

RESULTS FOR ANNOUNCEMENT TO THE MARKET

AUCKLAND COUNCIL GROUP

Full Year Preliminary Announcement

Reporting period	Year ended 30 June 2015
Previous reporting period	Year ended 30 June 2014

	Amount NZ\$ million		Percentage change
	Year ended 30 June 2015	Year ended 30 June 2014	
Revenue from ordinary activities	3,558	3,283*	8%
Profit / (loss) from ordinary activities after tax attributable to security holder	(88)	676	(113%)
Net profit / (loss) attributable to security holder	(88)	676	(113%)

*Revenue from ordinary activities for the year ended 30 June 2014 has been restated to include Finance Revenue.

	Amount per security	Imputed amount per security
Final dividend	n/a	n/a

Record date	n/a
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Dividend payment date	n/a
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Comments	Auckland Council Group is an NZDX issuer only. Refer to the commentary and financial statements for details of the financial results. These financial results have not yet been audited.
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FULL YEAR PRELIMINARY ANNOUNCEMENT

For the year ended 30 June 2015

Preliminary annual report on results for the year ended 30 June 2015 in accordance with Listing Rule 10.3.2.

This announcement is based on financial results that are in the process of being audited.

Control of entities gained or lost during the year

Nexus Logistics Limited

On 1 October 2014, one of the subsidiaries of the Group formed a joint venture Nexus Logistics Limited in which the Group has a 50% interest.

Conlinxx Limited

100% of Conlinxx Limited was contributed to the joint venture of Nexus Logistics Limited on 1 October 2014, resulting in the loss of control.

Seafuels Limited

On 30 June 2015, one of the subsidiaries of the Group acquired a further 50% of the shares in Seafuels Limited leading to Seafuels Limited becoming a wholly owned subsidiary of the Group.

The above changes had no material impact on the Group's financial statements.

Associates and joint ventures of the Group

Name	Type	Equity Holding %
Araparera Forestry Joint Venture	Joint venture	70
North Tugz Limited	Joint venture	50
Waste Disposal Services	Joint venture	50
PortConnect Limited	Joint venture	50
Nexus Logistics Limited	Joint venture	50
New Zealand Food Innovation Auckland Limited	Joint venture	33.3
New Lynn Central Limited Partnership	Associate	42
Tamaki Redevelopment Company Limited	Associate	41
Longburn Intermodal Freight Hub Limited	Associate	33.3
Auckland International Airport Limited	Associate	22.4

The Group's share of results from Auckland Airport included within the statement of comprehensive income is \$51 million (30 June 2014: \$214 million). The prior year included the Group's share of revaluation gain on Auckland Airport's property, plant and equipment.

Other associates and joint ventures entities do not have a significant impact on the Group results.

Results for the year

Auckland Council has designated itself and the Group as public benefit entities for the purpose of financial reporting. The attached financial statements are prepared in accordance with New Zealand Tier 1 Public Benefit Entity (PBE) Accounting Standards and they therefore comply with Generally Accepted Accounting Practice. The changes to accounting policies and disclosures resulting from first time application of the new PBE Accounting Standards have no material impact on the financial statements.

For full details of the Group's accounting policies refer to the Group Annual Report.

The budget figures presented in the Group's Annual Report are those included in the 2014/2015 Annual Plan adopted by the Council on 26 June 2014 and are consistent with the policies used to prepare the financial statements.

Refer to the commentary and financial statements below.

Revaluations of property, plant and equipment

During the year, a number of classes of assets were revalued. They include water and wastewater, machinery, stormwater, parks, reserves and buildings, wharves, and works of art. The total revaluation gain was \$1.0 billion.

The infrastructure classes of water and wastewater, machinery, wharves and stormwater were revalued as part of the normal revaluation cycle.

Parks, reserves and buildings (Restricted assets)

Parks, reserves and buildings, were last revalued in 2013 and 2014. The full revaluation gain in 2015 of \$349 million has been recognised in the asset revaluation reserve. Due to the revaluation methodology, which is based on Auckland property values, particularly residential land, the current market values have increased significantly since the last valuation. The Council's assessment of the impact of this movement was that the carrying value of these assets no longer reflected fair value. The assets were accordingly revalued to reflect fair value at 30 June 2015.

Water and wastewater

Water and wastewater assets were last revalued at 30 June 2013. The revaluation gain in 2015 of \$259 million has been recognised in the asset revaluation reserve.

Machinery

Machinery assets were last revalued at 30 June 2013 and a \$36 million revaluation reserve was recognised. This year the revaluation loss of \$20 million has been offset against this asset revaluation reserve.

