Reconstruction work in new capex due to decreased NZTA funding available for Road Reconstruction	U	⇧				(1,371)
33	Reduction in hardware and traffic signal renewals	F	⇩				1,090
34	Increase in rolling stock renewals	U	⇧				(340)
	Sub-total for all capital expenditure for the second forecast review			-	-	23,577	(621)
						-	
	Sub-total all changes for the second forecast review			**(17,867)**	**627,127**	**23,577**	**(621)**
	Total forecast			**(844,322)**	**1,449,757**	**(498,090)**	**(192,496)**

Key to symbols used

⇔	: Transfer betw een areas / neutral	U	: Unfavourable variance
⇩	: Below budget, unfavourable variance	F	: Favourable variance
⇩	: Below budget, favourable variance	-	: Neutral
⇧	: Above budget, unfavourable variance		
⇧	: Above budget, favourable variance		

Section 7 - Accounts Receivable and Accounts Payable Monthly Report.

Accounts Receivable

An overview of the Debtors as at 31 December has 93.09% of adjusted Debtors in 30 and 60 days. A number of payments have been received in January for outstanding amounts shown in the 90, 120 and 120+ days of this report.

Debtors Ageing Analysis as at 31 December 2012

Description	Ave Days	Total O/s	30 Days	60 Days	90 Days	120 Days	120+ Days	Notes
Debtors Ageing 31 Dec	65	4,338,013	2,174,806	343,906	89,520	334,968	1,394,812	
		100.0%	50.1%	7.9%	2.1%	7.7%	32.2%	
O/s Related Parties	na	1,875,543	1,111,883	145,142	37,350	98,455	482,713	1
Trade Debtors	63	2,462,470	1,062,923	198,764	52,170	236,513	912,100	
		100.0%	43.2%	8.1%	2.1%	9.6%	37.0%	
Debtors Paid to AC	175	767	0	0	383	0	383	2
Queried Invoices	223	311,613	847	909	3,609	167,352	138,896	3
Cell Sites - Property	274	711,307	0	0	0	0	711,307	4
To Baycorp (Collection)	287	18,026	696	696	696	5,001	10,936	5
Payment Arrangement	52	32,628	-5,337	-6,482	524	42,923	1,000	6
Lodged Courts (Damages)	75	77,081	32,225	17,571	210	7,608	19,467	7
Adjusted Debtors	N/a	1,311,050	1,034,491	186,070	46,748	13,629	30,111	
		100.0%	78.9%	14.2%	3.6%	1.0%	2.3%	

1 - This section relates to amounts owed by related parties (inter-company).

2 - These are debtors who paid AC in error. We are constantly working with AC to rectify these problems.

3 - A number of invoices have been queried by the Debtors concerned and we are working with them and the relevant Departments in an effort to resolve these queries.

4 - Property are currently working to resolve on-going issues around outstanding amounts relating to rental of cell sites. An amount of $ 788,791 was impaired at 30 June as they were considered doubtful. Recent feedback indicates that there may be an issue with $711k outstanding and, as a result, this amount will be provided for as doubtful in the Half Year Report.

5 - 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.

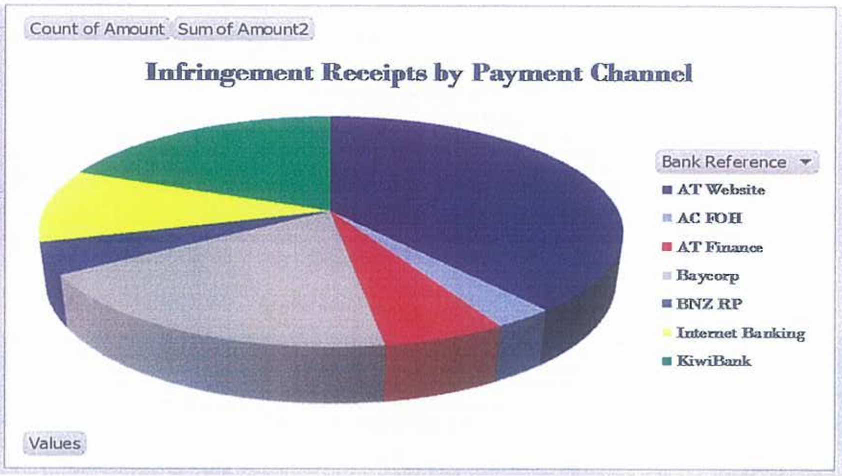
6 - We have agreed payment terms with a few slow paying Debtors rather than handing them over to Baycorp. These are closely monitored to ensure that payments are received on agreed dates.

7 - Lodged Courts 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.

