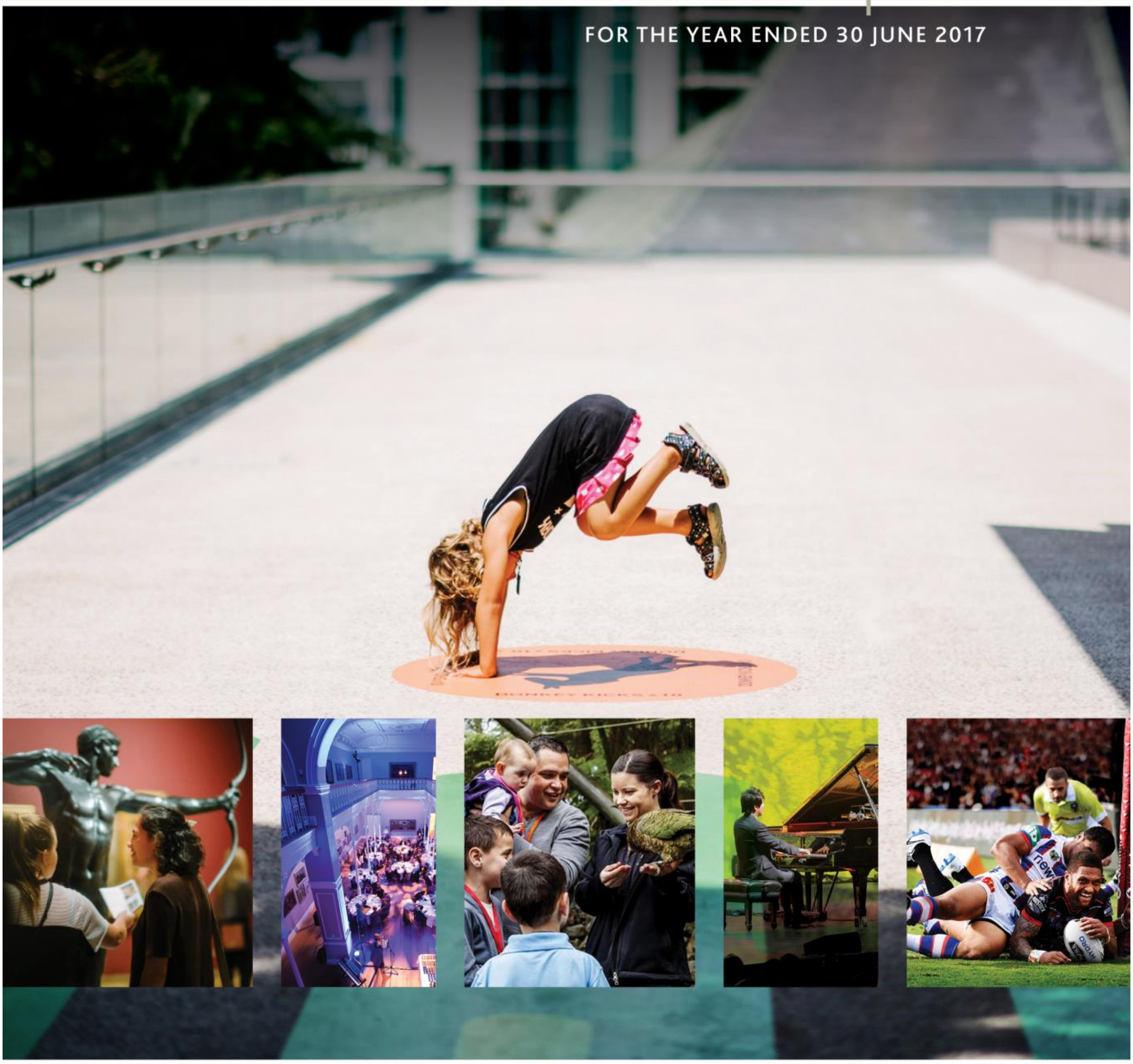
REGIONAL FACILITIES AUCKLAND

annual report

FOR THE YEAR ENDED 30 JUNE 2017



Regional Facilities Auckland

An Auckland Council Organisation

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 for 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 2017.

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 achieve the vision of making Auckland the world's most liveable city by 2040. We do this by employing a strategic regional approach to developing Auckland's arts, cultural, sport and entertainment sectors through our innovative programming, strategic partnerships and landmark venues.

Established in 2010 as one of six council organisations, RFA makes a significant contribution towards growing Auckland's economy, 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 and Auckland Zoo – 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 record-breaking *The Māori Portraits: Gottfried Lindauer's New Zealand; The Body Laid Bare: Masterpieces from Tate;* and *Space to Dream: Recent Art from South America*. Achieving a visitor satisfaction rating of 90%, the Gallery welcomed 521,402 people – 116% of the annual target.
- Auckland Conventions had another strong year, securing and staging 747 events and hosting more than 360,000 attendees across RFA's venues.
- Auckland Live continued to attract premier events to Auckland and enhance its role as a creative leader in arts and entertainment. In total, over 800,000 people experienced some of the world's best live entertainment on our stages.
- Auckland Stadiums delivered an unprecedented events programme including a record-breaking concert season that contributed $37.7 million in visitor spend. Attracting more than 285,000 music fans from around the country to Mt Smart and Western Springs stadiums, the summer line-up featured best-selling recording artists Adele, Justin Bieber, Guns N' Roses, Coldplay and Bruce Springsteen. QBE Stadium also saw a high level of activity including 214 World Masters Games football matches, the All Whites versus New Caledonia, the Blues versus the Bulls, Mitre 10 Cup matches, the Wellington Phoenix versus the Perth Glory, and the Color Run. QBE was also the training venue for the British and Irish Lions in the lead-up to the first test against the All Blacks and the third test decider.
- Auckland Zoo had an exciting year, continuing the second phase of its 10-year capital programme with the opening of *Strangely Beautiful Australia*, its new highly immersive Australian precinct. Home to a number of new wildlife species, the development proved extremely popular throughout summer and continues to be a heavily visited area of the zoo. Importantly, the Zoo continued its vital contribution to conservation efforts in New Zealand and overseas.

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 $1.2 billion worth of iconic regional assets, we continued our programme of significant capital projects to enhance the visitor experience. This included:

- the installation of LED floodlights, a new 213sqm permanent digital LED screen, gates with LED signage, and redeveloped player and official facilities at Mt Smart Stadium at a cost of $6.6 million
- a $2 million upgrade of QBE Stadium's outer oval to increase the venue's capacity to host high-performance and community sports activity throughout the year
- the completion of essential planning and design work for Auckland Zoo's next significant development, the South-East Asia precinct. The $38 million development 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 green-lighting of 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 New Zealand's first fully resourced, dedicated home for performing arts development.

OUR FINANCES

RFA finished the year with a favourable variance of $6.2 million against budget and and completed 92% of programmed capital renewals for the year, all within budget[1]. The operational trading result is unfavourable to budget by $0.9m. The unfavourable result is largely due to high rainfall throughout the year impacting Auckland Zoo revenue and lower number of events than budgeted for Auckland Conventions. The revenue challenges for these RFA divisions were offset by revenue resulting from two additional unbudgeted stadium concerts and 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 now accounts for 68% of our total operational revenue.

FUTURE OUTLOOK

The 2017/18 financial year is set to be a significant one with the start of major capital projects at Aotea Centre and Auckland Zoo. Increasing external 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 challenges posed by ongoing central Auckland developments (such as the City Rail Link) and the volatility of the commercial markets in which RFA operates.

The extensive and diverse programmes confirmed for the 2017/18 financial year highlight our strategy to deliver innovative, engaging and accessible programmes that continue to place Auckland centre stage as an exciting, contemporary and dynamic city for people to live in and visit.

