

# AUCKLAND FUTURE FUND ANNUAL REPORT

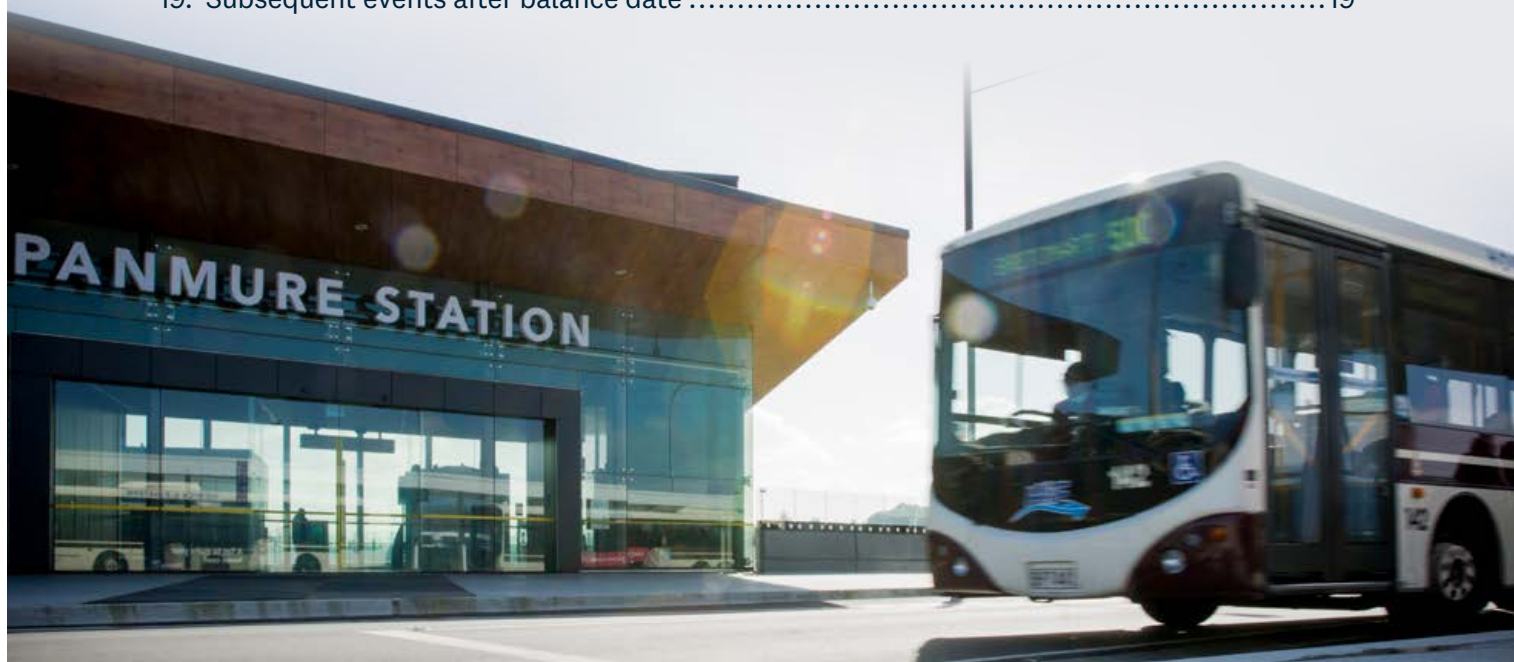
For the 9 months  
ended 30 June 2025





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# Directors' report

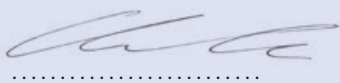
As sole corporate trustee of the Auckland Future Fund (the fund), the board of directors of Auckland Future Fund Trustee Limited (AFFTL) present the fund's annual report, including the financial statements and statement of service performance of the fund, for the 9 months ended 30 June 2025 and the auditor's report thereon.

The board of directors authorised these financial statements presented on pages 10-19 for issue on 23 September 2025.

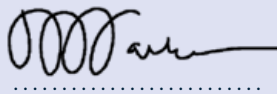
## Auditor

The Auditor-General has appointed Brett Tomkins, using the staff and resources of Deloitte Limited to undertake the external audit work on behalf of the Auditor-General. The audit was carried out in accordance with Section 15 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002.

