Regional Facilities Auckland
An Auckland Council Organisation

Regional Facilities Auckland Annual Report

FOR THE YEAR ENDED 30 JUNE 2018

Enriching life in Auckland by engaging people in the arts, environment, sport and events

STATEMENT OF COMPLIANCE AND RESPONSIBILITY

The trustee is responsible for the preparation of the Regional Facilities Auckland (RFA) financial statements and statement of service performance, and for the judgements made in them.

The trustee of RFA has the responsibility of establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and service reporting.

In the trustee's opinion, these financial statements and statement of service performance fairly reflect the financial position, operations and service performance of RFA for the year ended 30 June 2018.

SIGNED

Sir Don McKinnon

Chair, Regional Facilities Auckland Limited on behalf of Regional Facilities Auckland

SIGNED

Chris Brooks

Chief Executive Officer, Regional Facilities Auckland

OVERVIEW

Regional Facilities Auckland (RFA) works in partnership with Auckland Council and key stakeholders to to enrich and enhance life in Auckland by engaging people in the arts, the natural environment, sports and events through our programmes, facility and events by employing a strategic regional approach.

Established in 2010 as one of six council organisations, RFA makes a significant contribution towards growing Auckland's economy and boosting the city's reputation for the depth, quality and diversity of the experiences it offers in the arts, live entertainment, the natural environment, sport and events.

Hosting several million people a year, our passionate and creative teams – Auckland Art Gallery, Auckland Conventions, Auckland Live, Auckland Stadiums, Auckland Zoo and New Zealand Maritime Musuem – strive to deliver rewarding visitor experiences and positive outcomes for Auckland.

OUR SUCCESSES AND ACHIEVEMENTS

This year has seen RFA achieve a number of records around visitors, new experiences and activities, which include the following highlights.

- Auckland Art Gallery delivered an exceptional programme of celebrated exhibitions and events over the past year, including *The Corsini Collection: A Window on Renaissance Florence* in collaboration with the Art Gallery of Western Australia in Perth; Yayoi Kusama's *The obliteration room (2002 – present);* and Julian Rosefeldt's *Manifesto*. The Gallery welcomed 545,782 visitors – 121% of the annual target.
- Auckland Conventions had another strong year, securing and staging 976 events including the VOLVO Ocean Race using the ANZ Viaduct Events Centre as headquarters for 31 days during the stop over, with 550,000 visitors passing through the venue.
- Auckland Live continued to attract premier events to Auckland and enhance its role as a creative leader in arts and entertainment. Events included the award-winning international production *Matilda the Musical*, Auckland Live's *International Cabaret Season* and the *Auckland Writer's Festival* at the Aotea Centre.
- Auckland Stadiums delivered an unprecedented events programme, with RFA's summer concert and festival series boosting the Auckland's economy by a visitor spend of more than $29 million. The record-breaking season included the country's most attended concert series in history with Ed Sheeran selling more than 134,000 tickets for three consecutive nights at Mt Smart Stadium. The recent successes of the Warriors has been reflected in a huge increase in the popularity of games at Mt Smart Stadium, with an average crowd attendance for the season to date of 16,845, an increase of 25% from the same time last year. The biggest match, the SKYCITY Auckland Double Header in April, which drew a 25,600 sell-out crowd.
- Auckland Zoo had an exciting year, with work beginning on the Zoo's new $50 million precinct that will entirely transform one-fifth of its public space. Phase three of an extensive 10-year redevelopment programme, the new South-East Asia development is the largest ever undertaken by the Zoo in its 96 year history. In late September 2017, the Zoo achieved CarbonNZero certification, however more importantly, the Zoo continued its vital contribution to conservation efforts in New Zealand and overseas.
- A heritage institution of national significance, New Zealand Maritime Museum joined RFA in March. Welcoming more than 160,000 visitors during the year, the Museum's programmes, exhibitions, galleries and on-water experiences provided a fascinating glimpse into New Zealand's relationship with the sea.

OUR ASSETS

We have the privilege of being the kaitiaki (guardian) of some of New Zealand's most loved landmarks – valued by Aucklanders and visitors to the city.

As trusted stewards of more than $1.39 billion worth of iconic regional assets, we continued our programme of significant capital projects to enhance the visitor experience. This included:

- Major works at Mt Smart Stadium with the refurbishment of the corporate suites and toilet facilities and other interior improvements, renewal of drainage and water mains to prevent flooding, waterproofing of the West Stand seating areas, and South Stand strengthening;
- The commencement of the work for Auckland Zoo's next significant development, the South-East Asia precinct. The $50 million precinct will transform almost one-fifth of the Zoo's public space and enable visitors to experience the sights, sounds and smells of a tropical Sumatran rainforest, one of the most biodiverse places on earth;
- The commencement of the work on two significant capital projects at Aotea Centre to ensure the building remains fit for purpose for future generations. The work includes a major phased refurbishment of the existing building, and an innovative expansion that will create Auckland's first fully resourced, dedicated home for performing arts development.

OUR FINANCES

RFA finished the year with a favourable variance of $104m in total comprehensive income against budget and completed $45m of programmed capital renewals for the year. The operational trading result is unfavourable to budget by $5.5m, which excludes non-cash items, Auckland Council funding and depreciation. The unfavourable result is largely due to challenging revenue targets which were not met due to high rainfall throughout the year impacting Auckland Zoo revenue and lower number of events than budgeted for at Auckland Conventions and Auckland Stadiums. The operational costs for the Auckland Art Gallery was also under funded. The revenue and cost challenges for these RFA divisions were offset by tight management of expenditure in areas that would not adversely impact RFA's ability to grow revenue and maintain service standards. We have continued to increase commercial revenue, efficiently manage our operational costs, and minimise the operational funding required from Auckland's ratepayers. In a challenging market where organisations such as RFA are competing for the consumer discretionary spend, our external revenue accounts for 61% of our total operational revenue.

FUTURE OUTLOOK

The 2018/19 financial year is set to be a significant one, with major capital projects at Aotea Centre and Auckland Zoo. Increasing revenue to meet the compound impact of group efficiency savings over the last few years remains an important focus for the organisation. Revenue will be heavily influenced by the impact of the development work at the Aotea Centre and the Auckland Zoo and the volatility of the commercial markets in which RFA operates.

RFA ANNUAL REPORT

Regional Facilities Auckland (RFA) is continually developing its financial reporting. As part of this development, RFA focuses on what drives its performance by grouping disclosure notes into the following sections.

1. Financial Statements and Basis of Reporting
2. Revenue and Expense
3. Working Capital
4. Long-term Assets
5. Borrowings, Risk and Capital Management
6. Other Disclosures.

The notes to the financial statements contain the relevant financial information as well as the relevant accounting policies and local government disclosures. The notes form part of the financial statements.

Keys have been used throughout the annual report to improve the clarity of financial reporting and to provide readers with a clearer understanding of key information in the financial report.

Accounting policies are also denoted by the blue shading surrounding the applicable accounting policy, and these policies are now located alongside the relevant notes. Significant judgements applied in the preparation of the financial statements are noted in blue text.

Key	Explanation
	Accounting policies
	Significant judgements and estimates
	Local government disclosures

Contents

Section 1: Financial Statements

Statement of Comprehensive Revenue and Expenses for the year ended 30 June 2018

	Note	Actual 2018 $000s	Budget 2018 $000s	Actual 2017 $000s
Revenue				
Revenue		50,624	46,600	48,836
Auckland Council operating funding	*1*	27,506	26,000	27,281
Auckland Council capital funding	*1*	44,458	57,300	30,278
Donations and bequests	*1*	2,436	1,000	4,812
Finance income	*1*	913	700	931
Other revenue	*1*	5,310	10,400	5,363
Other gains / (losses)	*2*	11,406	-	852
Total revenue	*1*	**142,653**	**142,000**	**118,353**
Expenditure				
Employee benefits	*3*	45,194	42,400	44,008
Depreciation expense	*14*	27,228	28,500	26,435
Amortisation expense	*15*	366	-	385
Finance expenditure	*4*	358	-	350
Grant expenses		2,045	1,300	1,855
Other expenses	*5*	50,737	41,000	43,833
Total expenditure		**125,929**	**113,200**	**116,866**
Surplus from continuing operations before tax		**16,724**	**28,800**	**1,486**
Surplus after tax attributable to:				
Regional Facilities Auckland		16,724	28,800	1,486
Other comprehensive income				
Gain on property and art revaluations	*21*	116,620	-	12,428
Total other comprehensive income		**116,620**	**-**	**12,428**
Total other comprehensive income after tax		**133,344**	**28,800**	**13,914**

Explanations of significant variations are detailed in Note 6.
The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2018

	Note	Actual 2018 $000s	Actual 2017 $000s
Assets			
Current assets			
Cash and cash equivalents	7	17,631	30,171
Receivables	8	27,555	33,026
Prepayments		977	843
GST receivable		616	-
Other financial assets	18	223	209
Inventories	9	843	708
Total current assets		**47,847**	**64,955**
Non-current assets			
Property, plant and equipment	14	1,091,473	953,194
Artwork collections	15	285,828	278,568
Heritage and cultural assets	16	323	-
Intangible assets	17	905	567
Other financial assets	18	1,435	1,633
Total non-current assets		**1,379,964**	**1,233,961**
Total assets		**1,427,809**	**1,298,916**
Liabilities			
Current liabilities			
Payables	10	60,775	68,713
Borrowings and other financial liabilities	19	1,707	1,707
Employee entitlements	11	5,413	5,496
Provisions	12	594	808
Total current liabilities		**68,489**	**76,724**
Non-current liabilities			
Borrowings and other financial liabilities	19	7,972	7,741
Employee entitlements	11	-	86
Total non-current liabilities		**7,972**	**7,827**
Total liabilities		**76,461**	**84,551**
NET ASSETS		**1,351,349**	**1,214,365**
Equity and reserves			
Contributed capital	21	1,053,532	1,049,995
Accumulated surplus / (deficit)	21	(28,405)	(45,110)
Restricted equity	21	1,720	1,599
Property revaluation reserves	21	324,502	207,882
Total equity		**1,351,349**	**1,214,365**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity as at 30 June 2018

	Note	Actual 2018 $000s	Actual 2017 $000s
Balance 1 July		1,214,365	1,200,481
Total comprehensive revenue and expense for the year		133,344	13,914
Owner transactions			
Previously unrecognised assets		3,538	-
Movement in restricted equity		102	(30)
Balance at 30 June	*21*	**1,351,349**	**1,214,365**

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2018

	Note	Actual 2018 $000s	Actual 2017 $000s
Cash flows from operating activities			
Receipts from grants and funding		81,766	55,047
Receipts from customers		51,623	54,157
Net GST paid		(1,149)	(1,171)
Interest received	*1*	913	931
Payments to suppliers and employees		(101,293)	(66,313)
Interest paid	*4*	(358)	(350)
Net cash inflow / (outflow) from operating activities		**31,501**	**42,301**
Cash flows from investing activities			
Loan repayments received		277	258
Purchase of property, plant and equipment		(43,541)	(25,989)
Purchase of intangible assets		(705)	(413)
Net cash inflow / (outflow) from investing activities		**(43,969)**	**(26,144)**
Cash flows from financing activities			
Distribution from restricted reserves		(72)	(383)
Net cash inflow / (outflow) from financing activities		**(72)**	**(383)**
Net increase / (decrease) in cash and cash equivalents		(12,540)	15,773
Cash and cash equivalents at beginning of the year		30,171	14,397
Cash and cash equivalents at end of the year		**17,631**	**30,171**

The accompanying notes form part of these financial statements.