Stormwater

Stormwater assets were last revalued at 30 June 2012. The revaluation gain in 2015 of \$420 million has been recognised in the asset revaluation reserve.

Wharves

Wharves were last revalued at 30 June 2012. The revaluation gain in 2015 of \$24 million has been recognised in the asset revaluation reserve.

Other information

Net tangible asset per \$1,000 of listed bonds at 30 June 2015 is \$30,950 (2014: \$27,370).

The bonds are secured by a charge over all rates from time to time set or assessed by Auckland Council.

Details for basic and diluted EPS – n/a

Return to shareholders – n/a

Segment result – n/a

Events after the reporting period

There were no material events after reporting date which would require adjustment or disclosure for the Group.

Commentary

The Group had a sound financial performance for the year ended 30 June 2015, with an operating surplus before gains and losses of \$80 million, compared with \$150 million in 30 June 2014.

Total revenue of \$3,558 million increased by 8% on the prior year revenue of \$3,283 million. Resource and building consents were up 9% from last year to 29,929 this year. Rates revenue of \$1,458 million (2014: \$1,395 million) increased by \$63 million.

Expenditure of \$3,478 million (2014: \$3,133 million) is an increase of \$345 million. The main impacts on expenditure were increased depreciation due to the capitalisation of projects recognised earlier than anticipated, staff costs resulting from work being bought in-house, a reduction in the rate of staff costs capitalised to projects and additional provisions for weathertightness and contaminated land. Net finance costs increased on the prior year with the additional debt used to deliver the Group capital program.

The significant movement in year on year Net Other Gains and Losses are mainly due to fair value gains in 2014 from Property, Plant & Equipment \$412 million and derivatives \$94 million compared with fair value losses on derivatives in 2015 of \$279 million.

The Group invested \$1.5 billion renewing and expanding assets to serve Auckland communities and to prepare for growth in the region. This very large programme of work was funded from operating cash flow, cash reserves and debt. At 30 June 2015 the Group debt was \$7.3 billion (2014: \$6.3 billion).

During this financial year a number of classes of assets were revalued. The gain was largely due to revaluation of three classes of assets; stormwater \$420 million; water and waste water \$259 million; parks, reserves and buildings \$349 million. A revaluation gain of \$1.0 billion was recognised in other comprehensive income.

Major achievements for the year include:

- Auckland's electric train roll-out is complete. To date, the Group has invested \$582 million in new electric trains and a depot, delivering more services and greater capacity.
- Public transport use exceeded all targets with rail patronage alone growing by 22 per cent.
- An early work design contract was awarded for the new City Rail Link.
- The Group continued improving arterial routes in Albany, Whangaparaoa, Manurewa, Flat Bush, Glenfield and Te Atatu.
- Continued working on water supply upgrades to ensure capacity to cater for Auckland's growth. Projects included work on Hunua 4 and North Harbour 2 water mains and upgrade of three water treatment plants.
- Opened new facilities, including Te Atatu, Ranui and Devonport libraries, the Te Oro music and art centre, the Te Uru Waitakere Contemporary Gallery and the Sir Owen G Glenn National Aquatic Centre.
- The Group is developing infrastructure in new town centres at Westgate and Flat Bush.
- More than 30 major events injected \$73.1 million into the regional economy and generated 29 million visitor nights.
- Families moved into the new homes in the first of the Group's Special Housing Areas (SHAs). This year the Group has brought the total number of SHAs to 84.
- Increased digital presence, with a new libraries app, a trial for online resources consents, eRates, Facebook and Civil Defence updates and governing body meeting webcasting.

Statements of comprehensive revenue and expenditure (unaudited)

For the year ended 30 June 2015

\$million	Group	
	Actual 2015	Actual 2014
Revenue		
Rates	1,458	1,395
Fees and user charges	1,030	989
Grants and subsidies	425	410
Development and financial contributions	107	102
Other revenue	521	371
Finance revenue	17	16
Total revenue excluding other gains	3,558	3,283
Expenses		
Employee benefits	792	730
Depreciation and amortisation	778	737
Grants, contributions and sponsorship	150	122
Other operating expenses	1,336	1,172
Finance costs	422	372
Total expenditure excluding other losses	3,478	3,133
Operating surplus before gains and losses	80	150
Net other (losses)/ gains	(230)	483
Share of surplus in associates and joint ventures	54	53
(Deficit)/Surplus before income tax	(96)	686
Income tax (benefit)/expense	(8)	10
(Deficit)/Surplus after income tax	(88)	676
(Deficit)/Surplus after income tax is attributable to		
Ratepayers of Auckland	(88)	676
Other comprehensive revenue		
Net gain on revaluation of property, plant and equipment	1,031	1,481
Tax on revaluation of property, plant and equipment	(74)	(3)
Movement in cashflow hedge reserve	37	(6)
Tax on movement in cash flow hedge reserve	1	(1)
Share of associates' and joint ventures' reserves	16	168
Net unrealised gain on revaluation of financial assets classified as available for sale	(1)	2
Total other comprehensive revenue/(expenditure)	1,010	1,641
Total comprehensive revenue	922	2,317
Total comprehensive revenue is attributable to		
Ratepayers of Auckland	922	2,317