---

[1] *Excludes deferred capital budget*

RFA ANNUAL REPORT

Regional Facilities Auckland (RFA) is continuously 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. Income and Expense
3. Working Capital
4. Long-term Assets
5. Borrowing, Risk and Capital Management
6. Other (Disclosure).

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 2017

	Note	Actual 2017 $000s	Budget 2017 $000s	Actual 2016 $000s
Revenue				
Revenue		48,836	45,907	44,167
Auckland Council operating funding	*1*	27,281	25,718	30,867
Auckland Council capital funding	*1*	30,278	32,590	25,994
Donations and bequests	*1*	4,812	518	831
Finance income	*1*	931	1,076	1,242
Other revenue		5,363	7,083	5,420
Other gains / (losses)	*2*	852	-	22,996
Total revenue	*1*	**118,353**	**112,893**	**131,517**
Expenditure				
Employee benefits	*3*	44,008	34,871	39,350
Depreciation expense	*14*	26,435	24,888	26,440
Amortisation expense	*16*	385	-	417
Finance expenditure	*4*	350	252	288
Grant expenses		1,855	1,379	2,110
Other expenses	*5*	43,833	43,801	43,654
Total expenditure		**116,866**	**105,192**	**112,259**
Surplus from continuing operations before tax		**1,486**	**7,701**	**19,257**
Surplus after tax attributable to:				
Regional Facilities Auckland		1,486	7,701	19,257
Other comprehensive income				
Gain on property and art revaluations	*20*	12,428	-	162,258
Total other comprehensive income		**12,428**	**-**	**162,258**
Total other comprehensive income after tax		**13,914**	**7,701**	**181,515**

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 2017

	Note	Actual 2017 $000s	Actual 2016 $000s
Assets			
Current assets			
Cash and cash equivalents	*7*	30,171	14,397
Receivables	*8*	33,026	29,042
Prepayments		843	739
GST receivable		-	21
Other financial assets	*17*	209	271
Inventories	*9*	708	793
Total current assets		**64,955**	**45,263**
Non-current assets			
Property, plant and equipment	*14*	953,194	951,361
Artwork collections	*15*	278,568	261,110
Intangible assets	*16*	567	1,128
Other financial assets	*17*	1,633	988
Total non-current assets		**1,233,961**	**1,214,587**
Total assets		**1,298,916**	**1,259,850**
Liabilities			
Current liabilities			
Payables	*10*	68,713	45,639
Borrowings and other financial liabilities	*18*	1,707	1,707
Employee entitlements	*11*	5,496	3,500
Provisions	*12*	808	425
Total current liabilities		**76,724**	**51,271**
Non-current liabilities			
Borrowings and other financial liabilities	*18*	7,741	8,011
Employee entitlements	*11*	86	86
Total non-current liabilities		**7,827**	**8,097**
Total liabilities		**84,551**	**59,368**
NET ASSETS		**1,214,365**	**1,200,482**
Equity and reserves			
Contributed capital	*20*	1,049,995	1,049,995
Accumulated surplus / (deficit)	*20*	(45,110)	(46,576)
Restricted equity	*20*	1,599	1,609
Property revaluation reserve	*20*	207,882	195,454
Total equity		**1,214,365**	**1,200,482**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity as at 30 June 2017

	Note	Actual 2017 $000s	Actual 2016 $000s
Balance 1 July		1,200,481	1,019,115
Total comprehensive revenue and expense for the year		13,914	181,515
Owner transactions			
Movement in restricted equity		(30)	(148)
Balance at 30 June	*20*	**1,214,365**	**1,200,482**

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2017

	Note	Actual 2017 $000s	Actual 2016 $000s
Cash flows from operating activities			
Receipts from grants and funding		55,047	55,289
Receipts from customers		54,157	50,006
Net GST paid		(1,171)	(261)
Interest received	*1*	931	1,242
Payments to suppliers and employees		(66,313)	(105,438)
Interest paid	*4*	(350)	(288)
Net cash inflow / (outflow) from operating activities		**42,301**	**549**
Cash flows from investing activities			
Proceeds from / (towards) medium-term investments		-	885
Loan repayments received		258	261
Purchase of property, plant and equipment		(25,989)	(22,071)
Purchase of intangible assets		(413)	(588)
Proceeds from assets held for resale		-	2,883
Net cash inflow / (outflow) from investing activities		**(26,144)**	**(18,630)**
Cash flows from financing activities			
Settlement of operating lease		-	(750)
Distribution from restricted reserves		(383)	(534)
Net cash inflow / (outflow) from financing activities		**(383)**	**(1,284)**
Net increase / (decrease) in cash and cash equivalents		15,773	(19,365)
Cash and cash equivalents at beginning of the year		14,397	33,762
Cash and cash equivalents at end of the year		**30,171**	**14,397**

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.

RFA 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.

The primary objective of RFA is to provide the optimum governance for use and direction of publicly funded regional facilities to ensure RFA achieves agreed public-good outcomes.

RFA has designated itself as 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. RFA applied these standards for the first time in preparing the 30 June 2015 financial statements.

The financial statements of RFA are for the year ended 30 June 2017. Comparative information is provided for the period from 1 July 2015 to 30 June 2016. The financial statements were authorised for issue by RFA's Board on 16 August 2017.

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 2017, 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 2016-2019, 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

Superannuation schemes

Defined contribution schemes – Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

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. The building has been independently revalued by Beca 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 2017 $000s	Actual 2016 $000s
Revenue from exchange transactions			
Entrance and admission fees		12,656	10,788
Venue hire		14,002	13,369
Food and beverages		7,598	7,653
Membership fees		1,533	1,426
Goods sold		3,737	3,409
Rental revenue from property leases		1,052	726
Other		11,781	10,702
Total revenue		52,359	48,073
Finance income			
Interest revenue		910	1,231
Realised foreign exchange gains		21	11
Total finance income		931	1,242
Total revenue from exchange transactions		**53,290**	**49,314**
Revenue from non-exchange transactions			
Donations and bequests		4,812	831
Sponsorships		855	623
Other gains	2	852	22,996
Revenue from non-exchange transactions		6,519	24,450
Grants and funding			
Auckland Council operating funding		27,281	30,867
Auckland Council capital funding		30,278	25,994
Other grants and subsidies		984	892
Total grants and funding		58,543	57,753
Total revenue from non-exchange transactions		**65,062**	**82,203**
Total revenue		**118,353**	**131,517**

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 funding from RFA's ultimate parent in relation to activities within RFA. This funding is 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 that 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 (2016: $0.8 million).

Note 2 – Other gains / (losses)	Note	Actual 2017 $000s	Actual 2016 $000s
Other revenue from non-exchange transactions			
Reversal of previous revaluation losses	*14*	-	22,274
Gain / (loss) on fair value of community loans		841	139
Gain on extinguishing of long-term lease		-	583
Gain on disposal of fixed asset		11	-
Total other gains / (losses)		**852**	**22,996**

Reversal of previous revaluation losses:

As explained in Note 14, the revaluation of buildings gives rise to this gain.