Basis of Reporting

Reporting entity

Regional Facilities Auckland (RFA) is a charitable trust incorporated in New Zealand under the Charitable Trusts Act 1957 and is domiciled in New Zealand. RFA was established by deed as a trust with a single corporate trustee, being Regional Facilities Auckland Limited (RFAL), and commenced operations on 1 November 2010.

The deed of trust states that the objectives of RFA are:

- To support the vision of Auckland as a vibrant city that attracts world-class events and promotes the social, economic, environmental and cultural well-being of its communities (and visitors to Auckland) in arts, culture, heritage, leisure, sport and entertainment activities
- To continue to develop, applying a regional perspective, a range of world-class arts, cultural, heritage, leisure, sport and entertainment venues that are attractive to both residents and visitors to Auckland
- To promote, operate, develop and maintain, and to hold and manage interests and rights in relation to regional facilities throughout Auckland, and to promote and coordinate strategic planning in relation to the development and operation of such facilities
- To provide and to promote the provision of high-quality amenities at regional facilities throughout Auckland that will facilitate and promote arts, cultural, heritage, education, sport, recreation and leisure activities and events in Auckland which attract and engage residents and visitors
- To administer and to promote the administration of regional facilities throughout Auckland on a prudent commercial basis, so that such facilities are operated as successful, financially sustainable community assets.

RFAL is controlled by Auckland Council and is a council-controlled organisation (CCO) as defined by section 6 of the Local Government Act 2002 by virtue of the council's right to appoint the Board of Directors. The ultimate parent of RFA is Auckland Council.

RFA has designated itself a public benefit entity (PBE) for financial reporting purposes. The financial statements have been prepared in accordance with and comply with Tier 1 PBE accounting standards.

The financial statements of RFA are for the year ended 30 June 2018. Comparative information is provided for the period from 1 July 2016 to 30 June 2017. The financial statements were authorised for issue by RFA's Board on 17 August 2018.

Basis of preparation

Statement of compliance – The financial statements of RFA have been prepared in accordance with the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). These financial statements comply with International Public Sector Accounting Standards (IPSAS) and other applicable financial reporting standards as appropriate for public benefit entities.

The financial statements are presented in New Zealand dollars and all values rounded to the nearest thousand dollars ($000). The functional currency of RFA is New Zealand dollars (NZD).

Accounting policies

Accounting policies are applied in the preparation of these financial statements and are noted in the blue text box alongside the appropriate note. These policies have been consistently applied to the opening statement of financial position and reporting period to 30 June 2018, unless otherwise stated.

Measurement base – These financial statements have been prepared on a historical-cost basis, modified by the revaluation of land and buildings and art collections.

Going concern – The financial statements have been prepared on a going-concern basis.

Budget figures – Those figures approved in the Statement of Intent for 2017-2020, which is published on RFA's website.

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Auckland Council in preparation of the financial statements.

Other accounting policies and judgements

Goods and services tax (GST)

All items in the financial statements are stated exclusive of goods and services tax (GST), except for trade and other receivables and trade and other payables, which are presented on a GST-inclusive basis. GST not recoverable as input tax is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Income tax

RFA is registered as a charity under the Charities Act 2005 and is not liable for income tax.

Accounting judgements, estimates and assumptions

In preparing these financial statements, RFA has made estimates and assumptions concerning the future. These are noted in blue text throughout the financial statements. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed within the applicable notes.

Significant judgement

The development and operations of Spark Arena are governed by a development agreement. This "build, own, operate, transfer" contract specifies that the residual interests at the end of the contract reside with RFA. RFA's interests in Spark Arena have been recognised as an asset and independently revalued on a periodic basis. The initial contribution to the building development by the third party has been recognised in the cost of the building asset and as lease revenue in advance, which is recognised on a straight-line basis over the period of the development agreement.

The original contribution by Auckland City Council to build the Spark Arena asset has been recognised as a building asset, and associated contribution by the operator has been recognised as a liability under the new PBE accounting standards, and is accounted for on the following basis:

i) Recognition of asset: the building has been recognised as an asset with a restriction on title as RFA does not hold the title at balance date. Beca has indepently revalued the building in accordance with Auckland Council's valuation policy for buildings. The building and associated improvements are depreciated over its estimated remaining useful life (currently estimated at between 31 and 78 years).

ii) Recognition of liability: unearned lease revenue is recognised as finance income over the remainder of the lease period on a straight-line basis.

Section 2: Revenue and Expense Results for the Year

Note 1 – Revenue	Note	Actual 2018 $000s	Actual 2017 $000s
Revenue from exchange transactions			
Entrance and admission fees		12,338	12,656
Venue hire		15,125	14,002
Food and beverages		7,617	7,598
Membership fees		1,869	1,533
Goods sold		3,302	3,737
Rental revenue from property leases		1,570	1,052
Other		11,924	11,781
Total revenue		53,745	52,359
Finance income			
Interest revenue		909	910
Realised foreign exchange gains		4	21
Total finance income		913	931
Total revenue from exchange transactions		**54,658**	**53,290**
Revenue from non-exchange transactions			
Donations and bequests		2,436	4,812
Sponsorships		521	855
Other gains	*2*	11,406	852
Revenue from non-exchange transactions		14,363	6,519
Grants and funding			
Auckland Council operating funding		27,506	27,281
Auckland Council capital funding		44,458	30,278
Other grants and subsidies		1,669	984
Total grants and funding		73,632	58,543
Total revenue from non-exchange transactions		**87,995**	**65,062**
Total revenue		**142,653**	**118,353**

Revenue

Revenue is measured at the fair value of consideration received or receivable, net of discounts and GST, when the amount of revenue can be reliably measured. Specific accounting policies for significant revenue items are explained below.

Funding from Auckland Council – RFA receives operational and capital funding from Auckland Council. Operational funding is restricted in its use for the purpose of meeting the objectives specified in the trust deed and is recognised as revenue at point of entitlement. Capital funding is a reimbursement for approved capital works and recognised as a related party receivable at the time the capital expense is incurred by RFA.

Admission and ticket revenue – This is recognised on an accrual basis in the period that the corresponding event occurs, upon completion of that event.

Grants and subsidies – These are recognised as revenue upon entitlement, unless there is an obligation in substance to return funds received if conditions of the grants are not met. If there is such a condition, grants are initially recorded as grant received in advance and recognised as revenue when the conditions of the grant have been fulfilled.

Provision of services – Services provided to third parties on commercial terms are exchange transactions. Revenue from the rendering of these services is recognised by reference to the stage of completion of the transaction at reporting date, based on the actual service provided as a percentage of the total services to be provided.

Donations – Donations are recognised when physically received or when it is probable that a reliably measurable amount will be receivable.

Donated assets – Where a physical asset is gifted to RFA or acquired by RFA for nil consideration or at a subsidised cost, the asset is recognised at fair value and the difference between the considerations provided and the fair value of the asset is recognised as revenue. The fair value of the donated assets is determined as follows:

- For new assets, fair value is usually determined by reference to retail price of the same or similar asset at time of receipt of asset.
- For used assets, fair value is usually determined by reference to market information for assets of a similar type, condition and age.

Sale of goods – Revenue from the sale of goods is recognised when the risks and rewards of the ownership of the goods pass to the purchaser.

Interest – Interest is recognised on a time-proportion basis using the effective interest method.

Rental revenue – Lease receipts under operating leases and subleases are recognised as revenue on a straight-line basis over the lease term.

Grants received

RFA must exercise judgement when recognising grant revenue to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each grant contract.

Auckland Council operating funding

Auckland Council operating subsidy includes funds from RFA's ultimate parent in relation to activities within RFA. These funds are for RFA to perform specified activities for the current reporting period and, therefore, is recognised as income in the reporting period. RFA receives operational funding from Auckland Council.

Auckland Council capital subsidy funding

Auckland Council funds the capital programme based on information derived from the asset management plans. This funding largely reflects the capital expenditure incurred during the year.

Other grants and subsidies

Other grants and subsidies include funding from external third parties. While these grants and subsidies indicate they are to fund particular projects, the terms of the funding do not preclude the recognition of these funds upon receipt of the grant. Other grants and subsidies are recognised as revenue when received.

Other grants and subsidies include:

- various grants to Auckland Art Gallery of $0.8 million (2017: $0.8 million);
- various grants to the New Zealand Maritime Museum of $0.8 million (2017: nil).

Note 2 – Other gains / (losses)	*Note*	Actual 2018 $000s	Actual 2017 $000s
Other revenue from non-exchange transactions			
Gain on acquisition of business	*24*	11,311	-
Gain / (loss) on fair value of community loans		94	841
Gain on disposal of fixed asset		1	11
Total other gains / (losses)		**11,406**	**852**

Note 3 – Employee benefits	Actual 2018 $000s	Actual 2017 $000s
Salaries and wages, including employer contributions	45,367	42,267
Other	10	9
Increase / (Decrease) in employee holiday pay provision	(183)	1,731
Total employee benefits	**45,194**	**44,008**
Employer contributions to defined contribution plans include contributions to KiwiSaver		
Salaries and wages include:		
Salaries and wages	36,775	33,929
Salaries and wages included in cost of sales	7,110	6,355
Other	446	1,103
Total salaries and wages	**44,331**	**41,387**

Note 4 – Finance expenditure	Actual 2018 $000s	Actual 2017 $000s
Finance expense		
Interest expenses – financial liabilities classified as amortised cost:		
– Borrowings	356	327
Realised and unrealised foreign exchange losses	2	23
Total finance expense	**358**	**350**

Finance expenditure

Borrowing costs – All borrowing costs are recognised as an expense in the financial year in which they are incurred.

Foreign currency transactions – Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the surplus or deficit.

Note 5 – Other expenses	*Note*	Actual 2018 $000s	Actual 2017 $000s
Other expenses include:			
Fees paid to principal auditor:			
– Audit fees for financial statement audit		231	224
– Fees for review engagement		25	25
Assurance services		145	121
Contractor and consultancy costs		1,499	2,274
Insurance premiums		721	829
Consultants and legal fees		43	72
Cost of goods sold		14,352	14,713
Repairs and maintenance		3,263	2,692
Loss on disposal		3,987	335
Occupancy and utilities		8,068	6,580
Shared services with Auckland Council		595	666
Impairment of receivables	8	87	-
Operating lease expense		72	74
Other		17,649	15,228
Total		**50,737**	**43,833**

Other expenditure includes

Cost of services received – Service costs are expensed when the related service has been rendered.

Discretionary grants – Discretionary grants are those grants where RFA has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the decision. Grants are provided in line with signed investment plans with entities whose objectives align with those of RFA.

Note 6 – Explanations for major variances from RFA's budget

Statement of Comprehensive Revenue and Expense for the year ended 30 June 2018	Actual 2018 $000s
Budgeted (deficit) / surplus from continuing operations before tax	**28,800**
Revenue explanations	
Capital funding not received from Auckland Council due to deferment of capital programme	(12,842)
Additional operational funding received from Auckland Council including contribution to animal acquisition costs	1,506
Additional grants received not budgeted for	453
Additional donations and bequests not budgeted for	1,436
Gain on business acquisition	11,311
Sponsorship budget not achieved	(1,833)
Additional revenue generated	622
Total operating revenue explanations	653
Expenditure explanations	
Lower depreciation due to deferred capital spend	(1,272)
Additional amortisation not budgeted	366
Additional staff costs associated with higher deliverables	2,794
Direct salary recoveries related to events accounted as cost of sales	8,987
Additional grants awarded not budgeted for	745
Additional property related costs not budgeted	3,555
Lower costs due to deferred expenditure	(2,804)
Interest paid higher than budgeted for	358
Total operating expenditure explanations	12,729
Actual (deficit) / surplus from continuing operations before tax	**16,724**

The budget for the above purposes is the Statement of Intent, published June 2017.