Statements of financial position (unaudited)

As at 30 June 2015

\$million	Group	
	Actual 2015	Actual 2014
Assets		
Current assets		
Cash and cash equivalents	345	206
Receivables and prepayments	258	259
Other financial assets	350	366
Derivative financial instruments	2	1
Inventories	16	21
Non-current assets held-for-sale	28	45
Total current assets	999	898
Non-current assets		
Receivables and prepayments	25	99
Other financial assets	111	103
Derivative financial instruments	200	94
Property, plant and equipment	38,897	36,906
Intangible assets	469	469
Biological assets	2	2
Investment property	560	457
Investment in associates and joint ventures	890	846
Total non-current assets	41,154	38,976
Total assets	42,153	39,874
Liabilities		
Current liabilities		
Bank overdraft	8	4
Employee entitlements	85	77
Payables and accruals	649	615
Borrowings	1,006	1,171
Derivative financial instruments	2	41
Tax payable	2	-
Provisions	88	84
Total current liabilities	1,840	1,992
Non-current liabilities		
Employee entitlements	5	5
Payables and accruals	45	31
Borrowings	6,328	5,170
Derivative financial instruments	485	236
Provisions	320	286
Deferred tax liabilities	1,067	1,009
Total non-current liabilities	8,250	6,737
Total liabilities	10,090	8,729
Net assets	32,063	31,145
Equity		
Contributed equity	26,728	26,734
Accumulated funds	501	586
Reserves	4,834	3,825
Total ratepayer equity	32,063	31,145
Total equity	32,063	31,145

Statements of changes in equity (unaudited)

For the year ended 30 June 2015

Group

\$million	Contributed equity	Accumulated funds	Reserves	Total ratepayer equity	Non-controlling interest	Total equity
Balance as at 1 July 2013	26,734	(47)	2,141	28,828	-	28,828
Surplus after income tax	-	676	-	676	-	676
Other comprehensive revenue	-	-	1,641	1,641	-	1,641
Total comprehensive revenue	-	676	1,641	2,317	-	2,317
Transfers to/(from) reserves	-	(43)	43	-	-	-
Balance as at 30 June 2014	26,734	586	3,825	31,145	-	31,145
Balance as at 1 July 2014	26,734	586	3,825	31,145	-	31,145
Surplus/(deficit) after income tax	-	(88)	-	(88)	-	(88)
Other comprehensive revenue	-	-	1,010	1,010	-	1,010
Total comprehensive revenue	-	(88)	1,010	922	-	922
Deconsolidation of subsidiaries	(6)	(17)	-	(23)	-	(23)
Found assets	-	19	-	19	-	19
Transfers (from)/to reserves	-	1	(1)	-	-	-
Balance as at 30 June 2015	26,728	501	4,834	32,063	-	32,063

Statements of cash flows (unaudited)

For the year ended 30 June 2015

\$million	Group	
	Actual 2015	Actual 2014
Cash flows from operating activities		
Receipts from customers, rates, grants and other services	3,247	3,104
Interest received	19	15
Dividends received	63	130
Payments to suppliers and employees	(2,212)	(2,078)
Interest paid	(391)	(348)
Net cash inflow from operating activities	726	823
Cash flows from investing activities		
Advances of loans to related parties	-	-
Sale of property, plant and equipment, investment property and intangible assets	33	17
Purchase of property, plant and equipment, investment property and intangible assets	(1,490)	(1,493)
Equity investment in subsidiaries and associates	-	(2)
Acquisition of other financial assets	(7)	(86)
Proceeds from sale of other financial assets	23	30
Advances to external parties	(4)	(6)
Net cash outflow from investing activities	(1,445)	(1,540)
Cash flows from financing activities		
Proceeds from borrowings	2,797	1,724
Repayment of borrowings	(1,943)	(1,136)
Repayment of finance lease principal	-	(2)
Net cash inflow from financing activities	854	586
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	135	(131)
Opening cash and cash equivalents and bank overdrafts	202	333
Closing cash and cash equivalents and bank overdrafts	337	202