Auckland Transport
An Auckland Council Organisation

Financial Results for the Four Months Ended 31 October 2011

Introduction

This report summarises for Auckland Transport:

- the financial results for the four months ended 31 October 2011,
- update on the quarter one forecast results for the twelve months ended 30 June 2012.

Abbreviations used in this report

Please note that the following abbreviations are used in this report:

YTD = Year to date

FY = 12 month financial period, from 1 July 2011 to 30 June 2012

$m = Millions of dollars

Plan = Approved budget for the 12 month period 1 July 2011 to 30 June 2012

Forecast = The forecast financial results following Auckland Transport review of the budgets established in the plan

YTD Variance = This is comparison of actual results compared to YTD plan.

Net operating result = Operating income less expenditure

Net Surplus (Deficit) = Net operating result plus income for capital projects

Key to symbols used:

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

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Executive Summary

YTD results:

	Current month variance to Plan $m	Year to date variance to Plan $m	Year to date results		Year to date Actual $m	Year to date Plan $m	Full Year Plan $m
Total operating income	6.9	(1.5)	⇩	●	181.7	183.2	569.8
Total operating expenditure	(3.2)	5.7	⇩	●	247.5	253.2	792.8
Profit/(loss) from operations	3.6	4.2	⇩	●	(65.8)	(70.0)	(223.0)
Income for capital projects	(0.3)	(13.3)	⇩	●	42.4	55.8	205.8
Net surplus/(deficit)	3.3	(9.1)	⇩	●	(23.4)	(14.2)	(17.1)
Capital expenditure	16.4	27.9	⇩	●	105.8	133.6	546.2

Total operating income YTD is below plan by $1.5m.

This is due to:

- NZTA operational funding of $2.8m below plan where operating expenditure is below plan.
- Parking and enforcement income of $0.9m below plan due to bus lane infringements issued between November 2010 and April 2011 waived in October. These exemptions relate to infringements issued prior to the liability policy change in May 2011.

This has been offset by:

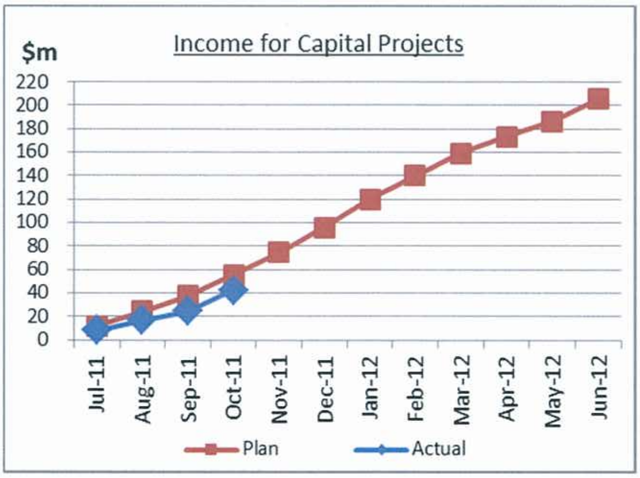
- Public transport income of $1.1m above plan mainly due higher public transport patronage during the Rugby World Cup.
- Other income of $1.1m above plan due to unbudgeted commercial property rental and from backdated claims for Wynward Quarter road widening land rental.

Total operating expenditure YTD is below plan by $5.7m which is principally comprised of:

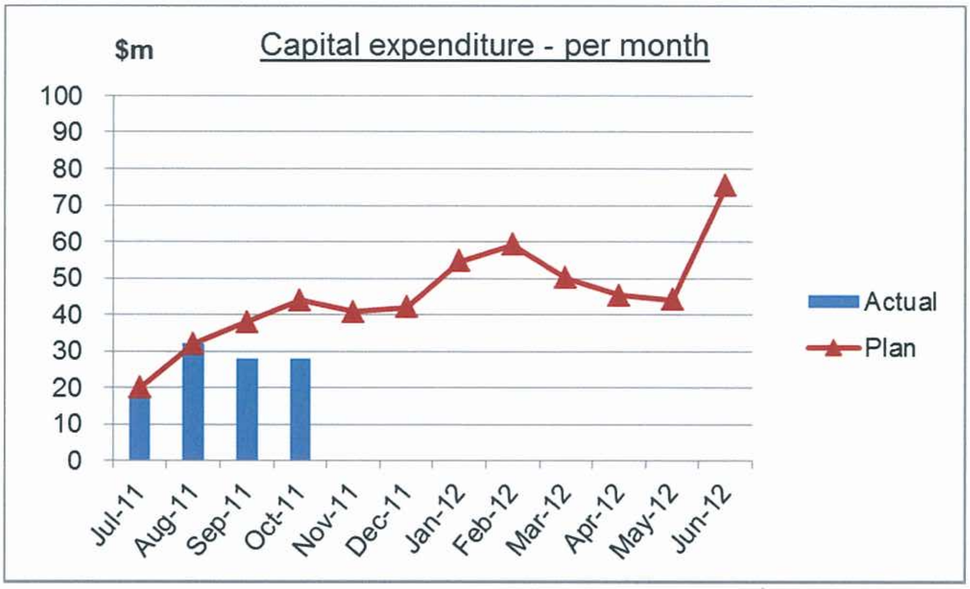
- other expenses favourable to plan by $2.7m. This includes office, administration, maintenance, and professional services costs.
- depreciation favourable to plan by $3.1m. This is due to budget phasing and delay in the capitalisation of capital work in progress.

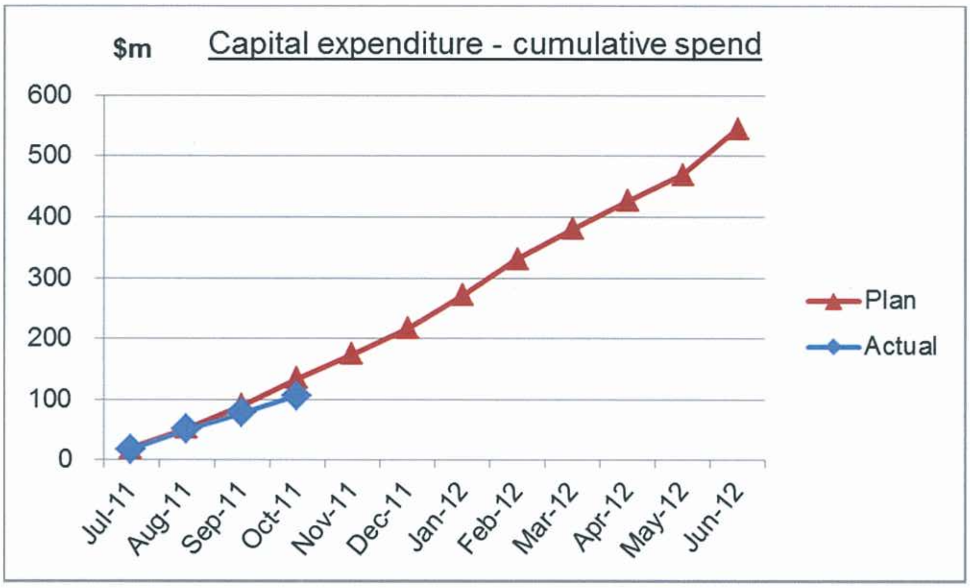
Profit/(Loss) from operations YTD is a deficit of $65.8m, which is $4.2m favourable to plan.

Income for capital projects YTD is below plan by $13.3m due to delays in the capital works programme. The subsidy is paid when the work is undertaken.



Capital expenditure for the month was $27.6m, an underspend to plan of $16.4m. YTD capital expenditure was $105.8m, a variance to plan of $27.9m. This is mainly due to road safety, safety around schools programme and AIFS phasing, delays associated with land acquisition and a number of timing differences across other projects. The FY planned expenditure is $546.2m. Following a review of portfolio risk and funding availability, the capital fiscal envelope has been revised to $496m for 2011/12. Capital projects have been re-prioritised as part of the Quarter One re-forecast process and this is presented to the November Board meeting for review and approval. The revised project list will be reported against for November month end report.



