

RESULTS FOR ANNOUNCEMENT TO THE MARKET

AUCKLAND COUNCIL GROUP

..... Full Year Preliminary Announcement

Reporting period	Year ended 30 June 2014
Previous reporting period	Year ended 30 June 2013

	Amount NZ\$ million		Percentage change
	Year ended 30 June 2014	Year ended 30 June 2013	
Revenue from ordinary activities	3,267	3,062	6.7%
Profit / (loss) from ordinary activities after tax attributable to security holder	676	257*	163%
Net profit / (loss) attributable to security holder	676	257*	163%

*Profit / (loss) from ordinary activities after tax attributable to security holder and net profit / (loss) attributable to security holder for 30 June 2013 have been restated due to a change in accounting policies. For further details refer below.

	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	NZDX issuer only Refer to commentary These financial results are not audited
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PRELIMINARY FULL YEAR ANNOUNCEMENT

For the year ended 30 June 2014

Preliminary annual report on results for the year ended 30 June 2014 in accordance with Listing Rule 10.3.2.

This report is based on accounts that are in the process of being audited.

Change in shareholding of a subsidiary

On 1 August 2013, the group sold 66.7% of its interest in New Zealand Food Innovation Auckland Limited (NZFIA), a subsidiary of the group. The group retains a 33.3% interest in NZFIA and accounts for it as a jointly-controlled entity.

Control of entities gained or lost during year

During the year the following entity became a member of the group and has been equity-accounted in the group's results for the year ended 30 June 2014:

PortConnect Limited

On 1 April 2014 the group acquired a 50% interest in PortConnect Limited.

During the year the following entity ceased to be a member of the group and has not been equity-accounted in the group's results for the year ended 30 June 2014:

United Containers Limited (UCL)

On 3 October 2013, UCL, an associate in which the group had a 27.5% holding, was sold and ceased to be part of the group.

Associates and jointly-controlled entities of the group

Name	Type	Equity Holding %
Araparera Forestry Joint Venture	Jointly-controlled	70
North Tugz Limited	Jointly-controlled	50
Sea Fuels Limited	Jointly-controlled	50
Waste Disposal Services	Jointly-controlled	50
PortConnect Limited	Jointly-controlled	50
New Zealand Food Innovation Auckland Limited	Jointly-controlled	33.3
New Lynn Central Limited Partnership	Associate	42
Tamaki Redevelopment Company	Associate	41
Auckland International Airport Limited	Associate	22.4

During the year, the group's associates and jointly-controlled entities have recognised \$735 million of revaluation gains on property, plant and equipment, of which the group's share is \$164 million, relating to Auckland International Airport Limited (Auckland Airport).

The group's share of results from Auckland Airport included within the statement of comprehensive income is \$214 million (30 June 2013: \$40 million). The significant increase from prior year is due to the group's share of revaluation gain on Auckland Airport's property, plant and equipment.

Other associates and jointly-controlled entities do not have a significant impact on the group results.

Results for the year

Refer to the commentary and financial statements below.

Auckland Council is a public benefit entity. The attached accounts are prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

With the exception of the change in accounting policies for land and buildings asset classes mentioned below, there have been no other changes in accounting policies.

For full details of the group's accounting policies, refer to the 30 June 2013 financial statements.

Restatement of prior year surplus/(deficit) and change in accounting policy

During the year, the group combined land and buildings into one class of assets in both restricted and operational asset groups. This change was made because land and buildings are managed as a single unit.

As a result of this, the comparatives for 30 June 2013 have been restated. In the prior year, a loss of \$412 million for the group's parks and reserves class was recognised in surplus or deficit, and an \$11 million gain for the restricted assets building class was recognised in other comprehensive income. Due to the combining of land and buildings into a single class, this gain has now been offset against the loss. The impact of this has increased 30 June 2013's surplus after tax for the group from \$246 million to \$257 million.

However there has been no impact on total comprehensive income or total ratepayer equity as a result of the restatement.

Revaluations of property, plant and equipment

During the year, a number of classes of assets were revalued. The key ones include roads, parks, reserves and buildings, operational land and buildings. The total revaluation gain was \$1.9 billion.

Parks, reserves and buildings, and operational land and buildings were last revalued in 2013 and 2012 respectively. Auckland property values, particularly residential land, have increased significantly since these valuations. Council's assessment of the impact of this movement was that the carrying value of these two classes of assets no longer reflected fair value. The two classes were accordingly revalued to reflect fair value at 30 June 2014.

