

Auckland Council Group Quarterly Financial Report

30 September 2016

Contents

Financial commentary	2
Statements of financial performance	3
Statements of financial position	4
Statements of cash flows	5

Financial commentary

Overview

This Auckland Council Group Financial Report covers the three month period from 1 July 2016 to 30 September 2016. This report is unaudited.

Auckland Council Group (the Group) continues to manage its finances prudently in line with the Annual Plan and with close oversight over operational and capital expenditure. During the three months to 30 September 2016, the Group generated an operating surplus before gains and losses of \$1,279 million, against the phased budget of \$1,231 million.

The large surplus for the first three months of the year has been mainly driven by the recognition in full of 2016/17 rates revenue at the time of the issuance of ratings notice in July in accordance with accounting standards.

Revenue

Total revenue excluding gains was \$25 million higher than phased budget mainly driven by the following.

Grants and subsidies were \$15 million higher than phased budget due to timing of receipt of grant payments, as the budget has been evenly phased for the year.

Vested assets were \$12 million higher than phased budget primarily due to higher volume of vested assets received than expected for roading, parks and watermain projects.

Other revenue were \$12 million higher than phased budget due to favourable rental revenue \$6 million resulting from larger portfolio than expected, favourable performance from investment portfolio \$4 million, and higher than expected infrastructure growth charges by \$2 million due to increased development activities.

The above favourable variances are partly offset by the following.

Fees and user charges were \$11 million behind phased budget primarily due to lower than expected revenue from Ports of Auckland \$6 million, transport revenue \$3 million and other service revenue \$2 million.

Development and financial contributions were \$6 million behind phased budget primarily due to timing of development projects, as the budget has been evenly phased for the year.

Expenditure

Depreciation and amortisation expenses were \$6 million behind phased budget due to the timing of capitalisation of property, plant and equipment.

Other operating expenses were \$17 million behind phased budget primarily due to lower cost of goods from Ports due to reduced revenue \$7 million; lower consultancy costs due to project delays \$4 million; with the remaining variance due to timing of expenditure incurred.

Net other losses of \$119 million were predominantly driven by reduction in fair value of financial instruments \$127 million, resulting from movements in market interest rates. This is partially offset by net gain on disposal of property, plant and equipment \$8 million. Net other losses are not fully budgeted for in the Group's Annual Plan.

Financial Position

Total Group net assets increased by \$1,153 million during the first three months of this financial year, the principal contributor being then increase in receivables of \$1,169 million as a result of recognising upfront the 2016/17 rates at the time of the issuance of the rating notices.

Capital Investment

During the three months the Group has invested \$335 million to expand and renew community and infrastructure assets. These were funded by operating cash flows and the balance from borrowings and working capital movements. The Group continues to manage its debt portfolio prudently and in accordance with its Annual Plan.

Statement of financial performance (unaudited)

\$million	Actual 3 months to 30 Sep 16	Budget ⁽¹⁾ 3 months to 30 Sep 16	\$ Variance to Budget 30 Sep 16	
Revenue				
Rates	1,636	1,635	1	●
Fees and user charges	297	308	(11)	▲
Grants and subsidies	102	87	15	●
Development and financial contributions	35	41	(6)	◆
Vested assets	61	49	12	●
Other revenue	74	62	12	●
Finance revenue	4	2	2	●
Total revenue excluding gains	2,209	2,184	25	●
Expenditure				
Employee benefits	212	211	(1)	▲
Depreciation and amortisation	214	220	6	●
Grants, contributions and sponsorship	81	81	-	●
Other operating expenses	317	334	17	●
Finance costs	106	107	1	●
Total expenditure excluding losses	930	953	23	●
Operating surplus before gains and losses	1,279	1,231	48	●
Net other losses	(119)	(2)	(117)	◆
Share of surplus in associates and joint ventures	1	-	1	●
Surplus before income tax	1,161	1,229	(68)	◆

● Favourable ▲ Unfavourable between 0% to 5% ◆ Unfavourable over 5 %

1 Annual Plan figures have been phased for the first three months of the financial year.

Statement of financial position (unaudited)

\$million	As at 30 Sep 16	As at 30 Jun 16
ASSETS		
Current assets		
Cash and cash equivalents (excluding bank overdraft)	594	137
Receivables and prepayments	1,443	275
Other financial assets	271	389
Derivative financial instruments	3	-
Inventories	31	28
Tax receivable	-	1
Non-current assets held-for-sale	31	43
Total current assets	2,373	873
Non-current assets		
Receivables and prepayments	25	24
Other financial assets	128	128
Derivative financial instruments	272	263
Property, plant and equipment	41,355	41,156
Intangible assets	467	478
Biological assets	2	2
Investment property	683	681
Investment in associates and joint ventures	1,069	1,074
Total non-current assets	44,001	43,806
Total assets	46,374	44,679
LIABILITIES		
Current liabilities		
Bank overdraft	8	9
Employee entitlements	81	90
Payables and accruals	546	607
Borrowings	1,874	1,447
Derivative financial instruments	40	7
Tax payable	1	-
Provisions	115	101
Total current liabilities	2,665	2,261
Non-current liabilities		
Employee entitlements	5	5
Payables and accruals	45	45
Borrowings	6,210	6,164
Derivative financial instruments	1,307	1,207
Provisions	282	290
Deferred tax liabilities	1,055	1,055
Total non-current liabilities	8,904	8,766
Total liabilities	11,569	11,027
Net assets	34,805	33,652
EQUITY		
Contributed capital	26,728	26,728
Accumulated funds	1,451	290
Reserves	6,626	6,634
Total equity	34,805	33,652

Statement of cash flows (unaudited)

\$million	3 months to 30 Sep 16	3 months to 30 Sep 15
Cash flows from operating activities		
Receipts from customers, rates, grants and other services	846	911
Interest received	2	3
Dividends received	2	6
Payments to suppliers and employees	(556)	(575)
Interest paid	(101)	(97)
Net cash inflow from operating activities	193	248
Cash flows from investing activities		
Sale of property, plant and equipment, investment property and intangible assets	16	1
Purchase of property, plant and equipment, investment property and intangible assets	(344)	(374)
Acquisition of other financial assets	(18)	-
Proceeds from sale of other financial assets	152	44
Proceeds from repayment of advances to external parties	3	4
Net cash outflow from investing activities	(191)	(325)
Cash flows from financing activities		
Proceeds from borrowings	799	512
Repayment of borrowings	(343)	(461)
Net cash inflow from financing activities	456	51
Net increase/(decrease) in cash and cash equivalents and bank overdraft	458	(26)
Opening cash and cash equivalents and bank overdraft	128	337
Closing cash and cash equivalents and bank overdraft	586	311