Note 3 – Employee benefits	Actual 2017 $000s	Actual 2016 $000s
Salaries and wages	41,387	38,339
Defined contribution plans – employer contributions	880	806
Other	9	10
Employee holiday pay provision	1,731	195
Total employee benefits	**44,008**	**39,350**
Employer contributions to defined contribution plans include contributions to KiwiSaver		
Salaries and wages include:		
Indirect salaries and wages	33,929	31,272
Direct salaries and wages (cost of sales)	6,355	6,378
Other	1,103	689
Total salaries and wages	**41,387**	**38,339**

Note 4 – Finance expenditure	Actual 2017 $000s	Actual 2016 $000s
Finance expense		
Interest expenses – financial liabilities classified as amortised cost:		
– Borrowings	327	279
– Finance leases	-	-
Realised and unrealised foreign exchange gains	23	9
Interest expense – financial assets classified as fair value through profit and loss	-	-
Total finance expense	**350**	**288**

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	Actual 2017 $000s	Actual 2016 $000s
Other expenses include:		
Fees paid to principal auditor:		
– Audit fees for financial statement audit	224	217
– Fees for review engagement	25	30
– Additional fees in relation to audit of 2015 financial statements	-	49
Assurance services	121	111
Contractor and consultancy costs	2,274	2,028
Insurance premiums	829	793
Consultants and legal fees	72	131
Cost of goods sold	14,713	11,086
Repairs and maintenance	2,692	3,134
Loss on disposal	335	67
Occupancy and utilities	6,580	6,110
Shared services with Auckland Council	666	5,639
Operating lease expense	74	89
Other	15,228	14,170
Total	**43,833**	**43,654**

Other expenditure

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 ending 30 June 2017	Actual 2017 $000s
Budgeted (Deficit) / Surplus from continuing operations before tax	**7,701**
Revenue explanations	
Capital funding not received from Auckland Council due to deferment of capital programme	(2,312)
Additional operational funding received from Auckland Council including contribution to animal acquisition costs	1,045
Additional grants received not budgeted for	5,718
Gain on fair value of community loans	841
Additional commercial revenue generated	1,313
Total operating revenue explanations	6,606
Expenditure explanations	
Higher depreciation due to revaluation of buildings in June 2016	1,892
Additional staff costs associated with higher deliverables	497
Direct salary recoveries related to events accounted as cost of sales	7,077
Additional provision for annual leave	1,562
Additional grants awarded not budgeted for	476
Other costs associated with additional revenue	1,170
Interest received higher than budgeted for	146
Total operating expenditure explanations	12,821
Actual (Deficit) / Surplus from continuing operations before tax	**1,486**

Section 3: Working Capital

Note 7 – Cash and cash equivalents	Actual 2017 $000s	Actual 2016 $000s
Cash at bank and on hand	1,564	2,096
Operating bank account	859	726
Ticketing bank account	27,748	11,476
Arts development fund	-	99
Total cash and cash equivalents	**30,171**	**14,397**

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 three restricted bank accounts, a ticketing bank account, and a short-term investment account under the name of 'Aotea Centre Trading as THE EDGE' on behalf of Auckland Council. These bank accounts are used for the deposit of ticketing box office funds and are thus considered to be restricted funds.

Note 8 – Trade and other receivables	Actual 2017 $000s	Actual 2016 $000s
Current		
Trade receivables	2,503	2,935
Provision for impairment of trade receivables	(165)	(220)
Trade receivables net	2,338	2,715
Related party receivables	28,651	25,155
Sundry debtors	965	751
Accrued income	1,072	420
	30,688	26,326
Total trade and other receivables	**33,026**	**29,042**

	Actual 2017 $000s	Actual 2016 $000s
Total trade and other receivables comprise:		
Receivables from exchange transactions		
Receivables from sale and supply of goods and services	2,338	2,715
Sundry debtors	965	751
Accrued income	1,072	420
Total receivables from exchange transactions	4,375	3,886
Receivables from non-exchange transactions		
Related-party receivables	28,651	25,155
Total receivables from non-exchange transactions	28,651	25,155
Total trade and other receivables	**33,026**	**29,042**

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 2017 $000s	Actual 2016 $000s
Ageing profile of non-impaired receivables at year end		
Not past due	31,959	28,266
Past due 1 – 60 days	973	776
Past due 61 – 120 days	94	-
Past due > 120 days	-	-
Total receivables net of impairment	**33,026**	**29,042**
Age of impaired receivables		
Past due 1 – 60 days	-	139
Past due 61 - 120 days	-	57
Past due > 120 days	165	24
Total	**165**	**220**
Movement in the allowance for impairment of trade receivables		
Opening balance	220	289
Additional allowances made during year	-	-
Allowance reversed during year	(41)	(69)
Impaired receivables written off during year	(14)	-
Total impaired receivables	**165**	**220**

Note 9 – Inventories	Actual 2017 $000s	Actual 2016 $000s
Commercial inventory		
Items held for resale	708	793
Total inventory	708	793

No inventories are pledged as securities (2016: nil).

The write-down of commercial inventory to net realisable value amounted to $18,327 (2016: $30,588). There have been no reversals of write-downs.

	Actual 2017 $000s	Actual 2016 $000s
Write-down of commercial inventory	18	31

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 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 2017 $000s	Actual 2016 $000s
Trade creditors	3,218	4,745
Sundry payables	26,585	10,297
Amounts due to related parties (Note 24)	27,113	21,636
Revenue received in advance	4,902	3,855
Accrued expenses	6,727	5,106
GST payable	168	-
Total current portion	68,713	45,639
Total payables comprise:		
Payables under exchange transactions		
Creditors	3,218	4,745
Revenue received in advance	4,902	3,855
Accrued expenses	6,727	5,106
Other payables	26,753	10,297
Total payables under exchange transactions	41,600	24,003
Payables under non-exchange transactions		
Amounts due to related parties (Note 24)	27,113	21,636
Total payables under exchange transactions	27,113	21,636
Total payables	**68,713**	**45,639**

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 2017 $000s	Actual 2016 $000s
Current portion		
Accrued salaries and wages	1,482	1,212
Annual leave	3,932	2,169
Long-service leave	82	120
Total current portion	**5,496**	**3,500**
Non-current portion		
Long-service leave	86	86
Total non-current portion	**86**	**86**
Total employee benefits	**5,582**	**3,586**

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 that are 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. The weighted average discount rate of 4.48% (2016: 5.57%) and an inflation factor of 3% (2016: 3%) 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 2017 $000s	Actual 2016 $000s
Current portion		
Restructuring	371	-
Other	437	425
Total current portion	**808**	**425**
Total provisions	**808**	**425**

Movements for each class of provision

	Actual 2017 $000s		
	Restructuring	Other	Total
Previous year opening balance	-	425	425
Additional provisions made	371	61	432
Amounts used	-	(50)	(50)
Closing balance	**371**	**436**	**808**

	Actual 2016 $000s		
	Restructuring	Other	Total
Previous year opening balance	163	346	509
Additional provisions made	-	79	79
Amounts used	(163)	-	(163)
Closing balance	**-**	**425**	**425**

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 publicly 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 2017 $000s	Actual 2016 $000s
Net surplus / (deficit) after tax	**1,486**	**19,257**
Add / (less) non-cash items		
Depreciation	26,435	26,439
Amortisation	385	417
Bad debts	(14)	-
Non-cash lease revenue	(269)	(269)
Non-cash operational funds	(1,563)	-
Decrease in allowance for impairment of trade receivables	(41)	(69)
Net gains on other financial assets	(841)	(139)
Reversal of previous revaluation losses	-	(22,274)
Gain on extinguishing of long-term lease	-	(583)
Other non-cash adjustments	(422)	(132)
Gifted artworks	(4,706)	(769)
Total non-cash items	18,964	2,622
Add / (less) items classified as investing or financing activities		
(Gains) / loss on disposal of property, plant and equipment	336	3,325
Total items classified as investing or financing activities	336	3,325
Add / (less) movements in statement of financial position items		
(Increase) / decrease in other receivables	218	1,439
(Increase) / decrease in accrued income	(652)	(123)
(Increase) / decrease in prepayments	(103)	46
(Increase) / decrease in GST receivable	189	63
(Increase) / decrease in inventories	86	28
Increase / (decrease) in other payables	12,457	(12,148)
Increase / (decrease) in revenue in advance	1,047	(1,365)
Increase / (decrease) in accrued expenses	1,621	(9,355)
Increase / (decrease) in provisions	384	(84)
Increase / (decrease) in employee benefits	1,996	363
Increase / (decrease) in capital expenditure accrual	2,305	586
Increase / (decrease) in net related-party balances	1,982	(4,105)
Net movement in working capital items	21,530	(24,654)
Net cash flow from operating activities	**42,316**	**549**