For and on behalf of the AFFTL board:



**Christopher Swasbrook**  
Chair  
23 September 2025



**David Callanan**  
Director  
23 September 2025



## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF AUCKLAND FUTURE FUND'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2025

The Auditor-General is the auditor of Auckland Future Fund (the Fund). The Auditor-General has appointed me, Brett Tomkins, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and statement of service performance of the Fund on his behalf.

We have audited:

- the financial statements of the Fund on pages 10 to 19 that comprise the statement of financial position as at 30 June 2025, the statement of comprehensive revenue and expenditure, statement of changes in net assets/equity and statement of cash flows for the period ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Fund on pages 8 to 9.

#### Opinion

In our opinion:

- the financial statements of the Fund:
  - o present fairly, in all material respects:
    - its financial position as at 30 June 2025; and
    - its financial performance and cash flows for the period then ended; and
  - o comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards; and
- the statement of service performance, in all material respects:
  - o accurately reports the Fund's actual performance compared against the performance targets and other measures by which Fund's performance can be judged in relation to the Fund's objectives in its statement of intent for the period ended 30 June 2025; and
  - o has been prepared in accordance with section 68 of the Local Government Act 2002 (the Act).

Our audit was completed on 23 September 2025. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors of the Auckland Future Fund Trustee Limited as the sole corporate Trustee of the Fund ('AFFTL Board of Directors') and our responsibilities relating to the financial statements and the statement of service performance, and we explain our independence.

#### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Responsibilities of the AFFTL Board of Directors for the financial statements and the statement of service performance**

The AFFTL Board of Directors is responsible on behalf of the Fund for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The AFFTL Board of Directors is also responsible for preparing a statement of service performance in accordance with the Act.

The AFFTL Board of Directors is responsible for such internal control as it determine is necessary to enable them to prepare financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the AFFTL Board of Directors is responsible on behalf of the Fund for assessing the Fund's ability to continue as a going concern. The AFFTL Board of Directors is also responsible for disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the AFFTL Board of Directors intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The AFFTL Board of Directors' responsibilities arise from clause 4.1 of the Trust Deed of the Fund and the Local Government Act 2002.

## **Responsibilities of the auditor for the audit of the financial statements and the statement of service performance**

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the statement of service performance.

For the budget information reported in the financial statements and in the statement of service performance, our procedures were limited to checking that the information agreed to the Fund's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the AFFTL Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the AFFTL Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and statement of service performance, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We evaluate the overall presentation, structure and content of the statement of service performance, including the disclosures, and assess whether the statement of service performance achieves its statutory purpose of enabling the Fund's readers to judge the actual performance of the Fund against its objectives in its statement of intent.

We communicate with the AFFTL Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Independence

We are independent of the Fund in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirement of the Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Fund.



Brett Tomkins  
for Deloitte Limited  
On behalf of the Auditor-General  
Auckland, New Zealand

# Statement of service performance

This statement of service performance has been prepared for Auckland Future Fund (the fund) in accordance with the requirements of the Local Government Act (2002) and the Auckland Council Council-controlled Organisation (CCO) Accountability Policy.

Auckland Future Fund Trustee Limited (AFFTL) is responsible for managing the fund performance. This statement reports the measures and targets set out in the fund and AFFTL’s combined statement of intent.

## What is the Auckland Future Fund and why does it exist?

The fund was established on 27 September 2024 and is a substantive CCO of Auckland Council (the council).

The fund is a long-term investment fund for the benefit of current and future communities of Tāmaki Makaurau/Auckland, with the following purposes:

- to maintain or increase the real value of assets that are put into the fund over time so they can continue to benefit future generations
- to provide a strong return to the council to fund services and infrastructure.

## What are the fund’s strategic focus areas?

The fund has been established to directly contribute to three core goals of the council’s long-term financial strategy:

- increase Tāmaki Makaurau/Auckland’s financial and physical resilience
- ensure basic infrastructure and services can continue to be delivered affordably
- increase trust and confidence that the council delivers value for current and future residents.