Section 3: Working Capital

Note 7 – Cash and cash equivalents	Actual 2018 $000s	Actual 2017 $000s
Cash at bank and on hand	133	1,564
Operating bank account	1,800	859
Ticketing bank account	14,965	27,748
Arts development fund	733	-
Total cash and cash equivalents	**17,631**	**30,171**

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, bank overdrafts and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Cash

Cash comprises bank accounts plus till floats, petty cash floats and a small foreign currency float.

Operating bank account

The operating bank account is part of the Auckland Council set-off arrangement, where settlement of mutual balances arising on inter-group transactions between Auckland Council and RFA is set off for debt and interest purposes.

Ticketing bank account

RFA operates the ticketing accounts for the deposit of box office ticket sales received from the ticket service provider. Funds are held in these bank accounts until settlement occurs for performance of shows. These funds are held in trust on behalf of event promoters until settled and do not form part of Auckland Council set-off arrangements.

Arts Development Fund

This represents funds held within an Arts Development Fund, which are treated and disclosed separately. An Arts Development Trust Deed governs the use of this fund.

Restricted cash balances

In accordance with the Local Government Act 2002, RFA operates two restricted bank accounts. These bank accounts are used for the deposit of ticketing box office funds and are accordingly considered to be restricted funds.

Note 8 – Trade and other receivables	Actual 2018 $000s	Actual 2017 $000s
Current		
Trade receivables	4,792	2,503
Provision for impairment of trade receivables	(252)	(165)
Trade receivables net	4,540	2,338
Related party receivables	20,517	28,651
Sundry debtors	916	965
Accrued income	1,582	1,072
	23,015	30,688
Total trade and other receivables	**27,555**	**33,026**

Total trade and other receivables comprise:	Actual 2018 $000s	Actual 2017 $000s
Receivables from exchange transactions		
Receivables from sale and supply of goods and services	4,540	2,338
Sundry debtors	916	965
Accrued income	1,582	1,072
Total receivables from exchange transactions	7,038	4,375
Receivables from non-exchange transactions		
Related-party receivables	20,517	28,651
Total receivables from non-exchange transactions	20,517	28,651
Total trade and other receivables	**27,555**	**33,026**

Trade and other receivables

Trade and other receivables are recorded at their face value, less any provision for impairment.

There is no concentration of credit risk with respect to trade receivables as there is a large number of customers.

Related-party receivables are predominantly with entities within the Auckland Council (ultimate parent) group structure. RFA does not hold any collateral or other credit enhancements over these balances as security.

Fair value

Trade receivables are non-interest bearing and receipt is normally on 30-day terms. Related-party receivables are non-interest bearing and receipt is normally on 30 days. Therefore, the carrying value of trade receivables and related-party receivables approximates their fair value. All receivables greater than 30 days are considered past due.

	Actual 2018 $000s	Actual 2017 $000s
Ageing profile of non-impaired receivables at year end		
Not past due	24,721	31,959
Past due 1 – 60 days	2,834	973
Past due 61 – 120 days	-	94
Past due > 120 days	-	-
Total receivables net of impairment	**27,555**	**33,026**
Age of impaired receivables		
Past due 1 – 60 days	-	-
Past due 61 – 120 days	97	-
Past due > 120 days	155	165
Total	**252**	**165**
Movement in the allowance for impairment of trade receivables		
Opening balance	165	220
Additional allowances made during year	123	-
Allowance reversed during year	(13)	(41)
Impaired receivables written off during year	(23)	(14)
Total impaired receivables	**252**	**165**

Note 9 – Inventories

	Actual 2018 $000s	Actual 2017 $000s
Commercial inventory		
Items held for resale	843	708
Total inventory	843	708

No inventories are pledged as securities (2017: nil).

The write-down of commercial inventory to net realisable value amounted to $16,980 (2017: $18,327). There have been no reversals of write-downs.

	Actual 2018 $000s	Actual 2017 $000s
Write-down of commercial inventory	17	18

Inventory

Inventory held for use in the production of goods and services on a commercial basis is valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the first in, first out (FIFO) method.

The amount of any write-down to net realisable value of inventory is recognised in the surplus or deficit in the period of the write-down.

Note 10 – Payables	Actual 2018 $000s	Actual 2017 $000s
Trade creditors	3,124	3,218
Sundry payables	8,892	26,585
Amounts due to related parties (Note 26)	32,451	27,113
Revenue received in advance	5,201	4,902
Accrued expenses	11,017	6,727
GST payable	-	168
Total current portion	**60,775**	**68,713**
Total payables comprise:		
Payables under exchange transactions		
Creditors	3,124	3,218
Revenue received in advance	5,201	4,902
Accrued expenses	11,017	6,727
Other payables	8,982	26,753
Total payables under exchange transactions	28,324	41,600
Payables under non-exchange transactions		
Amounts due to related parties (Note 26)	32,451	27,113
Total payables under exchange transactions	32,451	27,113
Total payables	**60,775**	**68,713**

Payables

Trade creditors and other financial liabilities are recorded at their face value.

Revenue in advance is recognised to the statement of comprehensive revenue and expense as income in the period the income is earned.

Fair value

Current creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

Note 11 – Employee entitlements	Actual 2018 $000s	Actual 2017 $000s
Current portion		
Accrued salaries and wages	1,723	1,482
Annual leave	3,596	3,932
Long-service leave	94	82
Total current portion	**5,413**	**5,496**
Non-current portion		
Long-service leave	-	86
Total non-current portion	**-**	**86**
Total employee benefits	**5,413**	**5,582**

Employee entitlements

Short-term employee entitlements – Employee benefits expected to be settled within 12 months of reporting date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to reporting date; annual leave earned to, but not yet taken at, balance date; long-service leave entitlements expected to be settled within 12 months of reporting date.

A liability and an expense are recognised for bonuses where RFA has a contractual obligation or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements – Employee benefits due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long-service leave and retirement gratuities, have been calculated on the projected unit credit method, an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information
- the present value of the estimated future cash flows.

Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements – Annual leave, vested long-service leave, and non- vested long-service leave and retirement gratuities expected to be settled within 12 months of reporting date, are classified as a current liability. All other employee entitlements are classified as non-current liabilities.

Key assumptions in measuring retirement and long-service leave obligations

Two key assumptions used in calculating the liability are the discount rate and the salary inflation rate. A discount range of 1.8% to 4.29% equivalent to the appropriate risk-free rates relevant for the timing of cashflows, published by New Zealand Treasury as the government bond rate (2017: 2.0% to 4.0%) and an inflation factor of 3.1% (2017: 3.0%), were used in calculating the long-term leave and retirement gratuity liabilities. Any changes in these assumptions will affect the carrying amount of the liability.

Note 12 – Provisions	Actual 2018 $000s	Actual 2017 $000s
Current portion		
Restructuring	90	371
Other	504	437
Total current portion	**594**	**808**
Total provisions	**594**	**808**

Movements for each class of provision

	Actual 2018 $000s		
	Restructuring	Other	Total
Previous year opening balance	372	436	808
Additional provisions made	90	108	198
Amounts used	(372)	(40)	(412)
Closing balance	**90**	**504**	**594**

	Actual 2017 $000s		
	Restructuring	Other	Total
Previous year opening balance	-	425	425
Additional provisions made	372	61	433
Amounts used	-	(50)	(50)
Closing balance	**372**	**436**	**808**

Restructuring provision

The approved restructuring plan is based on the annual organisational review. The provision represents the estimated cost for redundancy payments arising from the restructure.

Provisions

Provisions are recognised when all of the following are true:

- RFA has a present legal or constructive obligation due to past events
- It is more likely than not that an outflow of resources will be required to settle the obligation
- The amount has been reliably estimated.

Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised as an interest expense and is included in finance costs.

Restructuring – A provision for restructuring is recognised when an approved, detailed, formal plan for the restructuring has either been announced to those affected, or for which implementation has already commenced.

Note 13 – Reconciliation of net surplus / (deficit) to net cash flow from operating activities	Actual 2018 $000s	Actual 2017 $000s
Net surplus / (deficit) after tax	**16,724**	**1,486**
Add / (less) non-cash items		
Depreciation	27,229	26,435
Amortisation	366	385
Bad debts	(23)	(14)
Non-cash lease revenue	(269)	(269)
Non-cash operational funds	1,009	(1,563)
Decrease in allowance for impairment of trade receivables	110	(41)
Net gains on other financial assets	(94)	(841)
Gain on business acqusition	11,311	-
Other non-cash adjustments	-	(422)
Gifted artworks	(2,404)	(4,706)
Total non-cash items	14,613	18,964
Add / (less) items classified as investing or financing activities		
(Gains) / loss on disposal of property, plant and equipment	3,987	336
Total items classified as investing or financing activities	3,987	336
Add / (less) movements in statement of financial position items		
(Increase) / decrease in other receivables	(2,240)	218
(Increase) / decrease in accrued income	(510)	(652)
(Increase) / decrease in prepayments	(134)	(103)
(Increase) / decrease in GST receivable	(784)	189
(Increase) / decrease in inventories	(136)	86
Increase / (decrease) in other payables	(17,697)	12,457
Increase / (decrease) in revenue in advance	299	1,047
Increase / (decrease) in accrued expenses	4,072	1,621
Increase / (decrease) in provisions	(214)	384
Increase / (decrease) in employee benefits	(169)	1,996
Increase / (decrease) in capital expenditure accrual	218	2,305
Increase / (decrease) in net related-party balances	13,472	1,982
Net movement in working capital items	(3,823)	21,530
Net cash flow from operating activities	**31,501**	**42,316**

Section 4: Long-term Assets

Note 14 – Property, plant and equipment

Cost or valuation	Opening balance 1 July 2017 $000s	Additions * $000s	Revaluation / (impairment) $000s	Disposals $000s	Transfers to Auckland Council $000s	Aquired through a business combination $000s	Reclassification / net movement $000s	Closing balance 30 June 2018 $000s
	Actual 2018							
Land	145,780	-	34,455	-	-	-	-	180,235
Buildings	788,673	26,180	38,422	(4,338)	(1,488)	10,445	4	857,898
Plant and equipment	23,192	1,718	-	(3)	-	1,632	(4)	26,535
Office equipment, furniture and fittings	12,890	585	-	-	5	97	-	13,577
Computer equipment	1,394	274	-	(6)	-	18	-	1,680
Motor vehicles	566	22	-	-	36	2	-	626
Roading and civil structures	2,962	-	-	-	-	-	-	2,962
Under construction	18,116	14,391	-	-	-	-	-	32,507
Total cost	**993,573**	**43,170**	**72,877**	**(4,347)**	**(1,447)**	**12,194**	**-**	**1,116,020**

***** Additions comprise construction costs incurred to existing buildings.

Note 14 (continued)