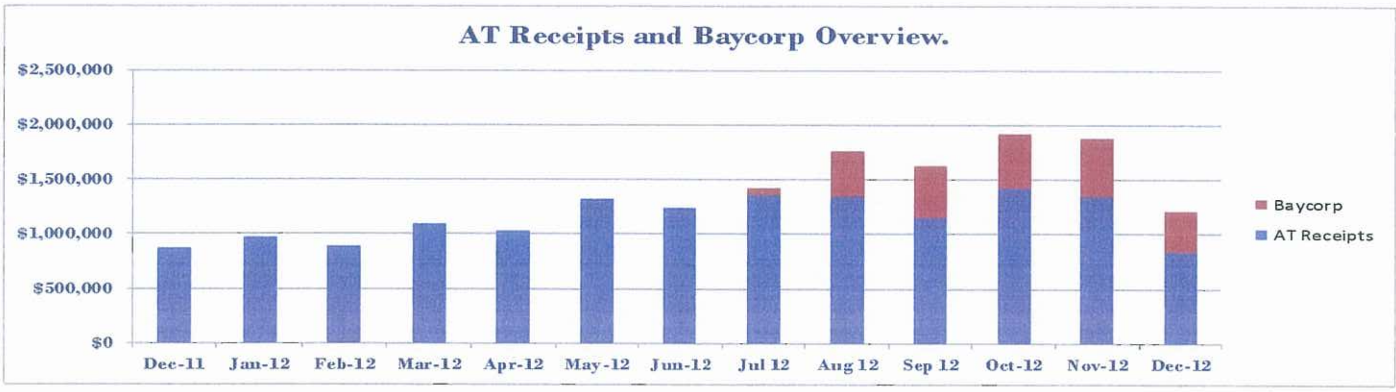
Infringement Overview

December's receipting is just short of 20,000 receipts which is a third less than November and December receipts, but is normal for this time of the year, with the close off for Christmas, receipts for that period were only uploaded in January. Up to and including 10 January, 12,549 receipts have been recorded in January 2013.

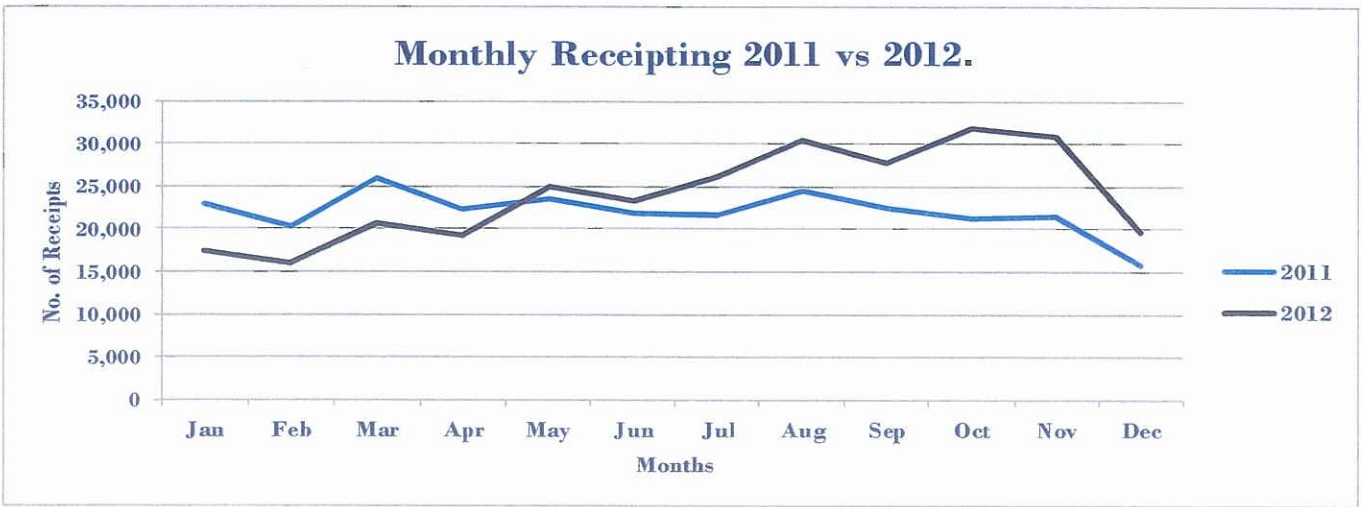
Row Labels	Count of Amount	Sum of Amount2
AT Website	7,605	$392,087
AC FOH	572	$47,030
AT Finance	1,129	$81,670
Baycorp	3,668	$314,885
BNZ RP	866	$53,012
Internet Banking	2,022	$121,358
KiwiBank	3,735	$206,101
Grand Total	**19,597**	**$1,216,143**



Baycorp has during December increased its share of receipts to almost 20%.



The following graph illustrates receipting patterns over the past 2 years. It is normal for receipting to drop off substantially in December and January. While there has been the normal drop off, the number of receipts in the second half of 2012 is substantially higher than any other period following the introduction of the Baycorp project.



Recommendation

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

WRITTEN 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 BY	David Foster **Chief Financial Officer**	