## What did the fund do and how did it perform?

The fund’s service performance against its objectives was as follows:

| Objective                          | Performance targets                      | 2024/2025 Target %* | 2024/2025 Actual % | 2024/2025 Results |
|------------------------------------|------------------------------------------|---------------------|--------------------|-------------------|
| Strong returns                     | Gross return on fund                     | 7.64%               | 4.06%              | Not Met           |
| Strong returns                     | Net return on fund                       | 7.24%               | 4.00%              | Not Met           |
| Strong returns                     | Distribution to the council <sup>+</sup> | 5.24%               | 5.24%              | Met               |
| Protect the real value of the fund | Real growth of fund                      | 2.00%               | -1.24%             | Not Met           |

\*For the first period, these targets were calculated based on the day the fund was capitalised, being 9 December 2024.

<sup>+</sup>Refer to note 4(h) for the distribution policy.

See the next page for details of the performance target results.

## Performance targets not met

As at 30 June 2025, all available funds were held in term deposits or on-call cash. This conservative approach was adopted during the fund's initial establishment phase to preserve capital and maintain liquidity while a global investment manager was being appointed. Because these cash instruments do not generate revaluation gains, the fund earned only interest revenue during the period. This contrasts with the budget, which assumed the fund would be invested for six months and generate market-based returns.

This position arose from a strategic decision of the AFTL Board to sell the council's shareholding in Auckland International Airport Limited (AIAL) prior to appointing the investment manager. The benefits of this approach are summarised below.

- Appointing the investment manager first would have alerted the market to the impending sale, making it harder to achieve best price.
- Distributions from the fund to the council are higher than AIAL dividend expectations.
- There is more value to the fund from maximising the sale price (and therefore the initial capitalisation of the fund) than maximising the earnings margins immediately post-sale. An increased amount of capital under investment returns increases year-on-year earnings, with multiplier benefits to the fund and Auckland.
- This allowed time for the board to complete a thorough process for appointment of the global investment manager, noting that their performance and fee structures will have a significant impact on year-on-year performance of the fund.

As a result, the fund has underperformed against its return target for the reporting period, but that decision was made to maximise the size of the fund (for enduring benefit) and ensure the best outcome on appointment of the global investment manager for the fund.

## Statement of comprehensive revenue and expenditure

For the 9 months ended 30 June 2025

| \$'000                                                                                                             | Notes | Actual<br>2025 | Budget<br>2025 |
|--------------------------------------------------------------------------------------------------------------------|-------|----------------|----------------|
| <b>Revenue</b>                                                                                                     |       |                |                |
| Revenue from exchange transactions                                                                                 | 5     | 29,775         | 36,320         |
| <b>Total revenue</b>                                                                                               |       | <b>29,775</b>  | <b>36,320</b>  |
| <b>Expenditure</b>                                                                                                 |       |                |                |
| Operating expenses                                                                                                 | 6     | 437            | 2,580          |
| <b>Total operating expenditure</b>                                                                                 |       | <b>437</b>     | <b>2,580</b>   |
| <b>Net operating surplus</b>                                                                                       |       | <b>29,338</b>  | <b>33,740</b>  |
| Other gains/(losses)                                                                                               |       | -              | -              |
| <b>Surplus before income tax</b>                                                                                   |       | <b>29,338</b>  | <b>33,740</b>  |
| Income tax expense                                                                                                 |       | -              | -              |
| <b>Net surplus after income tax</b>                                                                                |       | <b>29,338</b>  | <b>33,740</b>  |
| <b>Other comprehensive revenue/(expenditure)</b>                                                                   |       |                |                |
| Fair value on the revaluation of financial assets held at fair value through comprehensive revenue and expenditure | 11    | -              | 12,880         |
| <b>Total comprehensive revenue</b>                                                                                 |       | <b>29,338</b>  | <b>46,620</b>  |

The above statement should be read in conjunction with the accompanying notes.

## Statement of financial position

As at 30 June 2025

| \$'000                                         | Notes | Actual<br>2025   | Budget<br>2025   |
|------------------------------------------------|-------|------------------|------------------|
| <b>Assets</b>                                  |       |                  |                  |
| Cash and cash equivalents                      |       | -                | 2,580            |
| Receivables                                    | 7     | 4,014            | -                |
| Other financial assets                         | 8     | 1,305,854        | 1,300,830        |
| <b>Total assets</b>                            |       | <b>1,309,868</b> | <b>1,303,410</b> |
| <b>Liabilities</b>                             |       |                  |                  |
| Payables and accruals                          |       | 47               | 2,580            |
| <b>Total liabilities</b>                       |       | <b>47</b>        | <b>2,580</b>     |
| <b>Net assets/equity</b>                       |       | <b>1,309,821</b> | <b>1,300,830</b> |
| <b>Total liabilities and net assets/equity</b> |       | <b>1,309,868</b> | <b>1,303,410</b> |

The above statement should be read in conjunction with the accompanying notes.

