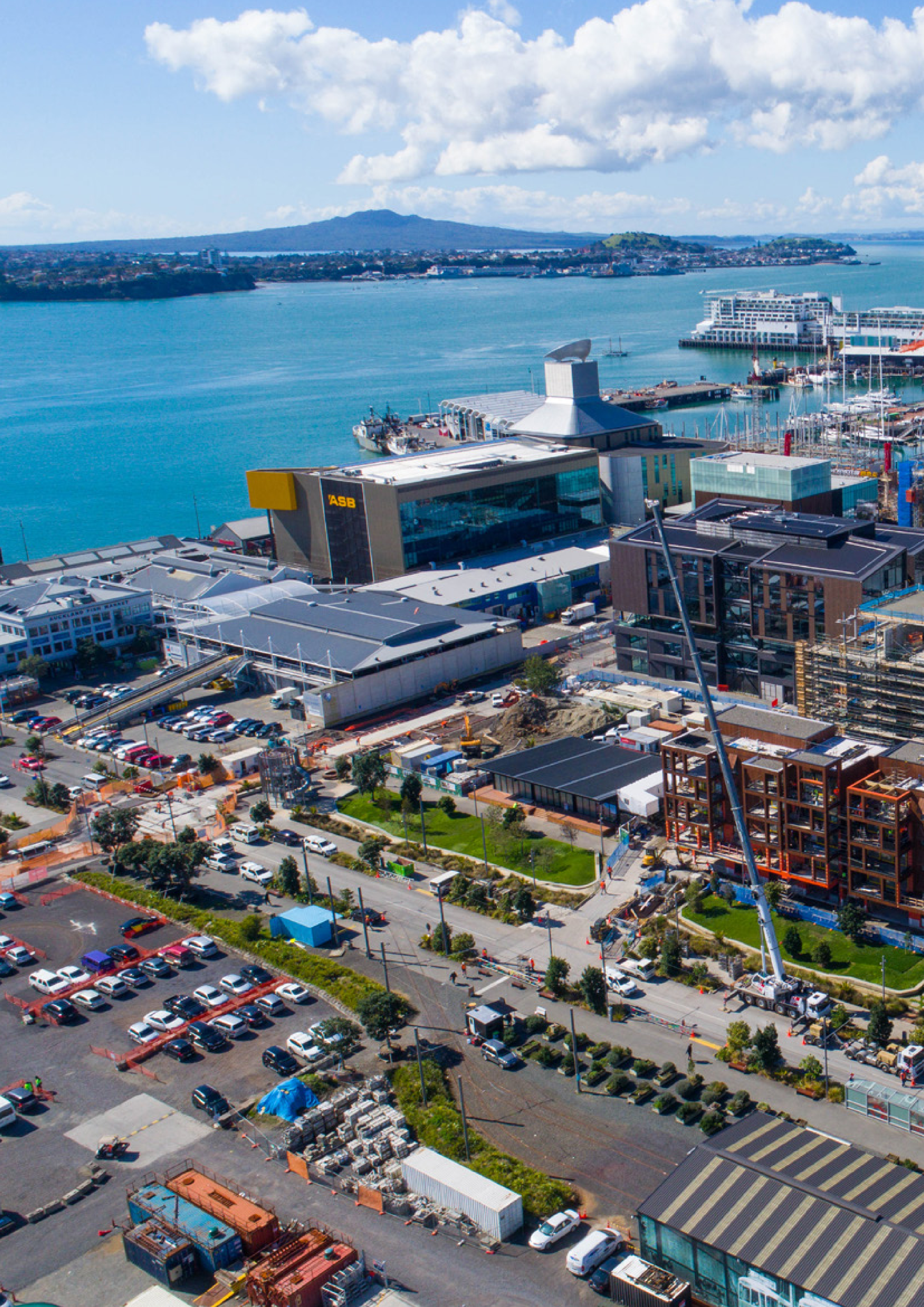
Annual Report 2016-17

Panuku Development Auckland

An Auckland Council Organisation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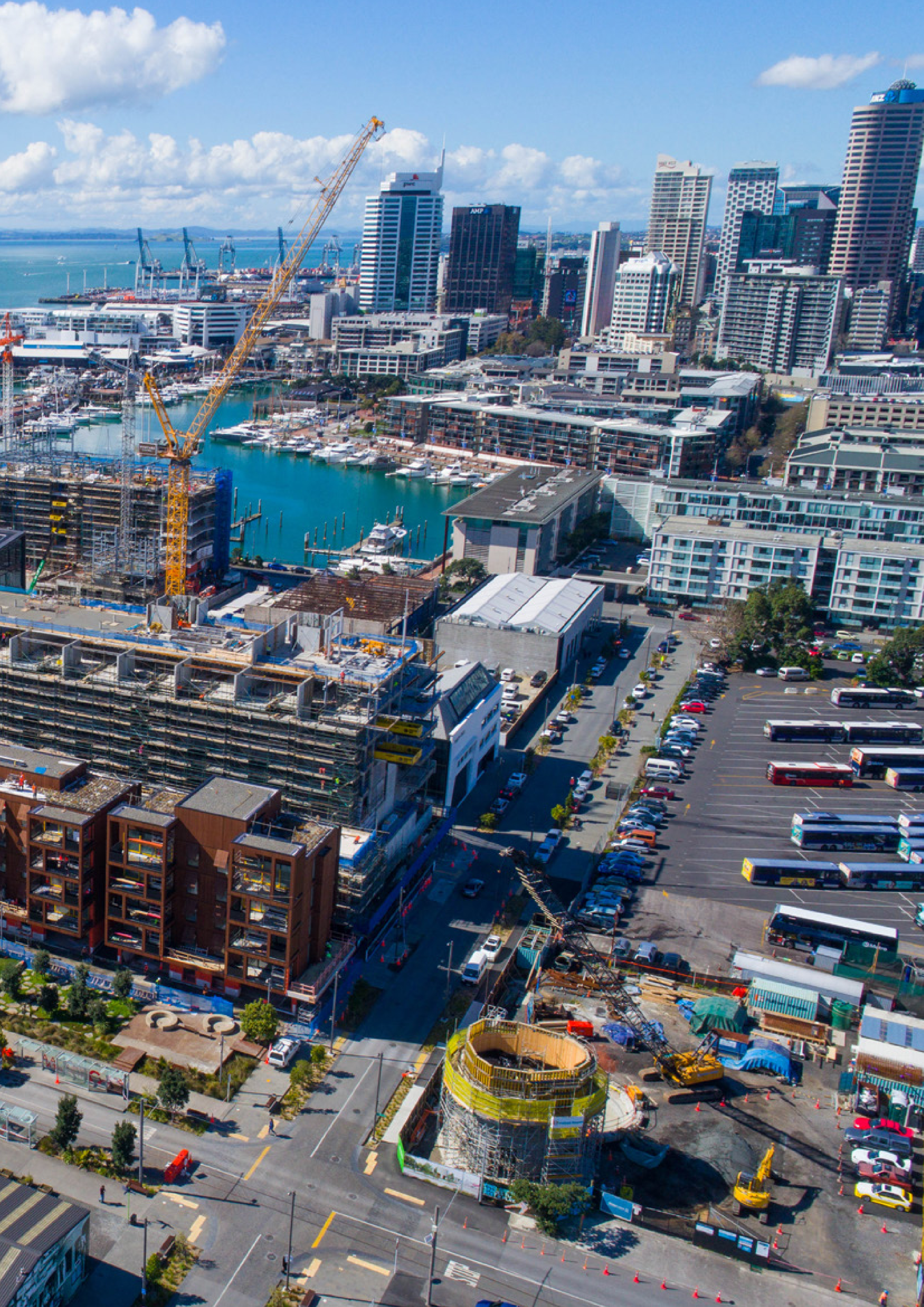


Highlights 2016

July

Resource consent granted for 60 new houses, reserves and playgrounds in Stanmore Bay in Whangaparaoa.

August

Approval is granted to partner with The Selwyn Foundation for the management of the Housing for Older People villages.

August

A development agreement is signed with Todd Property for the delivery of more than 350 homes in Flat Bush.

September

Plans to repurpose the iconic Civic Administration Building in Aotea Square for residential apartments and develop the surrounding area are announced.

September

The 650-seat ASB Waterfront Theatre opens in the Wynyard Quarter, providing a home for the Auckland Theatre Company.

September

Ockham commenced construction of 72 apartments on Racecourse Parade in Avondale, with 10% of the apartments being affordable.

November

Panuku hosts waterfront development leaders from 16 international cities at the Water Edge symposium.

December

Roger MacDonald is appointed Chief Executive at Panuku Development Auckland.

Highlights 2017

January
Auckland celebrates turning 172 in style with approximately 100,000 smiling faces soaking up the sun in Wynyard Quarter.

February
Avanda Group confirmed as the housing developer for more than 500 homes in stage two of the Airfields precinct at Hobsonville Point.

March
Plans to transform Onehunga, on a similar scale to Wynyard Quarter and Manukau, are approved.

March
The Manukau Framework Plan, which will see new neighbourhoods developed and a growth of 14,000 residents, is endorsed by councillors.