Accumulated depreciation	Opening balance 1 July 2017 $000s	Depreciation expense $000s	Reversal of accumulated depreciation on revaluation $000s	Depreciation on disposals $000s	Other adjustments $000s	Closing balance 30 June 2018 $000s	Net book value 30 June 2018 $000s
	Actual 2018						
Land	-	-	-	-	-	-	180,235
Buildings	21,288	21,768	(42,701)	(357)	2	-	857,898
Plant and equipment	11,515	2,726	-	(1)	(2)	14,238	12,297
Office equipment, furniture and fittings	6,264	2,209	-	-	-	8,473	5,103
Computer equipment	942	318	-	(1)	-	1,259	420
Motor vehicles	284	120	-	-	-	404	221
Roading and civil structures	86	87	-	-	-	173	2,789
Under construction	-	-	-	-	-	-	32,507
Total cost	**40,379**	**27,228**	**(42,701)**	**(359)**	**-**	**24,547**	**1,091,473**

Note 14 (continued)	Actual 2017						
Cost or valuation	Opening balance 1 July 2016 $000s	Additions $000s	Revaluation / (impairment) $000s	Disposals $000s	Other adjustments $000s	Reclassification / net movement $000s	Closing balance 30 June 2017 $000s
Land	145,780	-	-	-	-	-	145,780
Buildings	777,266	10,741	-	(210)	575	301	788,673
Plant and equipment	16,524	6,788	-	(206)	-	86	23,192
Office equipment, furniture and fittings	12,281	686	-	(34)	-	(43)	12,890
Computer equipment	1,371	204	-	-	-	(181)	1,394
Motor vehicles	566	-	-	-	-	-	566
Roading and civil structures	2,762	326	-	-	-	(126)	2,962
Under construction	8,862	9,254	-	-	-	-	18,116
Total cost	**965,412**	**27,999**	**-**	**(450)**	**575**	**37**	**993,573**

	Actual 2017						
Accumulated depreciation	Opening balance 1 July 2016 $000s	Depreciation expense $000s	Reversal of accumulated depreciation on revaluation $000s	Depreciation on disposals $000s	Other adjustments $000s	Closing balance 30 June 2017 $000s	Net book value 30 June 2017 $000s
Land	-	-	-	-	-	-	145,780
Buildings	-	21,199	-	28	61	21,288	767,387
Plant and equipment	9,168	2,456	-	(109)	-	11,515	11,677
Office equipment, furniture and fittings	4,095	2,225	-	(33)	(23)	6,264	6,624
Computer equipment	583	388	-	-	(29)	942	452
Motor vehicles	203	81	-	-	-	284	282
Roading and civil structures	-	86	-	-	-	86	2,877
Under construction	-	-	-	-	-	-	18,114
Total cost	**14,049**	**26,435**	**-**	**(114)**	**9**	**40,379**	**953,194**

Property, plant and equipment (PPE)

Operational assets – These include land, buildings, works of art, plant and machinery, computer equipment, furniture, fittings and equipment, and motor vehicles.

Biological assets – Zoo animals are valued at a nominal value of $1, in line with international practice.

Property held to meet service-delivery objectives

Property held to meet service-delivery objectives, rather than to earn rentals or for capital appreciation (i.e. investment property), is recognised as land and buildings under property, plant and equipment.

As a result, properties leased to third parties under operating leases are not classified as investment property because one of the following is the case:

- The occupants provide services integral to the operation of RFA's business, or these services could not be provided efficiently and effectively by the lessee in another location
- RFA is a public-benefit entity and the property is held to meet service-delivery objectives, rather than to earn rentals or for capital appreciation
- The property is being held for future delivery of services
- The lessee uses RFA's services and those services are integral to the reasons for their occupancy of the property.

Initial recognition – PPE are initially shown at cost or fair value in the case where an asset is acquired at no cost or for a nominal cost. Cost includes any costs directly attributable to the acquisition of the items. Note that in the case of the assets acquired by RFA on establishment at 1 November 2010, cost was the carrying value of the assets by the previously owning council and CCO.

Subsequent measurement – PPE are measured at cost or fair value, less accumulated depreciation and impairment losses.

Revaluation – Revaluations of PPE are accounted for on a class-of-asset basis. Land, buildings and artwork collections are revalued with sufficient regularity to ensure their carrying amount does not differ materially from fair value and at least once every three years. All other asset classes are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income. Depreciation rates are adjusted on building revaluations.

Additions – The cost of an item of PPE is recognised as an asset if, and only if, it is probable that the future economic benefits or service potential associated with the item will flow to RFA and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated. Each item of PPE is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals – Gains and losses on disposals are determined by comparing the proceeds on disposal with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Depreciation – Land is not depreciated. Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Asset class	Useful life	Rate
Buildings	3 – 100 years	(1.0% – 33%)
Plant and machinery	1 – 39 years	(2.6% – 100%)
Office equipment	1 – 25 years	(4.0% – 100%)
Computer equipment	3 – 8 years	(12.5% – 33%)
Motor vehicles	4 – 10 years	(10.0% – 25%)
Roads and civil structures	3 – 68 years	(1.4% – 33%)

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciated replacement cost – Critical assumptions in estimating depreciated replacement cost for the revaluation of certain PPE are the estimated replacement cost of subject assets, estimated optimisation rates of subject assets and estimated remaining useful life of those assets.

Estimating useful lives and residual values of PPE – At each balance date, RFA reviews the useful lives and residual values of its PPE. Assessing the appropriateness of useful life and residual value estimates requires RFA to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by RFA, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciable amount of an asset, therefore affecting the depreciation expense recognised in the surplus or deficit and the asset's carrying amount. RFA minimises the risk of this estimation uncertainty by:

- physical inspection of assets
- asset-replacement programmes
- review of second-hand market prices for similar assets; and
- analysis of prior asset sales.

There are no restrictions over the title over any item of property, plant and equipment. No items of PPE are secured as security for liability.

Revaluation of land and buildings

Land and buildings were revalued as at 30 June 2018 consistent with Auckland Council group accounting policy. RFA revalues land and buildings on a three-year cycle unless the fair value assessment requires revaluation of the entire class of land and buildings. These assets are valued at either market value or depreciated replacement cost. In the event a revaluation is required, it is performed by qualified independent valuers.

The building revaluation reserve at the beginning of 2018 was $155,407,000. The 2018 building revaluation gave rise to revaluation gains of $81,123,000.

Useful lives of NZMM buildings

The NZMM buildings are built on leased land (note 25). RFA is depreciating the value of these buildings over the remaining lease-term, which expires on 01 March 2027, with no right of renewal.

Fair value

The fair value for each asset class for RFA is represented by the net book value.

The fair value of assets not valued during the financial period has been assessed and is not materially different from the net book value. Total fair value of property, plant and equipment valued by each valuer for the reporting period ending at 30 June 2018:

Name of valuer	Type of valuer	Date performed	Asset class	2018 $000s
Beca	Registered valuers	June 2018	Land	180,235
Beca	Registered valuers	June 2018	Buildings	857,898
Total				**1,038,133**

Impairment

Assets are assessed for indicators of impairment at each financial period. Where an asset's carrying value exceeds its recoverable value, being the greater of fair value less cost to sell or value in use, the asset is written down to its recoverable value, with losses recognised in profit or loss.

Work in progress

Property, plant and equipment by asset class is detailed below:

	Actual 2018 $000s	Actual 2017 $000s
Buildings	29,218	16,892
Plant and equipment	2,569	878
Software	568	304
Artworks	152	42
	32,506	**18,116**

Note 15 – Artwork collections

In 2017, RFA concluded it was appropriate to reclassify its artwork collections from property, plant and equipment (Note 14) and disclose separately. Prior year amounts for 2016 have been reclassified for consistency with the current presentation. This reclassification had no effect on the reported results of operations. RFA's fine artwork collections are classified according to the national and cultural significance of the items held, where recognition of the mana and substance of Māori, European and other major cultural heritages are reflected. This is mediated by factors including rarity, provenance, historical connotations and social capital. Public artworks are largely those on display at the Aotea Centre. In some cases these are attached to, or were specifically commissioned for, the Aotea Centre.

Artwork collections	Moderate significance	Considerable significance	Substantial significance	Public artworks	Total
Opening balance 1 July 2016	17,692	59,138	184,280	-	261,110
Additions	97	202	-	-	299
Donated / vested	60	701	3,945	-	4,706
Revaluations	31	154	12,269	-	12,454
Reclassifications	246	525	(771)	-	-
Balance as at 30 June 2017	**18,126**	**60,719**	**199,723**	**-**	**278,568**
Additions	63	12	201	-	277
Donated / vested	78	1,436	890	-	2,404
Previously unrecognised assets	-	-	-	3,538	3,538
Revaluations	-	1,042	-	-	1,042
Reclassifications	122	(197)	75	-	-
Balance as at 30 June 2018	**18,389**	**63,012**	**200,890**	**3,538**	**285,828**

Revaluation of artwork collections

RFA collections are recorded at cost or revaluation. Valuations of the fine art collection held at the Auckland Art Gallery are programmed annually to ensure each class of collection is valued at least once every three years. Acquisitions to collections between revaluations are recorded at cost or at fair value if donated.

As the fine art collections have an indefinite life and are not of a depreciable nature, depreciation is not applied to the collections.

In 2018 a portion of the artwork collection has been revalued as per RFA's revaluation policy. The valuation of the artwork collection was completed on a three-year cycle as follows.

- Items in the moderate significance collection were individually revalued by Auckland Art Gallery staff during the 2015/2016 financial year. The revaluation methodology was externally verified by Mossgreen-Webb's (Auckland).
- Items in the considerable significance collection were individually revalued by Auckland Art Gallery staff during the 2017/2018 financial year. The revaluation methodology was externally verified by Mossgreen-Webb's (Auckland).
- Items in the substantial significance collection were individually revalued by Sotheby's (London) and Mossgreen-Webb's (Auckland) during the 2016/2017 financial year.

The fair values of artworks are determined by reference to observable prices in an active market and recent transactions on arm's-length terms.

Public artwork has been recognised as fair value on acquisition. The collection largely comprises artwork attached to buildings or commissioned for specific display areas and is not revalued due to the limited market for these pieces.

Fair value

The fair value for each asset class for RFA is represented by the net book value.

The fair value of assets not valued during the financial period has been assessed and is not materially different from the net book value.

Revaluation of the artwork collection of considerable significance as at 30 June 2018 was carried out by Auckland Art Gallery in-house curators (2017: substantial significance as at 30 June 2017 was carried out by Sotheby's London and Mossgreen-Webb's Auckland).

Total fair value of artworks valued by each valuer for the reporting period ending at 30 June:

Name of valuer	Type of valuer	Date performed	Asset class	$000s
Auckland Art Gallery	In-house curators	June 2018	Artworks in considerable significance collection	63,012
Total 30 June 2018				**63,012**
Sotheby's (London),	Independent valuers	June 2017	Artworks in substantial significance collection	73,026
Mossgreen-Webb's (Auckland)	Independent valuers	June 2017	Artworks in substantial significance collection	126,697
Total 30 June 2017				**199,723**

Works of art – loan collection

Auckland Art Gallery has works of art on loan from third parties. In accordance with the agreements with the third parties, Auckland Art Gallery is responsible for the costs of maintaining the loan collection and other associated costs; however, it cannot sell or exhibit the artworks elsewhere without permission. Thus, RFA does not have sufficient control over the art for it to be recognised as an asset.