## Statement of changes in net assets/equity

For the 9 months ended 30 June 2025

| \$'000                             | Notes | Contributed capital | Accumulated funds/(deficit) | Total equity     | Budget           |
|------------------------------------|-------|---------------------|-----------------------------|------------------|------------------|
| Capital contribution               | 9     | 1,318,910           | -                           | <b>1,318,910</b> | 1,287,950        |
| Surplus after income tax           |       | -                   | 29,338                      | <b>29,338</b>    | 33,740           |
| Other comprehensive revenue        |       | -                   | -                           | -                | 12,880           |
| <b>Total comprehensive revenue</b> |       | <b>1,318,910</b>    | <b>29,338</b>               | <b>1,348,248</b> | <b>1,334,570</b> |
| Distribution paid                  | 12    | -                   | (38,427)                    | <b>(38,427)</b>  | (33,740)         |
| <b>Balance as at 30 June 2025</b>  |       | <b>1,318,910</b>    | <b>(9,089)</b>              | <b>1,309,821</b> | <b>1,300,830</b> |

The above statement should be read in conjunction with the accompanying notes.

## Statement of cash flows

For the 9 months ended 30 June 2025

| \$'000                                           | Notes | Actual 2025     | Budget 2025     |
|--------------------------------------------------|-------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>      |       |                 |                 |
| Interest received                                |       | 25,761          | 36,320          |
| Payment to the council                           |       | (390)           | -               |
| <b>Net cash flows from operating activities</b>  | 13    | <b>25,371</b>   | <b>36,320</b>   |
| <b>Cash flows from investing activities</b>      |       |                 |                 |
| Proceeds from sale of other financial assets     |       | 1,318,910       | -               |
| Acquisition of other financial assets            | 8     | (1,305,854)     | -               |
| <b>Net cash flows from investing activities</b>  |       | <b>13,056</b>   | <b>-</b>        |
| <b>Cash flows from financing activities</b>      |       |                 |                 |
| Distribution paid                                | 12    | (38,427)        | (33,740)        |
| <b>Net cash flows from financing activities</b>  |       | <b>(38,427)</b> | <b>(33,740)</b> |
| <b>Net increase in cash and cash equivalents</b> |       | <b>-</b>        | <b>2,580</b>    |
| <b>Opening cash and cash equivalents</b>         |       | <b>-</b>        | <b>-</b>        |
| <b>Closing cash and cash equivalents</b>         |       | <b>-</b>        | <b>2,580</b>    |

The above statement should be read in conjunction with the accompanying notes.

# Notes to the financial statements

For the 9 months ended 30 June 2025

## 1. General information

Auckland Future Fund (the fund) is a non-charitable trust incorporated in New Zealand under the Trust Act 2019 and domiciled in New Zealand. The fund was established by deed as a trust with a single corporate trustee, being Auckland Future Fund Trustee Limited (AFFTL).

The fund is a substantive council-controlled organisation (CCO) as defined by section 4 of the Local Government (Auckland Council) Act 2009 and is a wholly owned, controlled entity of Auckland Council (the council).

The principal activity of the fund is to be a long-term investment fund for the benefit of current and future communities of Auckland, as described in the statement of service performance on page 8.

## 2. Basis of preparation

### a) Statement of compliance

The financial statements have been prepared in accordance with:

- the Local Government Act 2002
- the Local Government (Auckland Council) Act 2009
- Generally Accepted Accounting Practice in New Zealand (NZ GAAP)
- Public Benefit Entity Standards (PBE Standards), including authoritative notices that are applicable to entities that apply PBE standards. These standards are based on International Public Sector Accounting Standards (IPSAS) with amendments for the New Zealand environment
- the fund's trust deed dated 27 September 2024.