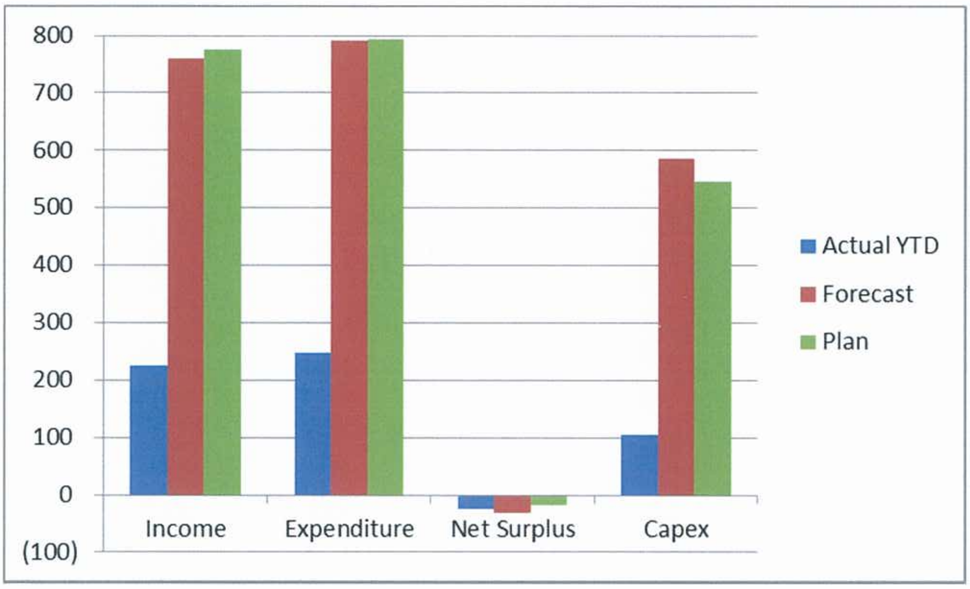


The asset position is sound with net assets of $13.0b at the end of October and cash flow funding arrangements in place to ensure all liabilities can be met. It should be noted that we have accounted on the basis that both the Electric Multiple Units (EMUs) interest rate swaps and forward foreign exchange contracts are perfectly* hedged. As such, both the gain on the interest rate swaps and the foreign exchange contracts loss have been included in the cash flow hedge reserve in equity. It should be further noted that when conducting our effectiveness testing as at 31 December there is a high risk that the interest rate swaps hedge is ineffective*. As such, at that time the loss or gain on the interest rate swaps would be passed through the statement of financial performance.

* perfectly and ineffective as defined in NZIAS 39 Hedge Accounting definitions

Quarter one forecast for the twelve months ended 30 June 2012:

The following is a summary of the forecast results for the twelve months ended 30 June 2012.



	Year to date Actual $m	Year to date Plan $m	Full year Forecast $m	Full Year Plan $m	Variance Plan vs Forecast	Forecast results
Total operating income	181.7	183.2	574.9	569.8	5.1	⇧
Total operating expenditure	247.5	253.2	786.7	792.8	6.1	⇩
Profit/(loss) from operations	(65.8)	(70.0)	(211.8)	(223.0)	11.2	⇧
Income for capital projects	42.4	55.8	198.8	205.8	(7.0)	⇩
Net surplus/(deficit)	(23.4)	(14.2)	(13.0)	(17.1)	4.2	⇧
Capital expenditure	105.8	133.6	586.3	546.2	40.1	⇧

Operating income is forecast down by $8.1m mainly due to the $16.0m NZTA operating expenditure subsidy shortfall partially offset by $1.8m increase in operations revenue (advertising and property revenue) and $2.7m additional revenue from Auckland Council for the payment of EMU financing costs.

Expenditure is forecast to be below plan by $0.7m due to removal of $8.2m of costs for the Electric Motor Unit (EMU) leasing option partly offset by increased costs of $5.4m due to unbudgeted increased road marking, drainage and vegetation control costs.

Income for capital projects is forecast down by $7.0m due to reduced NZTA funding for capital projects calculated on reforecast capital programme.

Capital expenditure is forecast up by $40.1m with a total forecast programme for the year to June 2012 of $586.3m. Explanation of movement:

	Approved Annual Plan	$546.2m
	Plus	
-	EMU Procurement $62.9m and EMU depot $23.7m	$86.6m
-	Other capital and renewal items	$6.5m
	Offset by:	
-	reduction in infrastructure related expenditure	$53.0m
	October reforecast	$586.3m

Recommendation

That the Auckland Transport Board receive this report.

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RECOMMENDED BY	Name: Julian Michael **Title: Financial Reporting Manager** Name: Stephen Smith **Title: Finance Manager**	
APPROVED FOR SUBMISSION BY	Name: David Foster **Title: Chief Financial Officer**	DJ Foster