

# Auckland Council Group Quarterly Financial Report

31 March 2017

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## Financial commentary

### Overview

This Auckland Council Group Financial Report covers the nine month period from 1 July 2016 to 31 March 2017. This report is unaudited.

### Revenue and expenditure

During the nine months to 31 March 2017, the Group generated an operating surplus before gains and losses of \$773 million, against the phased budget of \$646 million. The favourable result of \$127 million is mainly driven by higher volume of vested infrastructure assets received totalling \$123 million.

The operating surplus before gains and losses are also impacted by:

- lower depreciation and amortisation (\$17 million) due to delays in timing of capitalisation;
- favourable other operating expenses (\$22 million) due to:
  - consultancy and professional fees (\$15 million) due to timing delays of the capital programme; and
  - lower repairs and maintenance costs (\$7 million);
- favourable finance costs (\$14 million) due to lower average interest rate than budgeted; and
- higher finance revenue (\$9 million) due to higher level of cash on hand and other revenue (\$11 million) as a result of higher than expected rental income and dividend income.

The above positive variances are partly offset by:

- lower grants and subsidies (\$36 million) driven by lower than expected capital grants received which is attributable to capital project delays;
- lower fees and user charges (\$13 million) due to lower than budgeted parking and fare revenue from Auckland Transport and lower volumes at the port;
- unfavourable development and financial contribution revenue (\$11 million) due to timing of development projects; and
- unfavourable employee benefits (\$7 million) due to redundancy costs and lower time recoveries capitalised.

The net other gains of \$338 million are primarily due to non-cash book entries, driven by the decrease in the fair value of net derivative financial liabilities, resulting from rising long-term interest rates. This reverses the trend of the last two years of increasing net other losses as long-term interest rates fell.

### Financial position

Total Group net assets increased by \$1.1 billion during the first nine months of this financial year,

- the principal contributors include:
  - increase in receivables of \$398 million predominantly due to timing of receipt of rates from rate payers;
  - net increase in property, plant and equipment and intangible assets of \$664 million;
  - net decrease in the fair value of derivative financial instruments of \$359 million;
  - increase in cash and cash equivalents of \$250 million, mainly from the new Euro Bond deal in January 2017;
- partly offset by increased borrowings of \$694 million.

During the last nine months the Group has invested \$1,086 million to expand and renew community and infrastructure assets. These were funded by operating cash surpluses of \$613 million, borrowings and working capital movements. The Group continues to manage its debt portfolio prudently and in accordance with its long-term plan.

## Statement of financial performance

\$million	Actual 9 months to 31 Mar 17	Budget <sup>(1)</sup> 9 months to 31 Mar 17	\$ Variance to Budget 31 Mar 17		Annual Plan 12 months to 30-Jun-17 <sup>1</sup>
<b>Revenue</b>					
Rates	1,635	1,637	(2)	●	1,637
Fees and user charges	901	914	(13)	▲	1,228
Grants and subsidies	342	378	(36)	◆	500
Development and financial contributions	111	122	(11)	◆	163
Vested assets	270	147	123	●	196
Other revenue	192	181	11	●	240
Finance revenue	13	4	9	●	5
<b>Total revenue excluding gains</b>	<b>3,464</b>	<b>3,383</b>	<b>81</b>	●	<b>3,969</b>
<b>Expenditure</b>					
Employee benefits	618	611	(7)	▲	811
Depreciation and amortisation	647	664	17	●	886
Grants, contributions and sponsorship	108	108	-	●	125
Other operating expenses	994	1,016	22	●	1,380
Finance costs	324	338	14	●	465
<b>Total expenditure excluding losses</b>	<b>2,691</b>	<b>2,737</b>	<b>46</b>	●	<b>3,667</b>
<b>Operating surplus before gains and losses</b>	<b>773</b>	<b>646</b>	<b>127</b>	●	<b>302</b>
Net other gains (losses)	338	(6)	344	●	-
Share of surplus in associates and joint ventures	33	29	4	●	55
<b>Surplus before income tax</b>	<b>1,144</b>	<b>669</b>	<b>475</b>	●	<b>357</b>

● Favourable (within 1%) ▲ Unfavourable over 1% and upto 5% ◆ Unfavourable over 5 %

<sup>1</sup> Annual Plan figures have been phased for the first nine months of the financial year.

## Statement of financial position

\$million	As at 31 Mar 17 (Actual)	As at 30 Jun 16 (Actual)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (excluding bank overdraft)	387	137
Receivables and prepayments	673	275
Derivative financial instruments	1	-
Other financial assets	373	389
Inventories	31	28
Tax receivable	-	1
Non-current assets held-for-sale	85	43
<b>Total current assets</b>	<b>1,550</b>	<b>873</b>
<b>Non-current assets</b>		
Receivables and prepayments	33	24
Derivative financial instruments	191	263
Other financial assets	139	128
Property, plant and equipment	41,805	41,156
Intangible assets	493	478
Biological assets	2	2
Investment property	665	681
Investment in associates and joint ventures	1,082	1,074
<b>Total non-current assets</b>	<b>44,410</b>	<b>43,806</b>
<b>Total assets</b>	<b>45,960</b>	<b>44,679</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	7	9
Payables and accruals	520	607
Employee entitlements	75	90
Borrowings	1,237	1,447
Derivative financial instruments	4	7
Tax payable	-	-
Provisions	86	101
<b>Total current liabilities</b>	<b>1,929</b>	<b>2,261</b>
<b>Non-current liabilities</b>		
Payables and accruals	50	45
Employee entitlements	5	5
Borrowings	7,068	6,164
Derivative financial instruments	776	1,207
Provisions	273	290
Deferred tax liabilities	1,101	1,055
<b>Total non-current liabilities</b>	<b>9,273</b>	<b>8,766</b>
<b>Total liabilities</b>	<b>11,202</b>	<b>11,027</b>
<b>Net assets</b>	<b>34,758</b>	<b>33,652</b>
<b>EQUITY</b>		
Contributed capital	26,728	26,728
Accumulated funds	1,405	290
Reserves	6,625	6,634
<b>Total equity</b>	<b>34,758</b>	<b>33,652</b>

## Statement of cash flows

\$million	9 months to 31 Mar 17 (Actual)	9 months to 31 Mar 16 (Actual)
<b>Cash flows from operating activities</b>		
Receipts from customers, rates, grants and other services	2,744	2,566
Interest received	10	8
Dividends received	3	36
Payments to suppliers and employees	(1,829)	(1,688)
Interest paid	(315)	(319)
<b>Net cash inflow from operating activities</b>	<b>613</b>	<b>603</b>
<b>Cash flows from investing activities</b>		
Sale of property, plant and equipment, investment property and intangible assets	47	11
Purchase of property, plant and equipment, investment property and intangible assets	(1,114)	(930)
Proceeds from sale of other financial assets	(206)	(46)
Acquisition of other financial assets	211	
Cash receipts from derivative transactions		54
Advances from (to) external parties	2	(1)
Advances from (to) related parties	(8)	
<b>Net cash outflow from investing activities</b>	<b>(1,068)</b>	<b>(912)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	2,745	1,270
Repayment of borrowings	(2,038)	(1,077)
<b>Net cash inflow from financing activities</b>	<b>707</b>	<b>192</b>
<b>Net increase/(decrease) in cash and cash equivalents and bank overdraft</b>	<b>252</b>	<b>(117)</b>
Opening cash and cash equivalents and bank overdraft	128	337
<b>Closing cash and cash equivalents and bank overdraft</b>	<b>380</b>	<b>220</b>