The roads asset class was revalued as part of the normal revaluation cycle.

Parks, reserves and buildings

Parks, reserves and buildings were last revalued at 30 June 2013 and \$412 million was recognised as a loss through surplus or deficit. The reduction in values during that year was due primarily to the application of a standard valuation methodology to asset values inherited from legacy councils on amalgamation. The value of park and reserve land is closely linked to residential land values. The 2014 valuation increased the values by \$645 million, of which \$412 million was recognised as a gain through the surplus or deficit (thereby offsetting the 2013 loss) and \$233 million as other comprehensive income.

Operational land and buildings

Operational land and buildings were last revalued at 30 June 2012. The full revaluation gain for the current year of \$548 million has been recognised in the asset revaluation reserve. The impact of the revaluation of this class is less significant in 2014 than the parks, reserves and buildings class. This is due to a greater proportion of commercial assets in this asset class which have had lower increases in value than residential assets.

Roads

Roads were last revalued at 30 June 2011 and are valued on a depreciated replacement cost basis. Current contract rates are used as the base to determine replacement cost. Over the past three years the group's construction costs have increased by approximately 10.6%.

Other information

Net tangible assets per \$1,000 of listed bonds at 30 June 2014 is \$27,377 (2013: \$25,874).
(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 reporting date

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

Commentary

Auckland Council achieved a very good financial result for the year to 30 June 2014. The operating surplus of \$150 million compares well against the budgeted deficit of \$38 million and the 2013 surplus of \$64 million.

Revenues increased 6.7% on the back of increased building and construction activity and strong growth by the Ports of Auckland. Resource and building consents were up from 24,651 last year to 27,494 this year, an 11.5% increase. Ports of Auckland, New Zealand's largest container port, increased container volume by 18.3% to 969,000 in 2014.

Operating expenses before finance costs were below budget. The increase over 2013 was held to 3.4% reflecting strong cost control and improved efficiencies across the group.

The group invested a record \$1.6 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 2014 the group debt was \$6.3 billion (2013: \$5.9 billion).

Net finance costs were in line with budget reflecting additional debt taken on to deliver the extensive capital programme.

Rising property values in Auckland created a need for council to revalue all land and building assets to bring them to fair value. This revaluation resulted in a \$412 million recovery of write downs recognised in the 2013 results, taking the surplus after income tax to \$676 million. A further revaluation gain of \$1.5 billion was recognised in other comprehensive income.

Major achievements for the year include:

- Investment in new libraries at Waiheke, Wellsford, Te Atatu and Ranui
- Purchase of Colin Maiden Park in St Johns
- Creation of 63 special housing areas to accelerate housing development
- Completion of the Wiri depot and the operation of the first of the new electric fleet
- Installing new synthetic surfaces and sand carpets to improve playing surfaces
- Development agreement for a new five star hotel in Wynyard Central
- Visitors contributed an estimated \$144 million to the Auckland economy
- Lopdell House restoration
- Resource consent received for the \$950 million central interceptor that will reduce wastewater overflows into the Waitemata Harbour.
- Commencement of the redevelopment of the Devonport library, Victoria Wharf and Marine Square

Statements of comprehensive income (unaudited)

For the year ended 30 June 2014

	Group	
\$million	Actual 2014	Actual 2013
Revenue		
Rates	1,395	1,337
Fees and user charges	989	952
Grants	410	390
Development and financial contributions	102	64
Other revenue	371	319
Total revenue	3,267	3,062
Expenses		
Employee benefits	730	693
Depreciation and amortisation	737	681
Grants, contributions and sponsorship	122	108
Other expenses	1,172	1,189
Total expenses before finance expense	2,761	2,671
Finance income	(16)	(18)
Finance expense	372	345
Net finance expense	356	327
Operating surplus	150	64
Assets vested by the Crown	-	385
Net other gains/(losses)	483	(219)
Share of surplus in associates and jointly-controlled entities	53	41
Surplus before income tax	686	271
Income tax expense	10	14
Surplus after income tax	676	257
Surplus after income tax is attributable to		
Ratepayers of Auckland	676	257
Non-controlling interest	-	-
Other comprehensive income		
Net gain on revaluation of property, plant and equipment	1,481	241
Tax on revaluation of property, plant and equipment	(3)	(73)
Movement in cashflow hedge reserve	(6)	22
Tax on cash flow hedges	(1)	(2)
Share of associates' and jointly-controlled entities' reserves	168	(3)
Net unrealised gain on revaluation of financial assets classified as available for sale	2	7
Realised losses on revaluation of financial assets classified as held for sale recycled through surplus/(deficit)	-	(4)
Total other comprehensive income	1,641	188
Total comprehensive income	2,317	445
Total comprehensive income is attributable to		
Ratepayers of Auckland	2,317	445
Non-controlling interest	-	-