The fund has elected to report as a Tier 1 reporting entity on the basis that total expenditure is anticipated to exceed \$33 million in future reporting periods and applies Tier 1 PBE standards. This is also to ensure consistency with the reporting requirements of the Auckland Council Group.

The financial statements have been prepared under the historical cost convention, on a going concern basis, and the accounting policies have been applied consistently throughout the period.

### b) Functional and presentation currency

The financial statements are presented in New Zealand dollars (NZD) and are rounded to the nearest thousand dollars (\$'000), unless otherwise stated. The functional currency of the fund is New Zealand dollars.

### c) Liquidity basis of reporting

The financial statements are presented on a liquidity basis in accordance with PBE IPSAS 1 *Presentation of Financial Reports*. This approach is considered appropriate given the nature of the fund's operations and asset composition.

During the establishment phase, all assets were held in term deposits and on-call cash to preserve capital and maintain flexibility while awaiting the appointment of an investment manager and custodian. Presenting assets and liabilities in order of liquidity provides users with more relevant and useful information about the fund's financial position and risk profile.

In future periods, the fund is expected to invest in units in investment funds. These investments are intended to be held for the long term and therefore continue to support the appropriateness of a liquidity-based presentation. This approach aligns with the fund's investment strategy and enhances transparency around the availability and timing of resources.

## 2. Basis of preparation (continued)

### d) Comparative information

The financial statements represent the first reporting period of the fund since its establishment. As such, no comparative figures have been presented.

### e) Budget figures

Those figures are approved in the statement of intent for 2024 – 2027, which is published on the Auckland Future Fund website.

### f) Accounting standards issued but not yet effective

The fund will adopt the following accounting standards in the reporting period after the effective date.

#### *I. 2024 Omnibus Amendments to PBE Standards, issued October 2024*

The 2024 Omnibus Amendments include updates to PBE IPSAS 1 *Presentation of Financial Reports* to clarify the principles for classifying a liability as current or non-current. The amendments are effective from reporting periods beginning on or after 1 January 2026. The fund has not assessed the effect of the amendments in detail.

#### *II. PBE IFRS 17 Insurance Contracts*

PBE IFRS 17 *Insurance Contracts* for public sector entities was issued in June 2023. This standard establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. It is effective for reporting periods beginning on or after 1 January 2026 with early adoption permitted. The fund has not assessed the effect of the new standard in detail.

### g) Significant restrictions

Despite the council's ability to control the fund, there are significant restrictions on accessing the assets of the fund. The council has established a range of protections against future changes that could diminish the value of the fund's asset, including the use of an unincorporated non-charitable trust and key policies in the council's Long-term Plan, which restrict the council's ability to make decisions about the operation of the fund and about cash distributions from the fund. The council is also seeking legislative protection for the fund via a local bill.

The council has a liquidity facility agreement in place with the fund, allowing it to access the fund's available liquid assets. This availability is defined as the value of the fund's liquid assets less \$10 million and any distribution amounts scheduled within the next 12 months under the Auckland Future Fund Distribution Policy (totalling \$1.2 billion as at 30 June 2025). This facility serves as a contingency mechanism and does not change the strategic intent or dedicated long-term nature of the fund.

### h) Statement of cashflows

The fund maintains its own bank accounts. The associated expenses of management and administration of the fund are all incurred by AFFTL and are reimbursed from the fund as funding expenses. The expenses are paid to the council on behalf of AFFTL.

## 3. Significant judgements and estimates

No significant judgements or estimates were made during the preparation of these financial statements.

## 4. Summary of significant accounting policies

### a) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less, held to meet short-term operational cash commitments. They are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value.

### b) Receivables

Receivables comprise accrued interest revenue on other financial assets. Accrued interest is determined by applying the effective interest rate to the carrying amount of the financial asset. The effective interest rate is the rate that exactly discounts the estimated future cash flows to the net carrying amount of the asset.

#### 4. Summary of significant accounting policies (continued)

##### **c) Payables and accruals**

Payables and accruals are measured at amortised cost using the effective interest method. These are due to third parties within 12 months of balance date.

##### **d) Contributed capital**

Contributed capital represents the initial capital contribution made by the council. As the fund is an unincorporated trust, it does not have share capital. No further capital contributions were received during the reporting period. The fund's objectives, policies and processes for managing capital are discussed in note 15.