Section 4: Long-term Assets

Note 14 – Property, plant and equipment

Cost or valuation	Actual 2017 Opening balance 1 July 2016 $000s	Additions $000s	Revaluation / (impairment) $000s	Disposals $000s	Transfers to Auckland Council $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)	1,395
Motor vehicles	566	-	-	-	-	-	566
Roading and civil structures	2,762	326	-	-	-	(126)	2,962
Under construction	8,861	9,253	-	-	-	-	18,114
Total cost	**965,412**	**27,999**	**-**	**(450)**	**575**	**37**	**993,573**

Accumulated depreciation	Actual 2017 Opening balance 1 July 2016 $000s	Depreciation expense $000s	Revaluation /impairment expense $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	9,169	2,456	-	(109)	-	11,516	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	**14,051**	**26,435**	**-**	**(115)**	**9**	**40,380**	**953,193**

Note 14 (continued)

Cost or valuation	Opening balance 1 July 2015 $000s	Additions $000s	Revaluation / (impairment) $000s	Disposals $000s	Other adjustments $000s	Reclassification / net movement $000s	Closing balance 30 June 2016 $000s
	Actual 2016						
Land	139,857	-	6,934	(3)	-	(1,008)	145,780
Buildings	622,220	21,412	133,190	(2,096)	(1,491)	4,031	777,266
Plant and equipment	15,477	3,550	-	(2,496)	(9)	2	16,524
Office equipment, furniture and fittings	13,833	1,570	-	(3,039)	(83)	-	12,281
Computer equipment	1,801	1,021	-	(1,451)	-	-	1,371
Motor vehicles	313	253	-	-	-	-	566
Roading and civil structures	4,813	185	790	-	-	(3,026)	2,762
Under construction	15,317	(6,456)	-	-	-	-	8,861
Total cost	**813,631**	**21,535**	**140,914**	**(9,084)**	**(1,584)**	**-**	**965,412**

Accumulated depreciation	Opening balance 1 July 2015 $000s	Depreciation expense $000s	Revaluation / impairment expense $000s	Depreciation on disposals $000s	Other adjustments $000s	Closing balance 30 June 2016 $000s	Net book value 30 June 2016 $000s
	Actual 2016						
Land	-	-	-	-	-	-	145,780
Buildings	23,867	21,123	(45,085)	(522)	617	-	777,267
Plant and equipment	9,013	2,271	-	(2,115)	-	9,169	7,356
Office equipment, furniture and fittings	4,823	2,273	-	(3,001)	-	4,095	8,184
Computer equipment	1,563	424	-	(1,404)	-	583	788
Motor vehicles	131	72	-	-	-	203	363
Roading and civil structures	499	277	(159)	-	(617)	-	2,762
Under construction	-	-	-	-	-	-	8,861
Total cost	**39,898**	**26,439**	**(45,244)**	**(7,042)**	**-**	**14,051**	**951,361**

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 that are 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 their 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.

As part of the 2016 revaluation of buildings, useful lives have been assessed and where necessary revised to align with current industry standards as well as to reflect the estimation of remaining useful lives based on asset condition. The effect of this change in estimated lives is an increase in asset values by approximately $60 million at 30 June 2016, which is included in the recognised revaluation gain.

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 2016 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 2016 was nil, reflecting the prior years' revaluation impairments in this asset category. The 2016 building revaluation gave rise to revaluation gains of $177,710,000, of which $22,294,000 was taken to the statement of comprehensive revenue and expenses as a reversal of previous impairment.

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 2016:

Name of valuer	Type of valuer	Date performed	Asset class	2016 $000s
Beca	Registered valuers	June 2016	Land	145,780
Beca	Registered valuers	June 2016	Buildings	780,030
Total				**925,810**

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.

Note 15 – Collections

In 2017, RFA concluded that it was appropriate to reclassify its artwork collections from property, plant and equipment (Note 14) and disclose separately. Certain prior year amounts have been reclassified for consistency with the current year presentation. This reclassification had no effect on the reported results of operations. RFA's 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.

Artwork collections	Moderate significance	Considerable significance	Substantial significance	Total
Opening balance 1 July 2015	**17,573**	**58,091**	**184,863**	**260,527**
Additions	61	284	-	345
Donated / vested	29	337	411	777
Disposed / deaccessioned	(270)	-	(899)	(1,169)
Revaluations	560	70	-	630
Reclassifications	(261)	356	(95)	0
Balance as at 30 June 2016	**17,692**	**59,138**	**184,280**	**261,110**
Additions	97	202	-	299
Donated / vested	60	701	3,945	4,706
Disposed / deaccessioned	-	-	-	-
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**

Revaluation of artwork collections

RFA collections are recorded at cost or revaluation. Collection valuations are programmed annually to ensure that 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 collections have an indefinite life and are not of a depreciable nature, depreciation is not applied to the collections.

In 2017 a portion of the artwork collection has been revalued as per RFA's revaluation policy. The valuation of the artwork collection is completed on a three-year cycle as follows.

- Items in the moderate significance collection were individually revalued by Auckland Art Gallery staff during the 2015/16 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 2014/15 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 2016/17 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.

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 substantial significance as at 30 June 2017 was carried out by Sotheby's London and Mossgreen-Webb's Auckland (2016: artwork collection of moderate significance Auckland Art Gallery staff; land and buildings by Beca).

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
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**
Auckland Art Gallery	In-house curators	June 2016	Artworks in moderate significance collection	17,692
Total 30 June 2016				**17,692**

Works of art – loan collection

Auckland Art Gallery has works of art that are 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 – Intangible assets	Actual 2017 $000s	Actual 2016 $000s
Acquired computer software at cost		
Previous year opening balance	2,101	2,494
Additions	413	588
Disposals	-	(1,572)
Reclassification	(590)	591
Closing balance	1,924	2,101
Accumulated amortisation and impairment		
Previous year opening balance	973	1,971
Amortisation charge	385	417
Amortisation on disposals	-	(1,459)
Other movements	-	43
Closing balance	1,358	973
Carrying amount	**567**	**1,128**

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 17 – Other financial assets	Actual 2017 $000s	Actual 2016 $000s
Current portion		
Community loans	209	271
Total current portion	209	271
Non-current portion		
Community loans	1,632	988
Total non-current loans	1,632	988
Total other financial assets	**1,841**	**1,259**

Fair value

Term deposits – The carrying amount of term deposits with maturities of less than 12 months approximates their fair value.

Community loans – Fair value on recognition has been determined using cash flows discounted at a rate of 10.67% (2016: 11.24%), based on the Reserve Bank of New Zealand's Business Lending Rate at 30 June 2017 of 4.67% (2016: 5.24%), plus the loan recipients' financial risk factor of 6% (2016: 6%).

Community loans	Actual 2017 $000s	Actual 2016 $000s
Fair value of the loans at the beginning of the period	1,259	1,381
Fair value adjustment on initial recognition	-	-
Loans repaid during the period	(258)	(261)
Impairment gains recognised current year	841	139
Fair value of the loans at the end of the period	1,841	1,259

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/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 10.67% (2016:11.24%) 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 $1,841,000 (2016: $1,259,000). They have stated interest rates of between 4.50% and 5.00% and mature within 2 to 56 years. The face value of the community loans is $2,868,000 ($2016: $3,133,000).

