

RESULTS FOR ANNOUNCEMENT TO THE MARKET

AUCKLAND COUNCIL GROUP

Full Year Preliminary Announcement

Reporting period	Year ended 30 June 2016
Previous reporting period	Year ended 30 June 2015

	Amount NZ\$ million		Percentage change
	Year ended 30 June 2016	Year ended 30 June 2015	
Revenue from ordinary activities	3,705	3,558	4%
Profit / (loss) from ordinary activities after tax attributable to security holder	(231)	(72)	221%
Net profit / (loss) attributable to security holder	(231)	(72)	221%

	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 (the Group) is an NZDX issuer only. Refer to the commentary and financial statements for details of the financial results. These financial statements have not yet been audited.
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FULL YEAR PRELIMINARY ANNOUNCEMENT

For the year ended 30 June 2016

Preliminary annual report on results for the year ended 30 June 2016 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

Waikato Freight Hub Limited

On 21 December 2015, one of the subsidiaries of the Group formed a 100% controlled company, Waikato Freight Hub Limited.

Development Auckland Limited

On 1 September 2015, 100% owned council controlled organisations Auckland Waterfront Development Agency Ltd and Auckland Council Property Limited were merged to form Development Auckland Limited (trading as Panuku Development Auckland). There were no changes to the scope of services provided and no material financial impact resulting from the amalgamation.

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

Associates and joint ventures of the Group

Name	Type	Equity Holding %
North Tugz Limited	Joint venture	50.0
Waste Disposal Services	Joint venture	50.0
PortConnect Limited	Joint venture	50.0
Nexus Logistics Limited	Joint venture	50.0
New Zealand Food Innovation Auckland Limited	Joint venture	33.3
New Lynn Central Limited Partnership	Associate	42.0
Tamaki Redevelopment Company Limited	Associate	41.0
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 \$62 million (30 June 2015: \$51 million). The Group's share of revaluation gain on Auckland Airport's property, plant and equipment is \$171 million (30 June 2015: \$16 million).

Other associates and joint venture 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 comply with Generally Accepted Accounting Practice.

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 Long-term Plan 2015-2025 adopted by the Council on 25 June 2015 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 operational and restricted land and buildings and train stations. The total revaluation gain was \$1.6 billion.

Operational land and buildings

Operational land and buildings were last revalued in 2014. The revaluation gain in 2016 of \$885 million has been recognised as other comprehensive income and reflected under 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 and the carrying value of these assets no longer reflected fair value. The assets were accordingly revalued to reflect fair value at 30 June 2016.

Restricted land and buildings

Restricted land and buildings were last revalued in 2015. The revaluation gain in 2016 of \$690 million has been recognised as other comprehensive income and reflected under asset revaluation reserve. Due to the increase in Auckland property values that have impacted the restricted land and buildings, the carrying value of these assets no longer reflected fair value. The assets were accordingly revalued to reflect fair value at 30 June 2016.

Train stations

The revaluation gain in 2016 of \$51 million has been recognised in the asset revaluation reserve.

Other information

Net tangible asset per \$1,000 of listed bonds at 30 June 2016 is \$28,233* (2015: \$30,966).

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 earnings per share – 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.

* The reduction of net tangible asset per \$1,000 of listed bonds is due to an increase in the value of the listed bonds.

COMMENTARY

The Group had a solid operational performance for the year ended 30 June 2016, with an operating surplus before gains and losses of \$250 million, compared with \$80 million in 30 June 2015.

Total revenue excluding other gains increased by \$147 million to \$3,705 million (2015: \$3,558 million). Fees and user charges were up 5% from last year primarily due to higher transport revenue from patronage growth, increase in consenting revenue and water charges. Development and financial contributions increased by 22% from last year mainly due to the strong growth in new housing development.

Total expenditure excluding other losses reduced by \$23 million to \$3,455 million (2015: \$3,478 million). The main drivers were lower weathertightness costs, one-off grant payments made in the last financial year, partially offset by increased depreciation and amortisation due to increased capitalisation of capital projects during this year. Net finance costs decreased by \$4 million from last year which was mainly due to the reduction in interest rates.

Net other losses of \$552 million mainly comprised fair value movements of financial instruments due to interest rate movements.

The Group invested \$1.4 billion renewing and expanding assets to serve Auckland communities and to prepare for growth in the region. This large programme of work was funded from operating cash flow, cash reserves and debt. At 30 June 2016 the Group debt was \$7.6 billion (2015: \$7.3 billion).

During this financial year a number of asset classes were revalued. The revaluation gain largely comprised operational land and buildings of \$885 million, restricted land and buildings of \$690 million and train stations of \$51 million. Total revaluation gain of \$1.6 billion was recognised in other comprehensive income.

Major achievements for the year include:

- The central government verbally confirmed its funding commitment to the City Rail Link, and enabling works are now underway. This vital link will unlock the full capacity of Auckland's rail network and encourage growth in connected areas.
- The Group had consented nearly 13,935 dwellings and sites towards the targets set out in the Auckland Housing Accord.
- Sixty-eight Special Housing Areas (SHAs) were created this year, bringing the total number to 154. The potential final yield of the SHAs is estimated at over 62,000 dwellings.
- The old Nelson Street motorway off-ramp was transformed into award-winning Te Ara I Whiti cycleway and walkway.
- Work is underway on public transport interchanges at Ōtāhuhu and Manukau, and consents have been lodged for a bus interchange at Westgate.
- The 32km Hunua 4 water main between Manukau Heights and Grafton is partially complete, and already supplying water to parts of East Tāmaki, Manukau and Māngere
- Regional parks network was expanded with the acquisition of the 83ha Glenfern Sanctuary on Great Barrier.
- Finished the Integrated Bylaws Review and Implementation programme, which consolidated 158 often complex and contradictory bylaws from eight former councils into 32 new and improved bylaws for the whole region.
- Delivered many new and redeveloped facilities public spaces for our communities, including Tōia recreation precinct in Ōtāhuhu and Onehunga foreshore.