Note 16 – Historical and cultural collections

The New Zealand Maritime Museum (NZMM) collects, manages and displays the heritage and cultural assets of New Zealand's maritime history. In 2018, RFA acquired the assets and liabilities of the NZMM (Note 25). This included the acquisition of the museum's collection of heritage and cultural assets, which document the maritime history of New Zealand. The NZMM is the custodian of the heritage collection which is kept in trust for the nation.

Heritage and cultural assets	Actual 2018 $000's	Actual 2017 $000's
Opening balance	-	-
Additions	323	-
Closing balance	**323**	**-**

Heritage and cultural assets are accounted at cost at the date of acquisition in the current financial year (Note 25).

Note 17 – Intangible assets	Actual 2018 $000s	Actual 2017 $000s
Computer software at cost		
Previous year opening balance	1,924	2,101
Additions	705	413
Disposals	-	-
Reclassification	-	(590)
Closing balance	2,629	1,924
Accumulated amortisation and impairment		
Previous year opening balance	1,358	973
Amortisation charge	366	385
Amortisation on disposals	-	-
Other movements	-	-
Closing balance	1,724	1,358
Carrying amount	**905**	**567**

No intangible assets are pledged as security for liabilities and there are no restrictions over the title of intangible assets.

Intangibles

Intangible assets are initially recorded at cost. Where acquired in a business combination, the cost is their fair value at the date of acquisition. The cost of an internally generated intangible asset represents expenditure incurred in the development phase only.

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Costs associated with development and maintenance of websites are recognised as an expense when incurred where the website is used solely for promoting RFA's services.

Alternatively, costs associated with development and maintenance of the website are capitalised as an intangible asset where the website is capable of generating revenue through direct orders and sales for RFA.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as:

Acquired software 1 – 8 years, 12.5% – 100%
Developed software 1 – 8 years, 12.5% – 100%.

Section 5: Borrowings, Risk and Capital Management

Note 18 – Other financial assets	Actual 2018 $000s	Actual 2017 $000s
Current portion		
Community loans	223	209
Total current portion	223	209
Non-current portion		
Community loans	1,435	1,632
Total non-current loan portion	1,435	1,632
Total other financial assets	**1,658**	**1,841**

Fair value

Community loans – Fair value on recognition has been determined using cash flows discounted at a rate of 10.43% (2017: 10.67%), based on the ASB Bank's Business Lending Rate at 30 June 2018 of 4.43% (2017: 4.67%), plus the loan recipients' financial risk factor of 6% (2017: 6%).

Community loans	Actual 2018 $000s	Actual 2017 $000s
Fair value of the loans at the beginning of the period	1,841	1,259
Fair value adjustment on initial recognition	-	-
Loans repaid during the period	(277)	(258)
Impairment gains recognised current year	94	841
Fair value of the loans at the end of the period	**1,658**	**1,841**

Community loans

Loans to community organisations made at nil or below-market interest rates are initially recognised at their expected future cash flows, discounted at the current market rate of return for a similar asset or investment. The difference between the face value and present value of expected future cash flows of the loan is recognised in the statement of comprehensive income as a fair value impairment. Community loans are subsequently measured at amortised cost using the effective interest method less impairment, if any.

Discount rate of 10.43% (2017:10.67%) for community loans.

The purpose of the loans is for the development of community assets used for recreational or educational purposes on council-owned land.

Community loans adjusted for fair value are $1,658,000 (2017: $1,841,000). They have stated interest rates of between 4.5% and 5.0% and mature within 8 to 55 years. The face value of the community loans is $2,374,000 (2017: $2,868,000).

Note 19 – Borrowings and other financial liabilities	Actual 2018 $000s	Actual 2017 $000s
Current portion		
Unsecured loans	1,438	1,438
Lease revenue in advance	269	269
Total current portion	1,707	1,707
Non-current portion		
Lease revenue in advance	7,972	7,741
Total non-current portion	7,972	7,741
Total borrowings	9,679	9,448

Borrowings

Borrowings are financial liabilities classified as 'other financial liabilities at amortised cost'.

They are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless RFA has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Unsecured loans

These balances relate to funding received from the ultimate parent (Auckland Council) in relation to capital expenditure projects undertaken by RFA. The face value of the advances as at 30 June 2018 is $1,438,000 (2017: $1,438,000). The terms of the advances are that they are non-interest bearing and will not be called on in the next 12 months. There are no covenants attached to the advances. The advances are unsecured.

Lease revenue in advance

The contribution by the third-party operator of Spark Arena has been recognised as lease revenue in advance. Lease revenue from this leasing arrangement is recognised as revenue on a straight-line basis over the period of the lease. The remaining period of the lease is 30 years.

1. Financial instrument categories

RFA's financial assets comprise cash and cash equivalents, term deposits, trade and other receivables (including community loans) and have been categorised as loans and receivables.

Financial liabilities are trade and other payables (excluding revenue in advance), borrowing, and finance leases.

Financial instruments

Financial assets comprise loans and receivables that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the surplus or deficit.

Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument.

Financial liabilities are initially recorded at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

Financial instruments by category	Actual 2018 $000s	Actual 2017 $000s
Financial assets through other comprehensive revenue and expense		
Loans and receivables		
Cash and cash equivalents (Note 7)	17,631	30,171
Receivables (Note 8)	27,555	33,026
Other financial assets (Note 18)		
– Community loans	1,658	1,841
Total loans and receivables	46,844	65,037
Financial liabilities measured at amortised cost		
Payables (excluding income in advance, taxes payable and grants) (Note 10)	55,843	63,643
Borrowings (Note 19)	9,679	1,438
Total borrowings and payables	65,522	65,081

2. Financial instrument risk

RFA's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. RFA has a series of policies to manage the risks associated with the financial instruments and seeks to minimise the exposure on those instruments. RFA is risk-averse and manages its exposure to key financial risks by applying policies that do not allow it to enter any transactions which are speculative in nature.

2a. Market risk

The only market risk to which RFA is subject is interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. RFA's exposure to interest rate risk arises on borrowings and term deposits, therefore the exposure to such risk is limited.

Borrowings arise on capital advances from Auckland Council.

Term deposits are made for periods less than, equal to, or greater than three months, depending on our cash requirements, and earn interest at respective short-term deposit rates.

Sensitivity analysis

As at 30 June 2018, if the average interest rate on interest-bearing deposits over the year had been 50 basis points higher or lower, with all other variables held constant, the (deficit) / surplus for the 12 months would have been $88,000 (2017: $151,000) higher, $88,000 (2017: -$151,000) lower.

2b. Credit risk

Credit risk represents the risk that a third party will default on its obligations to RFA, causing it to incur a loss. Financial instruments which subject RFA to credit risk consist of bank balances, bank term deposits and trade and other receivables.

For each of these, maximum credit exposure is best represented by the carrying amount in the statement of financial position. Ongoing credit evaluation is performed on the financial condition of customers and the ageing of their existing outstanding balances. Cash and deposits are held with Bank of New Zealand and Westpac Bank, which are registered banks in New Zealand, and are respectively rated Moody's Aa3 and Standard & Poor's AA- for their long-term credit rating.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings (if available) or to historical information about counter-party default rates.

Counter-parties with credit ratings for cash and cash equivalents (AA-) were 2018: $17,631,000 (2017: $30,171,000) and term deposits (AA-) 2018: nil (2017: nil).

Counter-parties without credit ratings for receivables were 2018: $27,555,000 (2017: $33,026,000) and community loans 2018 $1,658,000 (2017: $1,841,000).

2c. Liquidity risk

Liquidity risk represents RFA's ability to meet its contractual obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. RFA mostly manages liquid risk by continually monitoring forecast and actual cash flow requirements.

RFA's creditors are mainly those reported as trade and other payables, and operating leases on the balance sheet. RFA aims to pay these within normal commercial terms.

RFA has cash and other short-term deposits that it can use to meet its ongoing payment obligations.

Contractual maturity analysis of financial liabilities

As RFA's creditors are mainly those reported as trade and other payables, RFA will pay these within six months of incurring the liability.

Note 21 – Equity and reserves	Actual 2018 $000s	Actual 2017 $000s
Contributed capital		
Balance at 1 July	1,049,995	1,049,995
Previously unrecognised assets	3,537	-
Balance at 30 June	1,053,532	1,049,995
Accumulated surplus / (deficit)		
Balance 1 July	(45,110)	(46,576)
Surplus / (deficit) for the year	16,724	1,486
Transfers to restricted equity	(19)	(20)
Balance at 30 June	(28,405)	(45,110)
Restricted equity		
Balance at 1 July	1,599	1,609
Transfers from accumulated surplus	19	20
Contributions received /(distributions made)	102	(30)
Balance at 30 June	1,720	1,599
Property revaluation reserves		
Balance at 1 July	207,882	195,454
Revaluations gains / (losses) through comprehensive income	116,620	12,428
Balance at 30 June	324,502	207,882
Total equity	**1,351,349**	**1,214,365**

Changes in the carrying value of RFA's equity and reserve balances are shown in the statement of equity. Details on the nature of the specific equity and reserve balances are detailed below.

Contributed capital

Contributed capital represents the amount of net assets initially injected into RFA upon its incorporation on 1 November 2010 as a result of the disestablishment of previous Auckland councils and council-controlled entities, and establishment of Auckland Council and its newly created council-controlled entities. Previously unrecognised assets (note 15) were held by other council entities pre 2010 and identified during the current year are considered contributed capital.

Accumulated surplus / (deficit)

Accumulated surplus / (deficit) represents the surpluses and deficits earned by the entity that have been retained since RFA's incorporation on 1 November 2010, plus the current year's surplus and movement.

Restricted equity

RFA sets aside specific amounts of retained surpluses in relation to its operations at Auckland Zoo. Specifically, restricted equity has been set aside for the zoo's activities relating to conservation initiatives. As costs are incurred, they are recognised through profit and loss in the period to which they relate, and the corresponding funds are transferred from restricted equity to retained earnings.

Restricted equity also includes trusts and bequest funds administered by Auckland Council for the benefit of Auckland Art Gallery for the purchase of art and other specified purposes.

Property revaluation reserve

RFA operates an asset revaluation reserve to hold movements upon the revaluation of non-current assets.

Property revaluation reserves consist of:	Actual 2018 $000s	Actual 2017 $000s
Artwork collection classified as moderate significance	1,151	1,151
Artwork collection classified as considerable significance	5,028	3,986
Artwork collection classified as substantial significance	13,724	13,724
Total artwork collections	19,903	18,861
Land	68,069	33,614
Buildings	236,530	155,407
Total property revaluation reserves	**324,502**	**207,882**

The asset revaluation reserve is maintained by class of revalued non-current assets. Movements in the revaluation of items are restricted to the class of non-current assets to which they are allocated, in accordance with PBE IPSAS 17.

Upon exhaustion of the asset revaluation reserve of a particular class of non-current assets, any further devaluation is taken to profit or loss and is not offset by any remaining revaluation reserves of other classes of non-current assets, in accordance with PBE IPSAS 17.

Equity

Equity represents the shareholder's interest in RFA and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- contributed capital
- accumulated surplus / (deficit)
- restricted equity
- property revaluation reserve.

Contributed capital – equity instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by RFA are recognised as the proceeds received, net of direct issue costs.

Accumulated surplus / (deficit) – represents carried forward undistributed surpluses and deficits that have not been designated or restricted.

Restricted reserves – a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the parent.

Restricted reserves are those subject to specific conditions accepted as binding by RFA and which may not be revised by RFA without reference to the courts or a third party.

Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Restricted reserves include those restricted by RFA's decision.