Note 18 – Borrowings and other financial liabilities	Actual 2017 $000s	Actual 2016 $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	7,741	8,011
Total non-current portion	**7,741**	**8,011**
Total borrowings	**9,448**	**9,718**

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 2017 is $1,438,000 (2016: $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 31 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 2017 $000s	Actual 2016 $000s
Financial assets through other comprehensive revenue and expense		
Loans and receivables		
Cash and cash equivalents (Note 7)	30,171	14,397
Receivables (Note 8)	33,026	29,042
Other financial assets (Note 17)		
– Community loans	1,841	1,259
Total loans and receivables	65,037	44,698
Financial liabilities measured at amortised cost		
Payables (excluding income in advance, taxes payable and grants) (Note 10)	63,643	41,783
Borrowings (Note 18)	1,438	1,438
Total borrowings and payables	65,081	43,221

2. Financial instrument risk

RFA's activities expose it to a variety of financial instrument risk, 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 adverse and manages its exposure to key financial risks by applying policies that do not allow any transactions which are speculative in nature to be entered into.

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 2017, 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 $151,000 (2016: $72,000) higher, $151,000 (2016: -$72,000) 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-) 2017 $30,171,000 (2016: $14,397,000) and term deposits (AA-) 2017: nil (2016: nil).

Counter parties without credit ratings for receivables 2017 $33,026,000 (2016: $29,042,000) and community loans 2017 $1,841,000 (2016: $1,259,000).

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 continuously monitoring forecast and actual cash flow requirements.

RFA's creditors are mainly those reported as trade and other payable, 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 20 – Equity and reserves	Actual 2017 $000s	Actual 2016 $000s
Contributed capital		
Balance at 1 July	1,049,995	1,049,995
Repayment of capital	-	-
Balance at 30 June	1,049,995	1,049,995
Accumulated surplus / (deficit)		
Balance 1 July	(46,576)	(65,797)
Surplus / (deficit) for the year	1,486	19,257
Transfers to restricted equity	(20)	(36)
Balance at 30 June	(45,110)	(46,576)
Restricted equity		
Balance at 1 July	1,609	1,721
Transfers from accumulated surplus	20	36
Distributions made	(30)	(148)
Balance at 30 June	1,599	1,609
Property revaluation reserves		
Balance at 1 July	195,454	33,196
Revaluations gains / (losses) through comprehensive income	12,428	162,258
Balance at 30 June	207,882	195,454
Total equity	**1,214,365**	**1,200,482**

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.

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 purchase of art and other specified purposes.

Property revaluation reserve

RFA operates an asset revaluation reserve to hold movements upon the revaluation of property, plant and equipment.

Property revaluation reserves consist of:	Actual 2017 $000s	Actual 2016 $000s
Artwork collection classified as moderate significance	1,151	1,120
Artwork collection classified as considerable significance	3,986	3,916
Artwork collection classified as substantial significance	13,724	1,397
Total artwork collections	18,861	6,433
Land	33,614	33,614
Buildings	155,407	155,407
Total property revaluation reserves	**207,882**	**195,454**

The asset revaluation reserve is maintained by class of property, plant and equipment. Movements in the revaluation of items are restricted to the class of property, plant and equipment to which they are allocated, in accordance with PBE IPSAS 17.

Upon exhaustion of the asset revaluation reserve of a particular class of property, plant and equipment, any further devaluation is taken to profit or loss and is not offset by any remaining revaluation reserve of other classes of property, plant and equipment, 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. Transfers to and from these reserves are at the discretion of the parent. RFA's objectives, policies and processes for managing capital are explained in Note 21.

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

Note 21 – Capital management

The capital structure of RFA consists of net debt (borrowings as detailed in Note 18 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, and 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 22 – Capital commitments and operating leases	Actual 2017 $000s	Actual 2016 $000s
Capital commitments		
Buildings	7,856	4,484
Plant and equipment	621	399
Total capital commitments	8,477	4,883

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 24 to 36 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows.

	Actual 2017 $000s	Actual 2016 $000s
Not later than one year	552	429
Later than one year and not later than five years	1,477	1,287
Later than five years	-	138
	2,029	1,854

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 24 to 60 months. 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 2017 $000s	Actual 2016 $000s
Not later than one year	713	568
Later than one year and not later than five years	1,310	1,308
Later than five years	6,700	6,982
	8,722	8,858

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 23 – Contingencies

Contingent liabilities

2017

There are no contingent liabilities in 2017 (2016: nil).

Contingent assets

2017

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 Regional Facilities Auckland. 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 Regional Facilities Auckland 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.

(2016: The same contingencies existed).

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 dependents.

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 (2017 is $1,438,000; 2016: $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 2017	Actual 2016
Remuneration		
Number of full-time employees	417	379
Number of all other employees	619	574
Full-time equivalent (FTE) number of all other employees	100	100
Number of employees receiving total annual remuneration of less than $60,000	784	752

Note: the above numbers reflect full-time employees and casual employees as at 30 June 2017 and 30 June 2016. The full-time equivalent (FTE) numbers of all other employees are those casual and part-time employees who were contracted at 30 June 2017.

Employee numbers and remuneration bands

Total annual remuneration by band for employees as at 30 June 2017 are detailed below as per the banding stipulated in the LGA 2002.	Actual 2017	Actual 2016
< $60,000	784	752
$60,000 – $79,999	139	121
$80,000 – $99,999	52	39
$100,000 – $119,999	18	14
$120,000 – $139,999	19	9
$140,000 – $159,999	6	7
$160,000 – $179,999	5	4
$180,000 – $199,999	5	-
$200,000 – $259,999	5	4
$260,000 – $439,999	3	3
Total employees	**1,036**	**953**

Key management personnel

Board of Directors	
Sir Donald McKinnon	Chair
John Avery (resigned 31 October 2016)	Director
Lisa Bates	Director
Geoff Clews	Director
Dame Jenny Gibbs (resigned 31 October 2016)	Deputy Chair
Joanna Perry (appointed 01 November 2016)	Deputy Chair
John Robertson	Director
Fabian Partigliani (appointed 01 November 2016)	Director
Rukumoana Schaafhausen	Director
Gary Troup	Director
Andrew Collow	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, Auckland Zoo
Mohamed Mansour	Director, Auckland Conventions
Robbie Macrae	Director, Auckland Live
Paul Nisbet	Director, Auckland Stadiums

Key management personnel compensation	Actual 2017 $000s	Actual 2016 $000s
Board members		
Total remuneration	439	431
Headcount	9	9
Executive management		
Total remuneration	2,110	2,758
Full-time equivalent members	8	13
Total key management personnel compensation	2,549	3,189
Total full-time equivalent members	17	22

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 25 – Severance payments

For the year ended 30 June 2017, RFA made 6 payments totalling $119,404 (2016: one payment for $50,000).

Note 26 – Events after balance date

On 10 July 2017, RFA assumed responsibility for the venue management of “The Cloud” and “Shed 10”, Queens Wharf, Auckland, from an associated CCO, Panuku Development Auckland. RFA's responsibilities are limited to the management of these venues and RFA did not acquire any assets from Panuku Development Auckland.

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 arts, culture and heritage, and 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 the council and council-controlled organisations (CCOs).	The long-term plan outlines RFA's strategic priorities as: a) Advancing the social and cultural well-being of Auckland, b) Contributing to the growth of the region's economy, and c) Being trusted stewards of our venues. RFA's progress in these areas is 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 key measures. The financial performance for the current year is presented in Section 1 of the Annual Report. The progress on all other measures is set out in Section C of this report.

FIVE OPERATIONAL BUSINESS UNITS

Auckland Live • Auckland Conventions venues & events • Auckland Zoo • Auckland Art Gallery Toi o Tāmaki • aucklandstadiums

OWNERSHIP / MANAGEMENT OF 11 ICONIC AND SPECIALIST VENUES

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

Auckland Town Hall • Bruce Mason Centre • The Civic Theatre • QBE Stadium

Aotea Square • ANZ Viaduct Events Centre • Mt Smart Stadium • Aotea Centre

In addition to our five business units, RFA holds management rights for Auckland Town Hall and Aotea Square, land rights to Museum of Transport and Technology (MOTAT) and Trusts Arena, and ownership interests in Spark Arena. We advise Auckland Council on levy setting and governance for MOTAT and Auckland War Memorial Museum. RFA provides community loans to Stardome Observatory and Planetarium, New Zealand Maritime Museum and MOTAT. We also provide funding to Trusts Arena, Vodafone Events Centre and North Share Events Centre.