Statement of comprehensive revenue and expenditure (unaudited) For the year ended 30 June 2016

	Group	
\$million	Actual 2016	Actual 2015
Revenue		
Rates	1,564	1,458
Fees and user charges	1,083	1,030
Grants and subsidies	404	425
Development and financial contributions	131	107
Other revenue	260	253
Vested assets	247	268
Finance revenue	16	17
Total revenue excluding other gains	3,705	3,558
Expenditure		
Employee benefits	803	792
Depreciation and amortisation	828	778
Grants, contributions and sponsorship	126	150
Other operating expenses	1,281	1,336
Finance costs	417	422
Total expenditure excluding other losses	3,455	3,478
Operating surplus/(deficit) before gains and losses	250	80
Net other losses	(552)	(230)
Share of surplus in associates and joint ventures	63	54
Deficit before income tax	(239)	(96)
Income tax benefit	(8)	(24)
Deficit after income tax	(231)	(72)
Deficit after income tax is attributable to		
Ratepayers of Auckland	(231)	(72)
Other comprehensive revenue/ (expenditure)		
Net gain on revaluation of property, plant and equipment	1,626	1,031
Tax on revaluation of property, plant and equipment	(4)	(74)
Movement in cashflow hedge reserve	(9)	37
Tax on movement in cash flow hedge reserve	2	1
Share of associates and joint ventures' reserves	171	16
Net unrealised gain/(loss) on revaluation of financial assets classified as available-for-sale	2	(1)
Total other comprehensive revenue	1,788	1,010
Total comprehensive revenue	1,557	938
Total comprehensive revenue is attributable to		
Ratepayers of Auckland	1,557	938

Statement of financial position (unaudited)

As at 30 June 2016

\$million	Group	
	Actual 2016	Actual 2015
Assets		
Current assets		
Cash and cash equivalents	137	345
Receivables and prepayments	275	258
Other financial assets	389	350
Derivative financial instruments	-	2
Inventories	28	16
Tax receivable	1	14
Non-current assets held-for-sale	43	28
Total current assets	873	1,013
Non-current assets		
Receivables and prepayments	24	25
Other financial assets	128	111
Derivative financial instruments	263	200
Property, plant and equipment	41,156	38,897
Intangible assets	478	469
Biological assets	2	2
Investment property	681	560
Investment in associates and joint ventures	1,074	890
Total non-current assets	43,806	41,154
Total assets	44,679	42,167
Liabilities		
Current liabilities		
Bank overdraft	9	8
Payables and accruals	607	649
Employee entitlements	90	85
Borrowings	957	1,006
Derivative financial instruments	7	2
Provisions	101	88
Total current liabilities	1,771	1,838
Non-current liabilities		
Payables and accruals	45	45
Employee entitlements	5	5
Borrowings	6,654	6,328
Derivative financial instruments	1,207	485
Provisions	290	320
Deferred tax liabilities	1,055	1,067
Total non-current liabilities	9,256	8,250
Total liabilities	11,027	10,088
Net assets	33,652	32,079
Equity		
Contributed equity	26,728	26,728
Accumulated funds	299	517
Reserves	6,625	4,834
Total equity	33,652	32,079

Statement of changes in equity (unaudited)

For the year ended 30 June 2016

Group				
\$million	Contributed equity	Accumulated funds	Reserves	Total equity
Balance as at 1 July 2014	26,734	586	3,825	31,145
Deficit after income tax	-	(72)	-	(72)
Other comprehensive revenue	-	-	1,010	1,010
Total comprehensive (expenditure)/revenue	-	(72)	1,010	938
Deconsolidation of subsidiaries	(6)	(17)	-	(23)
Found assets	-	19	-	19
Transfers to/(from) reserves	-	1	(1)	-
Balance as at 30 June 2015	26,728	517	4,834	32,079
Balance as at 1 July 2015	26,728	517	4,834	32,079
Deficit after income tax	-	(231)	-	(231)
Other comprehensive revenue	-	-	1,788	1,788
Total comprehensive (expenditure)/revenue	-	(231)	1,788	1,557
Found assets	-	16	-	16
Transfers (from)/to reserves	-	(3)	3	-
Balance as at 30 June 2016	26,728	299	6,625	33,652

Statement of cash flows (unaudited)

For the year ended 30 June 2016

\$million	Group	
	Actual 2016	Actual 2015
Cash flows from operating activities		
Receipts from customers, rates, grants and other services	3,453	3,247
Interest received	13	19
Dividends received	49	63
Payments to suppliers and employees	(2,324)	(2,212)
Interest paid	(420)	(391)
Net cash inflow from operating activities	771	726
Cash flows from investing activities		
Sale of property, plant and equipment, investment property and intangible assets	22	33
Purchase of property, plant and equipment, investment property and intangible assets	(1,340)	(1,490)
Acquisition of other financial assets	(76)	(7)
Proceeds from sale of other financial assets	59	23
Advances to external parties	(3)	(4)
Net cash outflow from investing activities	(1,338)	(1,445)
Cash flows from financing activities		
Proceeds from borrowings	1,994	2,797
Repayment of borrowings	(1,635)	(1,943)
Repayment of finance lease principal	(1)	-
Net cash inflow from financing activities	358	854
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	(209)	135
Opening cash and cash equivalents and bank overdrafts	337	202
Closing cash and cash equivalents and bank overdrafts	128	337