##### **e) Tax**

###### ***I. Income tax***

The fund is exempt from income tax under section CW39B of the Income Tax Act 2007.

###### ***II. Goods and services tax (GST)***

The fund is not registered for GST. All items in the financial statements are stated as inclusive of GST where applicable.

##### **f) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

###### ***I. Initial recognition***

A financial asset or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

At initial recognition, the fund may measure financial asset and financial liability using the original invoiced amount if the effect of the time value of money is immaterial.

###### ***II. Classification and subsequent measurement***

The fund's financial assets and financial liabilities are subsequently classified into the following categories:

###### **Financial assets at amortised cost**

The fund's financial assets are classified at amortised cost if both of the following criteria are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost include cash and cash equivalents, other financial assets and receivables.

Term deposits that are held to maturity and on-call cash, both earmarked for investment purposes, are classified as other financial assets and are measured at amortised cost.

The fund's financial assets are reclassified when the business model for managing those financial assets changes.

###### **Financial liabilities at amortised cost**

Financial liabilities at amortised cost include non-derivative financial liabilities such as payables and accrued expenses.

###### ***III. Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or when the fund has transferred substantially all the risks and rewards of ownership to another party.

A financial liability is derecognised when the fund's obligation under the liability is discharged, cancelled or has expired.

#### 4. Summary of significant accounting policies (continued)

##### f) Financial instrument (continued)

##### IV. Impairment

The representative board and management assess at each reporting date whether a financial asset is impaired using an expected credit loss model. The amount of the impairment loss is the difference between the contractual cash flows due in relation to the financial asset and the cash flows that the fund expects to receive, discounted at an approximation of the original effective interest rate.

Impairment losses are recognised in the statement of comprehensive revenue and expenditure in the period in which they arise.

##### g) Revenue recognition

The fund receives its revenue from exchange transactions. Exchange transaction revenue arises when the fund provides goods or services directly to a third party and receives approximately an equal value in return. The fund's significant items of revenue are recognised and measured as follows:

##### 1. Interest revenue

Interest revenue is recognised on an accruals basis using the effective interest method which allocates interest at a constant rate of return over the expected life of the financial instrument based on the estimated future cash flows.

##### h) Distributions

Distributions are declared and paid prior to the end of the financial year.

For the first three years (2024/2025, 2025/2026 and 2026/2027), distributions are based on net contributed capital (defined as contributed capital less transaction costs) rather than on the fund's earnings or losses. The distribution rate remains consistent throughout this period.

## 5. Revenue

| \$'000                                          | 2025          |
|-------------------------------------------------|---------------|
| Revenue from exchange transactions:             |               |
| Interest revenue                                | 29,775        |
| <b>Total revenue from exchange transactions</b> | <b>29,775</b> |

Explanation of significant variances against budget

| \$'000                             | Actual | Budget | Variance |
|------------------------------------|--------|--------|----------|
| Revenue from exchange transactions | 29,775 | 36,320 | (6,545)  |

During the nine-month period, the fund generated revenue from interest earned on term deposits and on-call cash balances. The revenue was less than budgeted because the fund was unable to deploy capital into higher-returning investments, as the global investment manager and custodian were appointed after the balance date.

## 6. Operating expenses

Operating expenses for 2024/2025 are mainly related to funding provided to AFFTL to cover operating costs. These include audit fees for the 2024/2025 financial report of \$33,433 which are payable to AFFTL.

## 7. Receivables

| \$'000          | 2025  |
|-----------------|-------|
| Accrued revenue | 4,014 |

Accrued revenue is current and not past due therefore not considered impaired.

## 8. Other financial assets

| \$'000                              | 2025             |
|-------------------------------------|------------------|
| On-call cash for investment*        | 375,854          |
| Term deposits                       | 930,000          |
| <b>Total other financial assets</b> | <b>1,305,854</b> |

\*On-call cash is classified as other financial assets to reflect the fund's long-term investment strategy.

## 9. Contributed capital

The fund was established on 27 September 2024, following a capital contribution from the council of \$1.32 billion as the initial settlement of the trust on 4 December 2024.