From 1 July 2017 RFA has obtained management rights to The Cloud and Shed 10 venues, which are jointly owned by the Crown and Panuku Development Auckland, an Auckland Council organisation.

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 2016-19 (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. It is a 30-year plan 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

Regional Facilities Auckland played a critical role towards delivering Auckland's vision through both primary and secondary contributions during the 2016/17 financial year. This is outlined in the table below.

AUCKLAND PLAN	DEGREE OF CONTRIBUTION	HOW RFA WILL CONTRIBUTE
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 other sporting clubs for organised and social sport. Auckland Zoo, Auckland Art Gallery and Auckland Live all provide a range of educational and free programming events to the public and youth of Auckland.

Key achievements:

- Auckland Live designed a diverse line-up to entertain, engage and educate young people through its popular *Pick & Mix* series held July to September. More than 11,900 participants enjoyed 21 free, family-friendly events held at Aotea Centre, Auckland Town Hall, Bruce Mason Centre and for the first time this year, Mangere Arts Centre. *The Aotea Square Ice Rink and Ice Slide* attracted more than 21,000 visitors to Aotea Square over its six-week programme.
- Auckland Art Gallery opened its *Once Upon a Time in Art* installation in the Creative Learning Centre in December. Geared for families, it draws on the gallery's collection of historical painting in the Mackelvie Gallery exhibitions to unravel the secret codes in the symbols and characters used by visual storytellers of the past, and provides new meanings for a contemporary audience.
- Auckland Live's *Summer in the Square* was a three-month event. Highlights included the giant LEGO Christmas tree, Latin Weekend, Vintage Weekend, K-Pop Night and the IGNITE Youth Music weekend with over 72,000 attendees.

<table>
<tr><th>AUCKLAND PLAN</th><th>DEGREE OF CONTRIBUTION</th><th>HOW RFA WILL CONTRIBUTE</th></tr>
<tr><td>Environmental action and green growth</td><td>Secondary</td><td>Environmental sustainability is a key consideration in our overall programmed renewals and new capital investment into our venues.
A new sustainability strategy will be developed and implemented in the 2017 financial year.

Auckland Zoo contributes to local and international breeding, conservation and educational programmes to build understanding of wildlife and conservation. A major initiative is the establishment of partnerships (academic and NGO) to develop conservation training initiatives for Rotoroa Island.</td></tr>
<tr><td colspan="3">Key achievements:
Auckland Zoo's conservation efforts continued to thrive, with the zoo sending male rhino Mtoto to a wildlife park in Sydney as part of the Australasian zoos' breeding programme. During the first quarter Auckland Zoo welcomed New Zealand tīeke (saddleback) to its Te Wao Nui aviary as part of Conservation Week, contributed to kākāpō recovery, and successfully treated and released injured takahē Kuini and his mate to Rotoroa Island.
Auckland Zoo joined forces with Hamilton Zoo, Wellington Zoo, Orana Wildlife Park and Unmask Palm Oil to launch the Ask for Choice campaign in August, which included presenting more than 50,000 signatures to Parliament. The nationwide campaign called for mandatory labelling of all vegetable oils, including palm oil, in food and grocery products, and received extensive public support and positive media coverage.
In another collaborative effort, Auckland Zoo, Auckland Council and Waitemata District Health Board partnered to clean up a recent fuel spill on Lake Pupuke. The birds and animals affected by the spill were successfully released back to the lake following rehabilitation at the zoo and Ambury Farm.</td></tr>
<tr><td>Outstanding public transport</td><td>N/A</td><td></td></tr>
<tr><td>Quality urban living</td><td>Primary</td><td>Developing with a regional perspective 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.</td></tr>
<tr><td colspan="3">Key achievements:
Auckland Zoo opened its Strangely Beautiful Australia precinct in December 2016.
Designs were approved for the refurbishment and expansion of the Aotea Centre.
Auckland Stadiums completed a number of key renewals and development works at the three stadiums. Further details are available in Section B of this report.</td></tr>
</table>

AUCKLAND PLAN	DEGREE OF CONTRIBUTION	HOW RFA WILL CONTRIBUTE
Raised living standards	Primary	RFA contributes to improved quality of life in Auckland. We help grow the market for facilities through an events strategy developed in partnership with Auckland Tourism, Events and Economic Development (ATEED) and Auckland Council. We advocate, coordinate and lead strategic thinking for investing in new collections and arts, culture, heritage, sports and entertainment facilities – raising the cultural capital of Auckland.

Key achievements:

- Auckland Art Gallery presented its largest ever exhibition – *The Māori Portraits: Gottfried Lindauer's New Zealand*. It featured 120 portraits of historical Māori and Pākehā figures from the late 19th and 20th centuries and nine other recently discovered works by Lindauer. This exhibition was open to the public from October to February and attracted more than 99,000 visitors – the highest for any exhibition since the gallery reopened in 2011.
- Auckland Conventions and ATEED, along with other key partners, delivered the return of New Zealand Fashion Week, held for the sixth year running at the ANZ Viaduct Events Centre. This annual fashion calendar event attracted a mix of industry, media and the public to catwalk shows and trade events over five days.
- Auckland Stadiums had a successful summer concert season, which included high-profile entertainers such as Bruce Springsteen, Guns N' Roses, Coldplay, and for the first time, Justin Bieber and Adele. More than 285,000 patrons attended the concert events held at Mt Smart Stadium and Western Springs Stadium between December and March. The record breaker was Adele with over 131,000 attendees over three concerts.
- Auckland Art Gallery presented *The Body Laid Bare: Masterpieces from Tate* during March and July. The exhibition brought to New Zealand more than 100 celebrated artworks featuring the human form, including Auguste Rodin's famous sculpture The Kiss – seen outside of Europe for the first time.
- Auckland Live's contribution to Auckland's art and cultural experience included many highlights. The Auckland Live International Cabaret Season 2016 was held across multiple venues including Auckland Town Hall's Concert Chamber, The Basement Theatre and Q Theatre. The Royal New Zealand Ballet's season was one of its most successful in many years, with over 13,000 tickets sold. Sir David Attenborough was one of the highest-selling shows in The Civic's history, with two shows selling out within 30 minutes of going on sale and 4,569 tickets sold. Major musical *Priscilla Queen of the Desert* returned to The Civic, presenting 37 performances to 43,617 attendees. The Auckland Arts Festival 2017 attracted 37,000 patrons to Auckland Live venues, representing a 15% increase in attendance on the 2016 festival. Auckland Writers Festival is the biggest arts festival in New Zealand and set a new attendance record in 2017, with over 64,000 visitors during the six-day event.

AUCKLAND PLAN	DEGREE OF CONTRIBUTION	HOW RFA WILL CONTRIBUTE
Māori social and economic well-being	Secondary	RFA has implemented a Māori engagement framework, which aligns with the Auckland Council Group Māori Responsiveness Framework. This provides the guidelines and accountability for RFA's operational businesses to achieve better outcomes for and with Māori.