The parent may alter restricted reserves without reference to any third party or the courts. RFA's objectives, policies and processes for managing capital are explained in Note 22.

Asset revaluation reserves – incorporates the revaluation arising on the revaluation of operational land and buildings, and art works to fair value.

Note 22 – Capital management

The capital structure of RFA consists of net debt (borrowings as detailed in Note 19 offset by cash and cash equivalents) and equity, which comprises:

- contributed equity
- accumulated surplus / (deficit)
- restricted equity
- property revaluation reserve.

Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires RFA to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. RFA's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the parent. Intergenerational equity requires today's ratepayers to meet the costs of using RFA's assets and does not expect them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, RFA has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the ultimate parent (Auckland Council) to make adequate and effective provision in its long-term plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The Act sets out the factors that RFA is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the parent's LTP.

RFA has only one lender of debt, which is its ultimate parent (Auckland Council). The Auckland Transition Agency established a single banking arrangement with BNZ and a debt arrangement with each CCO ratified by its board. The debt agreement precludes borrowing from any party other than Auckland Council.

Section 6: Other Disclosures

Note 23 – Capital commitments and operating leases	Actual 2018 $000s	Actual 2017 $000s
Capital commitments		
Buildings	45,534	7,856
Plant and equipment	633	621
Total capital commitments	46,167	8,477

Capital commitments represent capital expenditure contracted at balance date but not yet incurred.

Operating leases as lessees

RFA leases property, plant and equipment in the normal course of its business. The majority of these leases have non-cancellable terms of 6 months to 9 years. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows.

	Actual 2018 $000s	Actual 2017 $000s
Not later than one year	1,453	552
Later than one year and not later than five years	4,206	1,477
Later than five years	2,450	-
	8,109	2,029

The total minimum future sublease amount expected to be received under non-cancellable subleases at balance date is $1. This relates to a sublease to Auckland Zoological Park.

Leases can be renewed at RFA's option; rents are set with reference to current market rates for items of equivalent age.

Operating leases as lessors

RFA leases property, plant and equipment in the normal course of its business. The majority of these leases have non-cancellable terms of 6 months to 9 years. The contribution by the third party operator of Spark Arena has been recognised as an operating lease, and the remaining period of the lease is 35 years. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows.

	Actual 2018 $000s	Actual 2017 $000s
Not later than one year	2,189	713
Later than one year and not later than five years	5,118	1,310
Later than five years	17,518	6,700
	24,825	8,722

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease revenue under an operating lease is recognised as income on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit over the lease term as an integral part of the total lease expense.

Note 24 – Contingencies

Contingent liabilities
2018
There are no contingent liabilities in 2018 (2017: nil).

Contingent assets
2018
New Zealand Centre for Conservation and Medicine
Certain leases and subleases for land and a building between Auckland Zoo and Auckland Zoological Park Charitable Trust (Inc) commenced on 6 July 2007 for 34 years and 363 days. The building, owned by the Trust, is used by Auckland Zoo as a national wildlife conservation and support facility providing specialist teaching, research and veterinary services and may revert at the end of the lease to RFA. Due to the current uncertainties as to the nature of the building’s condition or use at the end of the lease, the fair value attributable to RFA’s interest in the property cannot be determined and has not been recognised.

Robertson Art Collection
A binding agreement was established in 2009 for a donation of works of art by Julian and Josie Robertson (donors) to RFA for display in Auckland Art Gallery. The donors currently hold the artworks for their own and others’ enjoyment; therefore, RFA will gain possession of the artworks on the contribution date specified in the agreement. No value is included under Intangible assets.

(2017: The same contingencies existed).

Note 25 – Business combination

On 9 March 2018 RFA acquired 100% ownership of the assets and liabilities of New Zealand Maritime Museum (NZMM) through a Deed of Transfer agreed by RFA and the New Zealand Maritime Museum Trust for nil consideration. This acquisition will extend RFA's guardianship of Auckland's significant heritage institutions. The acquisition will enable the museum to benefit from the scale and support afforded to other brands within RFA.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and gain on acquisition are as follows:

	Fair value of NZMM at acquisition date (9 March 2018) $000s
Current Assets	
Cash and cash equivalents	1,060
Receivables	43
Inventories	50
Total current assets	1,153
Non-current Assets	
Property, plant and equipment	12,463
Total non-current assets	12,463
Total assets	13,616
Current liabilities	
Enployee entitlements	106
Creditors and other payables	902
Borrowings	268
Tax payable	9
Provisions	1,020
Total liabilities	2,306
Non-current liabilities	
Total non-current liabilities	-
Total liabilities	2,306
Total net assets	**11,311**
Price paid	-
Business bargain gain on acquisition	**11,311**

Since the acquisition date, NZMM has contributed $1,588,894 to RFA's revenues and $94,567 to RFA's net profit. If the acquisition had occurred on 1 July 2017, RFA would have received from NZMM $5,186,561 revenue and the NZMM contribution to RFA's profit would have been a loss of $503,314.

All non-cash assets and liabilities have been recognised at fair value at acquisition date, with the exception of the NZMM's heritage and culture collection. The NZMM collects, manages and displays the heritage and cultural assets of New Zealand's maritime history which documents the maritime history of New Zealand. The NZMM is the custodian of the heritage collection which is kept in trust for the nation (note 16).

The value of the heritage and culture collection has only been determined on a provisional basis due to a fair value assessment not being completed when the 2018 financial statements were issued. The current the value of the heritage and cultural collection is $323,000, was the carrying value of the collection recorded by the NZMM Trust (based on cost) at date of acquistion by RFA.

Under the Public Benefit Entity International Financial Reporting Standard 3 (PBE IRFS 3): Business Combination, RFA has twelve months from the acquisition date in which to complete any fair value assessment of the identifiable assets and liabilities of NZMM. RFA has applied the measurement period provisions of PBE IFRS 3 to NZMM's heritage and cultural collection as RFA determined it could not have a valuation completed in time for 2017/2018 reporting, given the large volume and variety of objects in this collection.

Related parties include associates, key management personnel and elected representatives of Auckland Council and their close family members and entities controlled by them. Key management personnel are the chief executive and executive leadership team. The elected representatives of the council are the mayor and councillors. Close family members include spouses or domestic partners, children and dependants.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the council would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council Group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

Related party transactions required to be disclosed

The ultimate parent of RFA is Auckland Council (100%). Transactions between RFA and the Council Group are at arm's length, except for the unsecured loan relating to funding received from the ultimate parent in relation to capital expenditure projects undertaken by RFA (2018 is $1,438,000; 2017: $1,438,000). As this loan is interest free, it is not considered at arm's length.

Auckland Council also provides support services to RFA, which include financial and support services. These costs are incurred as part of the council's general overheads and are not allocated or invoiced to RFA. Accordingly, no support service expense is recognised by RFA. These costs are not reflected in the Statement of Comprehensive Revenue and Expense, as they are incurred by the council. RFA has no expectation that they will have to reimburse the council for expenditure relating to the current financial year.

	Actual 2018	Actual 2017
Remuneration		
Number of full-time employees	450	417
Number of all other employees	655	619
Full-time equivalent (FTE) number of all other employees	111	100
Number of employees receiving total annual remuneration of less than $60,000	805	784

Note: the above numbers reflect full-time employees and casual employees as at 30 June 2018 and 30 June 2017. The full-time equivalent (FTE) numbers of all other employees are those casual and part-time employees who were contracted at 30 June 2018.

Employee numbers and remuneration bands

Total annual remuneration by band for employees as at 30 June 2018 is detailed below as per the banding stipulated in the Local Government Act 2002.	Actual 2018	Actual 2017
< $60,000	805	784
$60,000 – $79,999	157	139
$80,000 – $99,999	65	52
$100,000 – $119,999	30	18
$120,000 – $139,999	16	19
$140,000 – $159,999	10	6
$160,000 – $179,999	8	5
$180,000 – $199,999	5	5
$200,000 – $259,999	5	5
$260,000 – $479,999	4	3
Total employees	**1,105**	**1,036**

Key management personnel

Board of Directors	
Sir Donald McKinnon	Chair
Lisa Bates	Director
Geoff Clews	Director
Andrew Collow	Director
Joanna Perry	Deputy Chair
John Robertson (resigned 16 November 2017)	Director
Fabian Partigliani	Director
Rukumoana Schaafhausen	Director
Gary Troup	Director
Executive Management	
Chris Brooks	Chief Executive Officer
Simon Tran	Chief Finance Officer
Paul Brewer	Chief Operating Officer
Rhana Devenport	Director, Auckland Art Gallery Toi o Tāmaki
Jonathan Wilcken	Director, Strategy
Robbie Macrae	Director, Auckland Live and Auckland Conventions
Paul Nisbet	Director, Venue Development Strategy
Kevin Buley	Director, Auckland Zoo
James Parkinson	Acting Director, Auckland Stadiums
Vincent Lipanovich	Director, New Zealand Maritime Museum Hui Te Ananui A Tangaroa
Kirsty Dent	Director, People and Culture

Key management personnel compensation	Actual 2018 $000s	Actual 2017 $000s
Board members		
Total remuneration	416	439
Headcount	8	9
Executive management		
Total remuneration	2,324	2,110
Full-time equivalent members	11	8
Total key management personnel compensation	2,740	2,549
Total full-time equivalent members	19	17

Due to the difficulty in determining the full-time equivalent for board members, the number of board members is taken as the full-time equivalent.

Note 27 – Severance payments

For the year ended 30 June 2018, RFA made eight payments totalling $295,588 (2017: six payments totalling $119,404).

Note 28 – Events after balance date

There were no significant events after balance date which impacted the financial statements.

Statement of Service Performance

AUCKLAND PLAN	A 30-year plan for the whole of Auckland that is delivered by Auckland Council, central government and external stakeholders.	RFA provides a regional approach to running and developing Auckland's art, culture and heritage, sport and leisure sectors. RFA's contribution to the Auckland Plan is set out in Section A of this report.
LONG TERM PLAN	A 10-year plan for Auckland Council that is delivered by Council and Council-Controlled Organisations (CCOs)	The Long Term Plan (LTP) outlines RFA strategic priorities as: a) Advancing the social and cultural well-being of Auckland, b) Contributing to the growth of the region's economy, c) Being trusted stewards of our venues. RFA's progress in these areas are set out in Section B of this report.
STATEMENT OF INTENT	RFA's agreement with Auckland Council regarding its implementation of the strategic priorities in the Long Term Plan.	RFA's three-year work plan details how it will achieve its strategic priorities and its key measures. The financial performance for the current year is presented in Section 1 of the Annual Report. The progress on all other measures are set out in Section C of this report.

SIX OPERATIONAL BUSINESS DIVISIONS

AUCKLAND LIVE

AUCKLAND CONVENTIONS venues & events

AUCKLAND ART GALLERY TOI O TĀMAKI

New Zealand Maritime Museum HUI TE ANANUI A TANGAROA

Auckland ZOO

aucklandstadiums Ngā Whare Hākinakina o Tāmaki Makaurau

OWNERSHIP/MANAGEMENT OF 13 ICONIC AND SPECIALIST VENUES

Auckland Art Gallery Toi o Tamaki • Auckland Zoo • Western Springs Stadium • Aotea Centre

Auckland Town Hall • Bruce Mason Centre • The Civic • QBE Stadium • Queens Wharf

Aotea Square • ANZ Viaduct Events Centre • Mt Smart Stadium • New Zealand Maritime Museum

In addition to its six business divisions, Regional Facilities Auckland (RFA) holds management rights for Auckland Town Hall and Aotea Square, land rights to the Museum of Transport and Technology (MOTAT) and Trusts Arena, and ownership interests in Spark Arena. RFA advises Auckland Council on levy setting and governance for MOTAT and Auckland War Memorial Museum. RFA provides community loans to Stardome Observatory and Planetarium and MOTAT. RFA also provides funding to Trusts Arena, Vodafone Events Centre and North Share Events Centre.