Explanation of significant variances against budget

| \$'000              | Actual    | Budget    | Variance |
|---------------------|-----------|-----------|----------|
| Contributed capital | 1,318,910 | 1,287,950 | 30,960   |

The capital contribution represents the transfer of the council's shareholding in Auckland International Airport Limited as part of the trust's initial settlement. The favourable variance primarily reflects a higher-than-forecast share price and lower transaction costs achieved during the transfer, resulting in increased contributed capital recognised during the reporting period.

## 10. Accumulated funds/(deficit)

Explanation of significant variances against budget

| \$'000                      | Actual  | Budget | Variance |
|-----------------------------|---------|--------|----------|
| Accumulated funds/(deficit) | (9,089) | -      | (9,089)  |

The accumulated deficit of \$9 million, compared to a budgeted break-even position, reflects a higher distribution to the council driven by the increased capital contribution. This was partially offset by lower investment income during the period, resulting from delays in deploying funds into higher-returning assets.

## 11. Revaluation reserve

Explanation of significant variances against budget

| \$'000              | Actual | Budget | Variance |
|---------------------|--------|--------|----------|
| Revaluation reserve | -      | 12,880 | (12,880) |

The revaluation reserve was lower than budgeted because the fund invested solely in term deposits and on-call cash, which are measured at amortised cost and do not generate fair value movements. As a result, the fund did not recognise any revaluation gains during the 9 month period, and the revaluation reserve remained at nil.

## 12. Distribution

The board of directors of AFFTL approved the fund's distribution of \$38.43 million on 16 May 2025 and it was paid to the council on 30 June 2025.

### 13. Reconciliation of surplus with net cash from operating activities

| \$'000                                    | 2025          |
|-------------------------------------------|---------------|
| Surplus for the period                    | 29,338        |
| Changes in:                               |               |
| Working capital                           | (3,967)       |
| <b>Net cash from operating activities</b> | <b>25,371</b> |

### 14. Financial risk management

During the financial period, the fund's financial risk exposure related solely to its holdings in call accounts and term deposits. This exposed the fund to limited financial risks: interest rate risk, credit risk and liquidity risk.

The fund's investments will be managed by an appointed global investment manager in accordance with the Auckland Future Fund Policy, Trust Deed, a Statement of Investment Policies and Objectives (SIPO) and the Auckland Council Group's Responsible Investment Policy.

Following the transition of funds to an external global investment manager, the fund will no longer retain direct exposure to individual investments. Instead, it will be exposed to a broader range of market risks, foreign currency risk, and other investment-related risks. These risks will be managed by the appointed global investment manager in accordance with their investment mandates and the SIPO.

#### a) Interest rate risk

Interest rate risk is the risk that changes in market interest rates will impact the return on investments. The fund's investments were placed in fixed-rate term deposits and on-call cash. As the term deposits were held to maturity, they were not exposed to interest rate fluctuations during the term. However, there is a reinvestment risk if market rates are lower at the time of maturity. For on-call cash, investments are subject to interest rate fluctuations, as their interest returns are linked to the Official Cash Rate (OCR). As such, returns from these accounts decrease if the OCR is reduced.

To assess this risk in the fund, sensitivity analysis assuming a 1% movement in market interest rates for reinvestment which demonstrates the estimated impact on surplus or deficit and equity is as follows:

| \$'000                                         | 2025                     |               |
|------------------------------------------------|--------------------------|---------------|
|                                                | -100bps/-1%              | +100bps/+1%   |
| <b>Sensitivity to interest rate risk</b>       | <b>Surplus/(deficit)</b> | <b>Equity</b> |
| Other financial assets                         | (13,059)                 | 13,059        |
| <b>Total sensitivity to interest rate risk</b> | <b>(13,059)</b>          | <b>13,059</b> |

#### b) Credit risk

Credit risk is the risk of financial loss if a counterparty fails to meet its contractual obligations.

Credit risk may arise from other financial assets, including term deposits and on-call cash. The fund seeks to reduce counterparty credit risk by spreading in on-call cash and term deposits across multiple registered banks which have an S&P Global credit rating of AA-.

The carrying amount of other financial assets represents the maximum exposure to credit risk. As at 30 June 2025, the fund did not identify any impairment indicators and considers all investments to be of high credit quality.