Key achievements:

- In collaboration with the Auckland Philharmonic Orchestra and the Sistema Aotearoa Trust, Auckland Live hosted 1,600 people at Auckland Town Hall for the inaugural national Sistema Hui – a full day of music tutorials, workshops and a concert presentation for students ranging in age from 6 to 15. Sistema Aotearoa is a youth development programme that uses music to lift the aspirations of young people, their whānau and the wider community.
- In another successful collaboration, Auckland Live and Ruia Taitea Creative brought the first full-length performances in te reo Māori of *Purapurawhetū* to the Herald Theatre during the Matariki Festival in July. Auckland Live has worked regularly with the company since 2014 to bring shows in te reo Māori to RFA venues.
- New Zealand's contemporary art award, The Walters Prize, returned to Auckland Art Gallery in 2016 for its eighth iteration. For the first time, three of the four artists were of Māori descent. The Walters Prize 2016 was awarded to Shannon Te Ao for his presentation of *Two shoots that stretch far out* 2013–14 and *Okea ururoatia (never say die)* 2016.

Section B: Key Deliverables

PROJECT	DELIVERABLE	STATUS	PROGRESS
INFLUENCING SECTOR CHANGE	Close collaboration with Auckland Council and the museums, stadiums and arts and cultural sectors to improve financial sustainability, standards of service delivery, and cultural and economic benefits to the Auckland community.	Ongoing	During the first quarter, board appointments for the Auckland War Memorial Museum (AWMM) and Museum of Transport and Technology (MOTAT) were decided. In the third quarter the draft 2017/18 annual plans for AWMM and MOTAT were received and advice regarding the plans provided to Auckland Council. The annual levies for AWMM and MOTAT were agreed with the council in March. A new partnership was established between Auckland Live and the Adelaide International Cabaret Festival to pave the way for New Zealand artists of significance to work with international artists and festivals to present their work. Auckland Live has formed a partnership arrangement with the Auckland Town Hall Organ Trust. The partnership cements a bright future with the trust to continue their great work in providing free organ concerts to the people of Auckland. As custodians of the town hall organ, the trust also provides organ tours, advice and support to all hirers that have the privilege to play the organ. Auckland Live partnered with the Arts Regional Trust (ART), Q Theatre and The Basement Theatre to support delivery of a six-month emerging producer programme – the ART Pulse Programme – for 12 emerging performing arts producers. Participants attended targeted workshops and received mentoring and specialist industry support while working on a real-time project.
STAKEHOLDER ENGAGEMENT	RFA will continue to work with Auckland Council and Local Boards in a collaborative way to ensure that key strategies and policies are adhered to and that decisions represent the best interests of the council group and, ultimately, the ratepayer. Key to achieving this is: • engaging where appropriate with the council group's Alternate Financing initiative • working with ATEED to develop and deliver significant events for the region and, where possible, reduce competition with ratepayer-funded events. • collaborating with sector stakeholders to provide thought leadership and drive overall creative vision.	Ongoing	Auckland Zoo is working with Brian Ireland (Taranaki Whanui Te Ati Awa) to develop educational programmes within the zoo. RFA works with ATEED to ensure event planning is coordinated across the city, which includes partnering to deliver large events and sharing resources. Examples of collaboration are Diwali Festival and the NRL Nines Launch in early 2017. RFA is a member of the Western Springs Precinct stakeholder group, which is discussing the precinct's potential, issues and future opportunities for collaboration.
HEALTH AND SAFETY CULTURE	RFA is committed to driving a strategy that aims to improve the health and safety of our employees, visitors, contractors, clients and patrons, and maintain the well-being of all our employees. We will do this by: • reducing employee injuries by 25% over five years and reviewing incidences involving the public to identify hazards and prevent recurrence	Ongoing	RFA has reviewed and revised its health and safety strategy as required each year. A number of key objectives have been identified and annual targets set for measuring progress. The revised strategy has been approved by the RFA Board. Monthly reports against targets are provided to the Executive Leadership Team and the Board. The Health, Safety and Risk Committee of the Board meets quarterly and is provided with more in-depth information. Board site visits of RFA

PROJECT	DELIVERABLE	STATUS	PROGRESS
	• active involvement and commitment of leaders in management of health and safety through behavioural safety and personal responsibility. • increased worker engagement through adopting behavioural safety and personal responsibility • aligning our health and safety management system to industry best practice.		venues have been undertaken over the last six months and will continue. The ACC audit for RFA was successfully undertaken and secondary level accreditation achieved.
EXTERNAL REVENUE MAXIMISATION	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. Key to this strategy is: • exploring other revenue opportunities through closer collaboration across the sectors we operate in, partnering with private businesses, and leveraging council group initiatives. • enriching events programming and driving revenue growth through pursuing investment opportunities using the Production Investment Fund • working with ATEED to develop and deliver significant events for the region and, where possible, reduce competition with ratepayer-funded events • working with various sectors and our business partners to develop philanthropic and sponsorship activities • enhancing the customer experience by gaining further customer market intelligence and market insight to connect to new audiences. • making strategic capital investment in existing facilities • growing the depth and breadth of our revenue base.	Ongoing	An event credit facility has been established with the intent to co-fund or solely fund events which normally would not come to Auckland. This facility is funded from RFA's operations rather than ratepayer funding. The blockbuster musical *Matilda* to be held in August 2017 has been made possible through this new facility. Auckland Art Gallery Toi o Tamaki opened its largest Gottfried Lindauer exhibition, which involved collaboration with ATEED to deliver an exhibition of significance to New Zealand and Māori. The launch of the new online shop at the art gallery has helped to increase its retail sales. Other contributing factors are high visitation to exhibitions, increased memberships, and pop-up shops targeting exhibition visitors. Auckland Stadiums and Auckland Live enjoyed their most successful season of outdoor concerts, including Justin Bieber, Guns N' Roses, Bruce Springsteen and Adele, attracting over 285,000 attendees. Strategic capital investment for the renewal and development of venues is detailed further below.
ENHANCING THE OPERATIONAL BRANDS	Investment in digital media by identifying business requirements including Customer Relationship Management (CRM) solutions, digital platforms and growing social media to connect with new audiences.	Ongoing	A new customer-focused strategic initiative is delivering new websites and increasing the functionality of existing websites to help enhance the customer journey across the RFA business units. This includes the successful launch of an online retail website for the art gallery. The Auckland Zoo website has been completed and will be rolled out to the public soon. Development of the Auckland Conventions website commenced this year and will be completed next year.

PROJECT	DELIVERABLE	STATUS	PROGRESS
DELIVERY OF KEY CAPITAL PROJECTS In addition to the delivery of essential renewals work to ensure RFA venues are fit for purpose for hirers and the Auckland community, there are three specific development capital programmes.	AUCKLAND STADIUMS Strategic investment in Auckland Stadiums by exploring opportunities to increase utilisation and financial sustainability through investment in Western Springs, QBE North Harbour Stadium and Mt Smart Stadium.	Ongoing	Mt Smart Stadium installed a new LED replay screen to enhance its fan experience and new floodlights to meet Rugby League World Cup 2017 requirements. Containerised bars, marquees and flooring were purchased for concerts and RLWC games at the stadiums. The outer oval development at QBE Stadium included the installation of new turf and new floodlights.
	AOTEA CENTRE Strategic capital investment in the Aotea Arts Centre with external parties, to enliven and grow the cultural activity of Auckland. An arts and cultural hub seeks synergies in clustering, generates new retail and commercial investment, and improves the customer experience.	Ongoing	The Aotea Centre is undergoing major refurbishment, which will address building issues and provide a suitable platform for future sector development. Design work has been completed and physical works are expected to be carried out from February 2018 to February 2019.
	AUCKLAND ZOO Investment in Auckland Zoo's ageing infrastructure to cater for increasing international standards of animal care, health and safety and improved visitor experience.	Ongoing	Auckland Zoo completed the second project in its extensive 10-year redevelopment programme with the opening of the *Strangely Beautiful Australia* precinct on 17 December. The design work for the South-East Asia precinct commenced this year, with construction to start in late 2017.