Statements of financial position (unaudited)

As at 30 June 2014

	Group	
\$million	Actual 2014	Actual 2013
Assets		
Current assets		
Cash and cash equivalents	206	336
Receivables and prepayments	259	273
Other financial assets	366	331
Derivative financial instruments	1	4
Inventories	21	18
Non-current assets held-for-sale	45	42
Total current assets	898	1,004
Non-current assets		
Receivables and prepayments	99	99
Other financial assets	103	86
Derivative financial instruments	94	75
Property, plant and equipment	36,906	34,212
Intangible assets	469	403
Biological assets	2	2
Investment property	457	421
Investment in associates and jointly-controlled entities	846	753
Total non-current assets	38,976	36,051
Total assets	39,874	37,055
Liabilities		
Current liabilities		
Bank overdraft	4	3
Employee entitlements	77	71
Payables and accruals	615	539
Borrowings	1,171	1,287
Derivative financial instruments	41	13
Tax payable	-	10
Provisions	84	94
Total current liabilities	1,992	2,017
Non-current liabilities		
Employee entitlements	5	6
Payables and accruals	31	26
Borrowings	5,170	4,594
Derivative financial instruments	236	215
Provisions	286	394
Deferred tax liabilities	1,009	975
Total non-current liabilities	6,737	6,210
Total liabilities	8,729	8,227
Net assets	31,145	28,828
Equity		
Contributed equity	26,734	26,734
Accumulated funds	586	(47)
Reserves	3,825	2,141
Total ratepayer equity	31,145	28,828
Non-controlling interest	-	-
Total equity	31,145	28,828

Statements of changes in equity (unaudited)

For the year ended 30 June 2014

Group

\$million	Contributed equity	Accumulated funds	Reserves	Total ratepayer equity	Non-controlling interest	Total equity
Balance as at 1 July 2012	26,354	(301)	2,209	28,262	1	28,263
Surplus after tax	-	257	-	257	-	257
Other comprehensive income	-	-	188	188	-	188
Total comprehensive income	-	257	188	445	-	445
Restricted land adjustment	154	-	-	154	-	154
Deconsolidation of Counties Manukau Pacific Trust	(39)	2	4	(33)	-	(33)
Acquisition of non-controlling interest	-	-	-	-	(1)	(1)
Transfers to/(from) reserves	265	(5)	(260)	-	-	-
Balance as at 30 June 2013	26,734	(47)	2,141	28,828	-	28,828
Balance as at 1 July 2013	26,734	(47)	2,141	28,828	-	28,828
Surplus/(deficit) after tax	-	676	-	676	-	676
Other comprehensive income	-	-	1,641	1,641	-	1,641
Total comprehensive income	-	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

Statements of cash flows (unaudited)

For the year ended 30 June 2014

\$million	Group	
	Actual 2014	Actual 2013
Cash flows from operating activities		
Receipts from customers, rates, grants and other services	3,104	2,879
Interest received	15	18
Dividends received	130	42
Payments to suppliers and employees	(2,078)	(2,047)
Interest paid	(348)	(320)
Net cash inflow from operating activities	823	572
Cash flows from investing activities		
Advances of loans to related parties	-	(17)
Sale of property, plant and equipment, investment property and intangible assets	17	18
Purchase of property, plant and equipment, investment property and intangible assets	(1,493)	(1,315)
Equity investment in subsidiaries and associates	(2)	(4)
Acquisition of other financial assets	(86)	(10)
Proceeds from sale of other financial assets	30	32
Advances to external parties	(6)	(6)
Net cash outflow from investing activities	(1,540)	(1,302)
Cash flows from financing activities		
Proceeds from borrowings	1,724	1,260
Repayment of borrowings	(1,136)	(406)
Repayment of finance lease principal	(2)	(3)
Net cash inflow from financing activities	586	851
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	(131)	121
Opening cash and cash equivalents and bank overdrafts	333	212
Closing cash and cash equivalents and bank overdrafts	202	333