#### 14. Financial risk management (continued)

##### c) Liquidity risk

Liquidity risk is the risk that the fund will be unable to meet obligations as they fall due. The fund has no significant financial liabilities and maintains sufficient assets and term deposit maturity profiles to meet its short-term obligations. Term deposits are maintained on a rollover basis to preserve liquidity and will remain so until a global investment is appointed.

As required by the Auckland Future Fund Policy, the Auckland Future Fund Liquidity Facility Agreement provides the council with a standby liquidity facility based on the value of the fund's liquid assets at the time of drawdown, less \$10 million and any distribution amounts payable within the next 12 months under the Auckland Future Fund Distribution Policy. This facility is available to provide liquidity support to the council if no other funding sources or bank liquidity facilities are available, ensuring the council has necessary funds during times of financial stress or market disruptions.

The table below analyses the fund's financial assets and liabilities into relevant maturity grouping based on the period remaining at balance date until the contractual maturity date.

| 2025<br>\$'000                     | Carrying<br>amount | On demand | < 1 year     | >1 year          | Total<br>contractual<br>cash flows |
|------------------------------------|--------------------|-----------|--------------|------------------|------------------------------------|
| Other financial assets             | 1,305,854          | -         | -            | 1,305,854        | <b>1,305,854</b>                   |
| Receivables                        | 4,014              | -         | 4,014        | -                | <b>4,014</b>                       |
| <b>Total financial assets</b>      | <b>1,309,868</b>   | <b>-</b>  | <b>4,014</b> | <b>1,305,854</b> | <b>1,309,868</b>                   |
| Payables and accruals              | 47                 | -         | 47           | -                | <b>47</b>                          |
| <b>Total financial liabilities</b> | <b>47</b>          | <b>-</b>  | <b>47</b>    | <b>-</b>         | <b>47</b>                          |
| <b>Net contractual cash flows</b>  | <b>1,309,821</b>   | <b>-</b>  | <b>3,967</b> | <b>1,305,854</b> | <b>1,309,821</b>                   |

#### 15. Capital management

The fund's capital is its equity, which comprises equity contributed and accumulated funds. Equity is represented by net assets.

AFFTL, as the corporate trustee of the fund, is responsible for the prudent management of the fund's revenues, expenses, assets, liabilities and general financial dealings. These responsibilities are exercised by AFFTL in its role as the corporate trustee.

The objective of managing the fund's equity is to ensure that the fund effectively achieves its objectives and purpose, whilst remaining a going concern.

The fund is not currently subject to any externally imposed capital requirements.

#### 16. Key management personnel remuneration

The fund does not have any key management personnel, as it is managed by AFFTL.

## 17. Related party transactions

Related parties are where one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. All related party transactions with other entities have been entered into on an arm's length basis.

Auckland Council wholly owns the fund. All council-controlled organisations of Auckland Council are considered related parties to the Auckland Council Group.

AFFTL, on behalf of the fund, has entered into a liquidity agreement with the council (refer to note 14(c)), providing the council with access to funding based on the value of the fund's liquid assets at the time of drawdown, less \$10 million and any distribution amounts payable within the next 12 months under the Auckland Future Fund Distribution Policy. This agreement is intended to support the council's financial risk and liquidity management.

The related party transactions are as follows:

- Distribution paid – this is the distribution paid to the council during the financial period which is recognised in accumulated funds.
- Funding expense – this is amount paid by the fund to the council on behalf of AFFTL during the financial period to cover incorporation and administration which is recognised as expense in statement of comprehensive revenue and expenditure, refer to note 2(h).

| \$'000          | Related party | 2025   |
|-----------------|---------------|--------|
| Dividend paid   | the council   | 38,427 |
| Funding expense | AFFTL         | 437    |
| Accruals        | AFFTL         | 47     |

## 18. Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities as at 30 June 2025.

## 19. Subsequent events after balance date

- On 24 August 2025, AFFTL appointed Vontobel Asset Management AG as global investment manager for the fund.
- On 19 September 2025, the AFFTL board signed a deed of gift with the council, resulting in an increase of \$45 million in contributed capital. This is consistent with the council's ongoing commitment to seek opportunities to further capitalise the fund.

There are no other events occurring subsequent after balance date that require disclosure.