From 9 March 2018, RFA acquired the New Zealand Maritime Museum.

Through all of this, RFA has seen another busy financial year, achieving or substantially achieving the majority of its performance targets and expectations. These successes are measured against the strategic priorities and performance measures contained in the Statement of Intent 2017-2020 (SOI).

Section A: Contribution to the Auckland Plan

The Auckland Plan is the roadmap to deliver on Auckland's vision to be the world's most liveable city. This 30- year plan is underpinned by a set of outcomes and transformational shifts to achieve this vision.

AUCKLAND'S VISION						
THE WORLD'S MOST LIVEABLE CITY						
OUTCOMES: WHAT THE VISION MEANS IN 2040						
A fair, safe and healthy Auckland	A green Auckland	An Auckland of prosperity and opportunity	A well connected and accessible Auckland	A beautiful Auckland that is loved by its people	A culturally rich and creative Auckland	A Māori identity that is Auckland's difference to the rest of the world

TRANSFORMATIONAL SHIFTS TO ACHIEVE THE OUTCOME					
Dramatically accelerate the prospects of Auckland's children and young people	Strongly commit to environmental action and green growth	Move to outstanding public transport within one network	Radically improve the quality of urban living	Substantially raise living standards for all Aucklanders and focus on those most in need	Significantly lift Māori social and economic well-being

RFA played a critical role in delivering Auckland's vision through both primary and secondary contributions during the 2017/2018 financial year. This is outlined in the table below.

AUCKLAND PLAN	DEGREE OF CONTRIBUTION	HOW RFA CONTRIBUTES
Children and young people	Primary	RFA acts as a regional voice for arts, culture, leisure, sports and entertainment events and activities. Our stadiums are used by community groups including school athletics and clubs for organised and social sport. Auckland Zoo, Auckland Art Gallery Toi o Tāmaki, Auckland Live and New Zealand Maritime Museum provide a range of educational and free programming events to the public and youth of Auckland.

Key achievements

- Yayoi Kusama's *The obliteration room* (2002 – present) opened at Auckland Art Gallery on 9 December 2017 and showed until Easter weekend 2018. The free, family-friendly, participatory installation by one of the world's most popular, well-loved artists was developed by Kusama for the Queensland Art Gallery and has toured to London, Buenos Aires, Rio de Janiero, Brasilia, Sao Paulo, Mexico City, Shanghai, South Korea, Switzerland, France and Dunedin. The exhibition far exceeded expectations with 150,000 Gallery visitors placing over three million stickers in the room.
- Auckland Live presented the award-winning international production *Matilda the Musical* which opened at The Civic in August 2017 for a New Zealand-exclusive season, and ran until 22 October 2017. Performed by The Royal Shakespeare Company, the musical is based on Roald Dahl's bestselling children's novel.
- Auckland Live Kids (the 2018 children's and family programme) started in March 2018 and is showcasing some of the best New Zealand and South Pacific theatre, music and dance experiences for children. It is hosted in collaboration with Auckland Philharmonic Orchestra, Australia's award-winning Windmill Theatre Company and the Sydney Opera House.
- Auckland Live's free family programme *Pick & Mix* marked its 10th anniversary with the announcement of a well-received winter line-up, with the weekend sessions selling out.

AUCKLAND PLAN	DEGREE OF CONTRIBUTION	HOW RFA CONTRIBUTES
Environmental action and green growth	Secondary	Environmental sustainability is a key consideration in our overall programmed renewals and new capital investment into our venues. Auckland Zoo contributes to local and international breeding, conservation and educational programmes to build understanding of wildlife and conservation. An example is the wetapunga breed-for release programme which saw 1485 wetapunga released onto The Noises islands and 150 onto Tiritiri Matangi Island – bringing the total number released to the wild over this past year to 1635.

Key achievements

- In late September 2017, Auckland Zoo achieved carbonNZero certification, a huge step forward in supporting the Zoo's commitment to sustainability and environmental protection. RFA is currently working on setting in place the resources needed to drive and support our strategic commitment to sustainability and achievement of carbon neutrality across the organisation.
- Auckland Zoo welcomed new arrivals, including a beautiful three-year-old Nepalese red panda, Khela, from Hamilton Zoo as a mate for Auckland's own young male red panda ,Ramesh; three new-born capybara pups, two female cheetah, three agouti, and a pair of cotton-top tamarin monkeys
- The Zoo had the best year in over a decade, breeding threatened New Zealand native bird species (kiwi, whio, pāteke and orange-fronted parakeet) for release to safe areas in the wild; a total of 58 individual birds. Auckland Zoo continues its excellent record with global conservation work.
- The Zoo assisted the Department of Conservation (DOC) with a breeding programme for one of New Zealand's rarest skinks (estimated at fewer than 200 in the wild), the critically endangered Chesterfield skink.

Outstanding public transport	N/A	
Quality urban living	Primary	With a regional perspective, RFA is developing a range of fit-for-purpose arts, culture and heritage, leisure, sport, entertainment and events venues that are attractive and readily accessible to Aucklanders, visitors and businesses.

Key achievements

- Part of Auckland Zoo's 10-year Future Zoo development and Auckland Council's long-term plan, the two-year construction of the new South-East Asia precinct has begun. It's the biggest project in the Zoo's 96-year history. For more information go to: https://www.aucklandzoo.co.nz/south-east-asia
- Auckland Live launched the first Accessibility Virtual Tour (AVT) of a New Zealand venue to assist disabled and mobility-impaired visitors to the Auckland Town Hall. The user-centric, innovative online tour is built around 3D images of the Town Hall's Baroque-style interiors.
- At The Civic, sold-out sessions of Grand Opening gave audiences a unique and entertaining glimpse into the inner workings of the venue.
- The Aotea Centre is undergoing a phased development to create an inspiring hub for performers and patrons, and a versatile venue for the conference industry. This work has commenced with the exterior refreshment. For more information go to: https://www.rfa.nz/about-us/transforming-aucklands-creative-heart
- The Bruce Mason Centre was awarded Gold status by disability advocates, Be.Accessible, while The Civic was named Best Large Venue at the 2018 New Zealand Music Managers Awards.

AUCKLAND PLAN	DEGREE OF CONTRIBUTION	HOW RFA CONTRIBUTES
Raised living standards	Primary	RFA contributes to improve quality of life in Auckland. It is growing the market for facilities through an events strategy developed in partnership with Auckland Tourism Events and Economic Development (ATEED) and Auckland Council. RFA advocates, coordinates and leads strategic thinking for investing in new collections and arts, culture, heritage, sports and entertainment facilities raising the cultural capital of Auckland.

Key achievements

- In an innovative partnership, Auckland Zoo, Compass Group and Eat My Lunch have come together to help ensure no Kiwi child goes to school hungry. Since March 2018, visitors to the Zoo's cafes have been able to buy an Eat My Lunch meal which also gives a lunch to a child who went to school without one. Eat My Lunch has to date given over 700,000 lunches to Kiwi kids and Auckland Zoo is encouraging its 700,000 annual visitors to help add to this.
- In July 2017 the management of Queens Wharf facilities, including Shed 10 and The Cloud, transferred to RFA from Panuku Development Auckland. RFA will deliver events and activities that enrich Auckland's flourishing social, arts and cultural landscape, with Panuku continuing to lead the delivery of place making and the future development of the wharf.
- Working with generous funding from the Four Winds Foundation, the New Zealand Maritime Museum is offering free programmes to low decile South Auckland schools. It has been able to cover the costs of buses, programmes and sailings for students and whanau who would not normally be able to visit.

AUCKLAND PLAN	DEGREE OF CONTRIBUTION	HOW RFA CONTRIBUTES
Māori social and economic well-being	Secondary	RFA's Māori Engagement Strategy continues to support its contributions to Māori outcomes. RFA is working with Auckland Council's Te Waka Anga Mua ki Uta through its work in supporting development of Māori responsiveness plans across the group.

Key achievements

- During Auckland Anniversary weekend, Auckland Conventions hosted the Tāmaki Herenga Waka Festival at the ANZ Viaduct Events Centre for the second year running. More than 30,000 visitors enjoyed this showcase of the Māori heritage and culture of Tāmaki Makaurau.
- Auckland Art Gallery continues to support Māori youth with its activities. The Learning and Outreach team has worked closely with Curator, Māori Art, Nigel Borell to develop a new tactile teaching resource, the Taonga Touch Collection (working title). Outreach Educator Jasmine Te Hira has been working with Kura Kaupapa Māori and several secondary school Māori departments to develop a new secondary school outreach programme for 2019. Te Waka Anga Mua ki Uta, the Auckland Council Māori Responsiveness Team, has been advising on the development of the forthcoming Learning and Outreach Programme.
- Auckland Art Gallery is committed to displaying art that reflects Aotearoa's bicultural identity, including a range of work by Māori artists. Highlights on display currently include the exhibitions: *Wi Taepa Retrospective,* celebrating the art of senior Māori clay artist Wi Taepa (April-September 2018), and *Radical Beginnings* which celebrates the first generation of contemporary Māori art and artists of the 1950s (June 2018 – August 2019). Both exhibitions are free to the public.
- Hui Te Ananui A Tangaroa New Zealand Maritime Museum understands that engaging iwi is essential to its integrity as a kaitiaki of Aotearoa's maritime heritage. The Museum works with Pae Arahai, Dr Haare Williams and iwi to develop understanding and connection to Te Ao Māori throughout the Museum's programming and operations. Examples include the advisory committee for the entire Museum programme focused on the 2019 national commemoration, *Tuia Encounters – 250*, as well as regular hui to incorporate Māori values across the museum's exhibitions and programming. Through the Museum's education programme, we have delivered tailored programmes to Kura Kaupapa Māori. We work closely with the Te Toki Voyaging Trust to develop and deliver programmes beneficial to Māori education, and to provide a home for matauranga waka at the Museum. Through a memorandum of understanding, the Museum provides a permanent home for the Trust's two waka hourua.