Section C: Non-Financial Performance Measures

This section presents RFA's success and progress during the 2016/17 financial year against performance measures contained in the Statement of Intent 2016-2019. In reading this section the following should be noted:

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

Overview of key performance results

521,402 Visitors to Auckland Art Gallery (Target: 450,000)

532 Community event days at Stadiums (Target: 645)

683,031 Visitors to Auckland Zoo (Target: 720,000)

90% Visitor satisfaction at Auckland Art Gallery

89% Visitor satisfaction at Auckland Zoo

90% Visitor satisfaction with Auckland Live events

18 Māori programmes at Auckland Art Gallery (Target: 10)

82% Visitor satisfaction at Auckland Stadiums' venues

81% of Zoo visitors report having enhanced appreciation of wildlife

1,074 Publicly available performing arts events by Auckland Live (Target: 825)

68% of operational expenditure met by external revenue

84% Visitor satisfaction with condition of our facilities

78% of patrons believe Auckland Live provides a rich choice of arts and entertainment options

467 Commercial event days at Stadiums (Target: 443)

SERVICE LEVEL STATEMENT	MEASURE	2015/16 ACTUAL	2016/17 TARGET	2016/17 ACTUAL	ACHIEVEMENT
We provide live arts and entertainment experiences for Aucklanders and visitors to our city. 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	1,264	825	1,074	
	Visitor satisfaction with experiences at Auckland Live events	89%	90%	90%	
	Percentage of patrons who believe Auckland Live provides them with a rich choice of arts and entertainment options	67%	76%	78%	
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 North Harbour Stadium, Western Springs Stadium	478	443	467	
	Number of community event days at stadiums **Comments** • Increased commercial activity at the stadiums resulted in reduced capacity for community events, including athletics and Ponsonby Rugby events. • The advent of the Albany Stadium Pool at QBE Stadium led to the cessation of the Drive Rush motorsport events to ensure there is adequate parking capacity at the stadium. • The outer oval redevelopment at QBE Stadium resulted in reduced field capacity, meaning baseball and a number of community football events were displaced.	675	645	532	
	Visitor satisfaction with experiences at Auckland Stadiums' venues **Comments** • The visitor satisfaction rate is an average rate across three venues, based on condition of facilities and service experience. Survey responses showed dissatisfaction across the three venues in areas of parking/transport options, food and beverage offerings and service. **Mitigation plans for future** • While the location of the venues cannot be improved and parking capacity is limited, Auckland Stadiums works closely with Auckland Transport to ensure free and frequent public transport is available for major events at its venues. • Management will continue to work closely with its food and beverage suppliers to ensure that offerings and the quality of services are improved.	82%	88%	82%	

SERVICE LEVEL STATEMENT	MEASURE	2015/16 ACTUAL	2016/17 TARGET	2016/17 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	703,237	720,000	683,031	

Comments

The key contributing factors to Auckland Zoo's low visitation (3% decline on last year and 5% unfavourable to the current year target) are:

- more rain-affected days this year compared with last year
- competition with alternative school education programmes
- constraints to running experience products, especially in the first half of the year, 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 FY18. A new temporary exhibit will be available for most of FY18 to help boost interest and visitation.
- Weather remains unpredictable; however, future planned redevelopment works will improve visitor access, flow and weatherproof viewing areas.
- A new schools outreach programme is expected to minimise the impact of the 2018 Winter Olympics becoming a focus of schools' extended learning during FY18.
- Development of a new website is complete and will be live to the public in the new financial year. This will improve engagement with the online customer and is expected to increase visitation and support for the zoo's programmes.

SERVICE LEVEL STATEMENT	MEASURE	2015/16 ACTUAL	2016/17 TARGET	2016/17 ACTUAL	ACHIEVEMENT
	Total number of visitors to Auckland Art Gallery	446,639	450,000	521,402	
	Total number of visitors to Auckland Zoo and Auckland Art Gallery	1,149,876	1,170,000	1,204,433	
	Visitor satisfaction with experiences at Auckland Zoo	91%	90%	89%	

Comments

- Visitor satisfaction survey responses revealed that visitors to Auckland Zoo were dissatisfied with parking availability, high cost of ticket prices 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 on finding a solution to the parking shortages in the Western Springs area.

SERVICE LEVEL STATEMENT	MEASURE	2015/16 ACTUAL	2016/17 TARGET	2016/17 ACTUAL	ACHIEVEMENT
	Visitor satisfaction with experiences at Auckland Art Gallery	90%	90%	90%	
	Visitor satisfaction with experiences at Auckland Zoo and Auckland Art Gallery	91%	90%	90%	
	Number of Māori programmes annually at Auckland Art Gallery	12	10	18	
	Percentage of Zoo visitors reporting an enhanced appreciation of wildlife	81%	80%	81%	

<table>
<tr><th>SERVICE LEVEL STATEMENT</th><th>MEASURE</th><th>2015/16 ACTUAL</th><th>2016/17 TARGET</th><th>2016/17 ACTUAL</th><th>ACHIEVEMENT</th></tr>
<tr><td rowspan="2"></td><td>Percentage mana whenua satisfaction with quality of engagement</td><td>N/A</td><td>N/A</td><td>N/A</td><td></td></tr>
<tr><td colspan="5">Comments
Not recorded this financial year. RFA is working with Auckland Council to develop a common measure to track CCO engagement with mana whenua. The council recommended and offered to run a qualitative survey on behalf of RFA; however, this did not occur.</td></tr>
<tr><td rowspan="2">We manage our physical building assets in a way that ensures their long-term existence as a valued part of Auckland's social infrastructure</td><td>Visitor satisfaction on the condition of our facilities</td><td>85%</td><td>90%</td><td>84%</td><td></td></tr>
<tr><td colspan="5">Comments
Visitor Satisfaction Survey results regarding the condition of RFA's facilities reveal that visitors were least satisfied with the condition of the three stadium venues. This is being addressed by Auckland Stadiums' 10-year Venue Development Plan, which lays out its renewals and development initiatives for these venues.
Mitigation plans for future
The key focus of Auckland Stadiums' 10-year Venue Development Plan is to ensure facilities are fit for purpose and meet the expectations of visitors and sports teams. Delivery of the following outcomes in the final quarter of FY17 and first half of FY18 will help boost visitor satisfaction.
An LED replay screen (the largest in New Zealand) was installed at Mt Smart Stadium in March 2017. It has been well received by stakeholders and fans.
New floodlights have been installed at Mt Smart Stadium in preparation for the Rugby League World Cup 2017 and additional portable toilets are being procured to cater for rugby events and the summer concert season.</td></tr>
<tr><td rowspan="2">Minimising the financial burden on Auckland ratepayers</td><td>Percentage of operating costs met through external revenue (excluding council funding and depreciation)</td><td>61%</td><td>61%</td><td>68%</td><td></td></tr>
<tr><td colspan="5">Comments
RFA experienced greater success this year with its commercial revenue through a busy concert season and attracting high profile performers to Auckland. The improvement on the previous year's result reflects the cyclical nature of this revenue and the underlying volatility, which to some extent is dependent on the timing of major events and accessibility to the international talent market.</td></tr>
</table>

Independent Auditor's Report

To the readers of Regional Facilities Auckland's financial statements and performance information for the year ended 30 June 2017

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 9 to 50, that comprise the statement of financial position as at 30 June 2017, 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 51 to 61.

In our opinion:

- the financial statements of the Trust on pages 9 to 50:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; 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.
- the performance information of the Trust on pages 51 to 61 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 2017

Our audit was completed on 16 August 2017. 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, and we explain our independence.

Basis for 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 has no realistic alternative but to do so.

The Trustee's 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 8, 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.

8/2017

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

Regional Facilities Auckland
An Auckland Council Organisation

LEVEL 4, AOTEA CENTRE, 50 MAYORAL DRIVE, AUCKLAND 1010
PRIVATE BAG 92340, VICTORIA STREET WEST, AUCKLAND 1142