Section B: Key Deliverables

PROJECT	DELIVERABLE	STATUS	PROGRESS
OPTIMISE SECTOR NETWORKS	CULTURAL HERITAGE REVIEW RFA will continue to work with Auckland Council and other cultural heritage sector stakeholders (including MOTAT, Stardome Observatory and Planetarium and Auckland War Memorial Museum) to drive greater transparency and value for money for ratepayers.	Ongoing	The review is led by Auckland Council with RFA participation. RFA management continues to assist Auckland Council and engage with the major museums in relation to the review as required.
	COLLABORATION ACROSS THE COUNCIL GROUP RFA works with Auckland Council and other CCOs to develop and deliver significant events for the region and, where possible, reduce ratepayer funded events and venues competing with each other.	Ongoing	RFA continues to work closely with the Auckland Council Group. The following key initiatives occurred this financial year: • In July 2017 the management of the Queens Wharf facilities, including Shed 10 and The Cloud, transferred from Panuku to RFA. • RFA continued working with ATEED to ensure event planning is coordinated across the city. These activities range from cost-effective management of large events tosharing of resources and reducing duplication of effort. • RFA is collaborating with Council and Panuku over the impact of the America's Cup on the operations of the ANZ Viaduct Events Centre, as this now becomes the home of Team New Zealand. • New Zealand Maritime Museum is integrated into RFA to seek operational efficiencies through economies of scale and ensure value for money for ratepayers.
	LOCAL PLACE-MAKING AND URBAN REGENERATION RFA's purpose is to advance the social and cultural well-being of Aucklanders. We do this by engaging people in the arts, environment, sports and events. Our transformational projects will ensure our venues, facilities and programmes are attractive locations and precincts with high amenity value for our communities. RFA works with Panuku in its Transform and Unlock areas, including Takapuna, Manukau and the central city.	Ongoing	RFA continues to work collaboratively across the Council group including with Panuku and Auckland Transport. Examples include the Civic Administration Building development and shared place-making activities on Queens Wharf.
INVEST IN OUR VENUES AND SERVICES	AUCKLAND STADIUMS RFA promotes strategic investment in Auckland Stadiums (Western Springs, QBE and Mt Smart) by exploring opportunities to increase use and financial sustainability.	Ongoing	Essential renewals are currently being carried out across all three stadiums under the approved Asset Management Plans from 2015-2025. These plans have now been updated to reflect improved information on asset conditions and health and safety requirements. Further investment is required into existing facilities to address legacy under investment and to meet the increasing requirements of tenants and event hirers. These requirements have been included in the Long Term Plan 2018-2028 (LTP).
	AOTEA CENTRE	Ongoing	Physical works are now in progress and will be completed by February 2019. The Aotea Centre

PROJECT	DELIVERABLE	STATUS	PROGRESS
	RFA undertakes renewal of the exterior and interior of the Aotea Centre from February 2018 to February 2019 to address weather tightness issues and improve patron experience.		will be closed to the public from October 2018 to February 2019. The works will address weather tightness issues, bring internal and external facilities up to current compliance standards, and improve the customer experience. In the LTP 2018-2028, RFA has recognised the Aotea Centre works being brought forward to take advantage of the Aotea Centre closure period to minimise business disruption
	AUCKLAND ZOO RFA will invest in Auckland Zoo's ageing infrastructure to cater for increasing international standards of animal care, health and safety and improved visitor experiences.	Ongoing	The construction site for the South East Asia precinct is now established and the two-year programme of work has commenced. This project significantly upgrades facilities for a range of species including orangutans and tigers, and improves the underlying utilities infrastructure. A range of initiatives is currently underway (or planned) to minimise business disruption and potential financial loss.
ENHANCE CUSTOMER EXPERIENCE	ENRICHED AND ENHANCED CUSTOMER EXPERIENCES RFA will deliver enhanced and enriched customer experiences of our collections, events and services. ONLINE TRANSACTIONS AND SERVICES RFA will make it easy for customers and clients to engage with us by investing in online services that digitise transactions, services and processes.	Ongoing	RFA has a comprehensive strategy to improve customer experiences across all our businesses, encompassing redeveloped websites, customer insight programmes to drive improvements and engagement, enhancements to an existing business-to-business portal and other online services.
IMPROVE ORGANISATIONAL SUSTAINABILITY	SECURE SUSTAINABLE FUNDING RFA is seeking the opportunity to "make whole" our operational funding level as part of the LTP process for 2018-2028 to enable a more financially sustainable business model.	Completed	As part of the LTP 2018-2028, which was approved by Auckland Council on 27 June 2018, RFA submitted changes to 'right size' the annual operational funding from Auckland Council to reflect the operating environment.
	MAXIMISE EXTERNAL REVENUE RFA will continue to identify, develop and implement opportunities for increasing external revenue to minimise the cost to ratepayers of delivering activities that enhance Auckland's cultural capital.	Ongoing	The 2017/2018 budgets include an increase of external revenue by 21% (on actual 2017 results) and for external revenue to cover 72% of the organisation's operational costs. The actual results reflect that the revenue targets were not met this year, therefore further cost control measures were required. Key revenue items which impacted on RFA's ability to meet its revenue targets include: • Ability to secure outdoor concerts • Securing revenue at our key venues (Aotea Centre and Auckland Zoo) while significant capital works are underway • Entry fees for international visitors to Auckland Art Gallery implemented in late January • Reduced visitor numbers at Auckland Zoo due to wet peak days.
	STRATEGIC PROCUREMENT RFA is undertaking initiatives across its business divisions and with Auckland Council Group (where appropriate).	Ongoing	RFA continues to participate in Council group procurements where they add value to our business. These have included food, utilities, printing, professional and technical consultants and physical works contractors.

Section C: Non-financial Performance Measures

This section presents RFA's success and progress during the 2017-2018 financial year against performance measures contained in the Statement of Intent 2017-2020 (SOI). In reading this section, note the following key that is used:

- Target met
- Substantially met (within 2% of the target)
- Not met

Overview of key performance results

545,782 Visitors to Auckland Art Gallery

473 Community event days at Stadiums

698,045 Visitors to Auckland

90% Visitor satisfaction at Auckland Art Gallery

88% visitor satisfaction at Auckland Zoo

89% visitor satisfaction with Auckland Live

27 Maori programmes at Auckland Art Gallery

82% visitor satisfaction at Auckland Stadiums

80% of visitors report having an enhanced appreciation of wildlife

976 Publicly available performing arts events by Auckland Live

61% of operational expenditure met by external revenue

85% visitor satisfaction on condition of our facilities

77% of patrons believe Auckland Live provides a rich choice of arts and entertainment options.

429 Commercial event days at Stadiums

SERVICE LEVEL STATEMENT	MEASURE	2016/17 ACTUAL	2017/18 TARGET	2017/18 ACTUAL	ACHIEVEMENT
We provide live arts and entertainment experiences for Aucklanders and visitors to our city. We are a leader of arts and entertainment events in New Zealand	Number of publicly available performing arts performances programmed by Auckland Live Venues include: Aotea Centre, Auckland Town Hall, The Civic, Aotea Square, Bruce Mason Centre	1,074	825	976	
	Visitor satisfaction with experiences at Auckland Live events	90%	90%	89%	
	Percentage of patrons who believe Auckland Live provides them with a rich choice of arts and entertainment options	78%	76%	77%	
We bring people together and help provide identity through memorable stadium events	Number of commercial event days at stadiums Venues include: Mt Smart Stadium, QBE Stadium, Western Springs Stadium	467	443	429	
	Number of community event days at stadiums	532	645	473	
	Comments for commercial and community events • Commercial event days for 2017/2018 were within 3% of the target. • The reduction in community events is due to public demand. There were no changes in pricing from previous years. • The outer oval redevelopment at QBE Stadium resulted in reduced field capacity, meaning baseball and a number of community football events were displaced.				
	Visitor satisfaction with experiences at Auckland Stadium's venues	82%	82%	82%	

SERVICE LEVEL STATEMENT	MEASURE	2016/17 ACTUAL	2017/18 TARGET	2017/18 ACTUAL	ACHIEVEMENT
We care for our collections for current and future generations to enjoy, and to bring cultural awareness of art and wildlife to Auckland and its visitors	Total number of visitors to Auckland Zoo	683,031	731,500	698,045	

Comments

The key contributing factors to Auckland Zoo's low visitation (2% increase on last year however 5% unfavourable to the current year target) are:

- More rain-affected days than budgeted.
- Competition with alternative school education programmes.
- Impact on visitors due to the capital redevelopment programme.

Mitigation plans for future

The next financial year will continue to be challenging. The following new initiatives and projects will help mitigate those challenges and increase visitation:

- Major redevelopment of the South East Asia exhibits will result in closure of some areas of Auckland Zoo during the 2019/2020 financial year. A range of initiatives is currently underway (or planned) to minimise business disruption and potential financial loss.
- Weather remains unpredictable, however, future planned redevelopment works will improve visitor access and flow, and weatherproof viewing areas.
- A review of visitor pricing has resulted in a reduction in some areas which will be put in place in the early part of the 2019/2020 financial year.

SERVICE LEVEL STATEMENT	MEASURE	2016/17 ACTUAL	2017/18 TARGET	2017/18 ACTUAL	ACHIEVEMENT
	Total number of visitors to Auckland Art Gallery	521,402	450,000	545,782	
	Total number of visitors to Auckland Zoo and Auckland Art Gallery	1,204,433	1,181,500	1,243,827	
	Visitor satisfaction with experiences at Auckland Zoo	89%	90%	88%	

Comments

- Visitor satisfaction survey responses revealed that visitors to Auckland Zoo were dissatisfied with parking availability, the high cost of tickets and food and beverage limitations.

Mitigation plans for future

- Auckland Zoo's 10-year masterplan includes substantial renewal and redevelopment of its facilities, including the completion of a new restaurant. This will greatly enhance overall visitor satisfaction and also address concerns with food and beverage services.
- RFA has recently started working with stakeholders to find a solution to the parking shortages in the Western Springs area.

SERVICE LEVEL STATEMENT	MEASURE	2016/17 ACTUAL	2017/18 TARGET	2017/18 ACTUAL	ACHIEVEMENT
	Visitor satisfaction with experiences at Auckland Art Gallery	90%	90%	90%	
	Visitor satisfaction with the experiences at Auckland Zoo and Auckland Art Gallery	90%	90%	89%	
	Number of Māori programmes annually at Auckland Art Gallery	18	10	27	
	Percentage of visitors reporting an enhanced appreciation of wildlife	81%	80%	80%	

SERVICE LEVEL STATEMENT	MEASURE	2016/17 ACTUAL	2017/18 TARGET	2017/18 ACTUAL	ACHIEVEMENT
We manage our physical building assets in a way that ensures their long-term existence as a valued part of Auckland's social infrastructure	Visitor satisfaction with the condition of our facilities	84%	85%	85%	
We minimiseg the financial burden on Auckland ratepayers	Percentage of operating costs met through external revenue (excluding Council funding and depreciation)	68%	61%	61%	

The visitor satisfaction results refered to in the above are based on 120 responses per venue, per quarter with a margin of error of +/- 4.5%.

Independent Auditor's Report

To the readers of Regional Facilities Auckland's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Regional Facilities Auckland (the Trust). The Auditor-General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Trust on his behalf.

Opinion

We have audited:

- the financial statements of the Trust on pages 8 to 53, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Trust on pages 54 to 63.

In our opinion:

- the financial statements of the Trust on pages 8 to 53:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2018; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards; and
- the performance information of the Trust on pages 54 to 63 presents fairly, in all material respects, the Trust's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Trust's objectives for the year ended 30 June 2018.

Our audit was completed on 22 August 2018. 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 Trustees and our responsibilities relating to the financial statements and the performance information, we comment on other information, 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 Trustees for the financial statements and the performance information

The Trustees are responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Trustees are also responsible for preparing the performance information for the Trust.

The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Trustees are responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Trustees intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The Trustees' responsibilities arise from the Local Government Act 2002 and the Trust Deed.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 performance information.

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

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

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 performance information, 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 Trust's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

- We evaluate the appropriateness of the reported performance information within the Trust's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust'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 the performance information 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 Trust to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees 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.

Other Information

The Trustees are responsible for the other information. The other information comprises the information included on pages 3 to 5, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

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

Other than the audit, we have no relationship with, or interests in, the Trust.

8/2018

David Walker
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Regional Facilities Auckland
An Auckland Council Organisation

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