April
Mayor Phil Goff officially opens the Mason Bros building in Wynyard Quarter, a former industrial warehouse that has been redeveloped into commercial space.

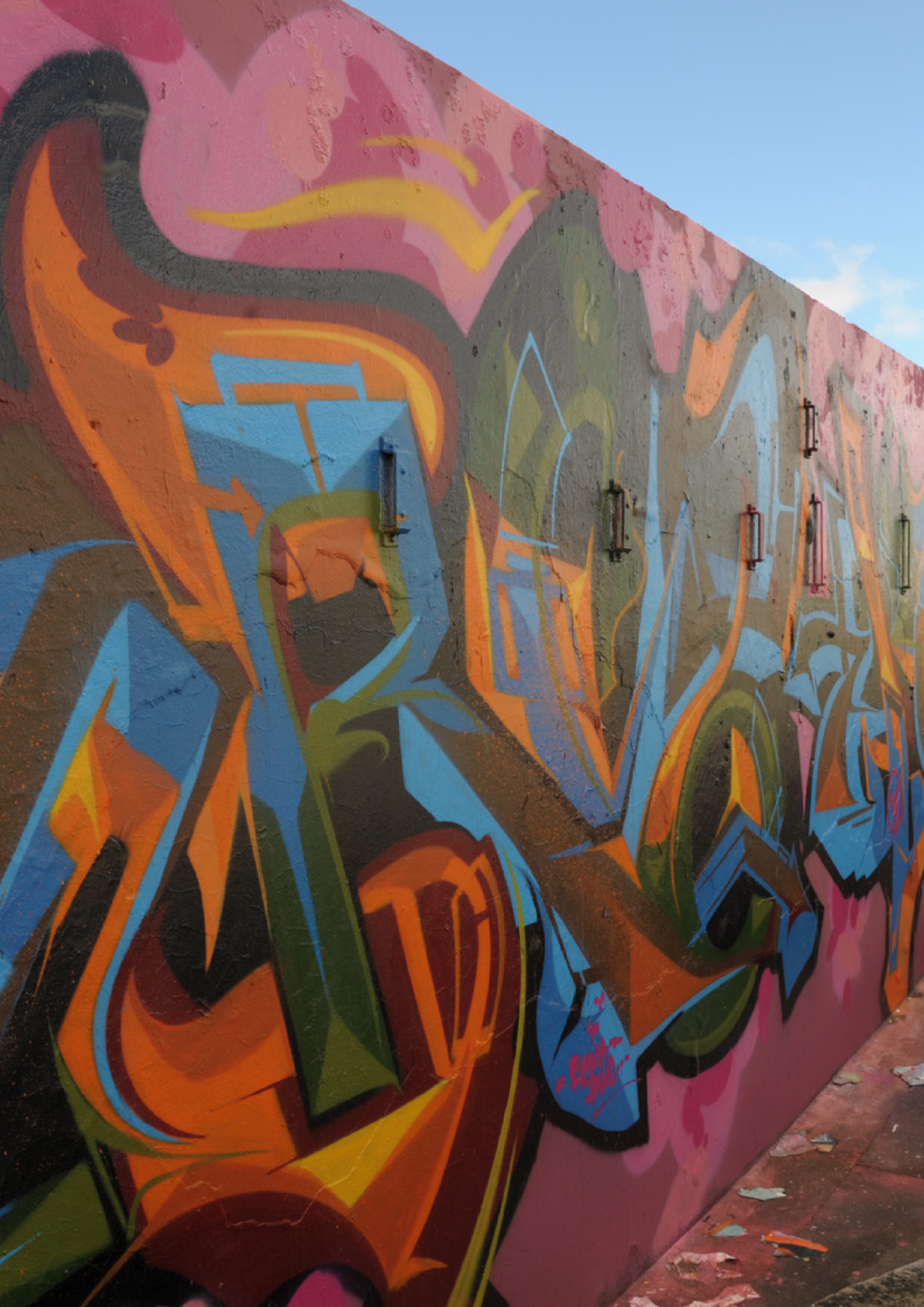
May
Initial plans to unlock the potential of Henderson and to fulfil its vision to become an urban eco-centre begin.

May
The marinas and development teams each score a win at the Royal Institute of Chartered Surveyors awards.

May
Dividend returned to Auckland Council of $1.8 million in line with the Annual Plan.

June
While the upgrade of Old Papatoetoe Mall continues, the overall plan for the redevelopment of the area was given the go ahead.

June
The disposals target of $50 million was exceeded by $26.8 million this year, generating a 53% increase.



Contents

1. Chairman's report

It's been a year of change at Panuku. Within 12 months we appointed a new Chief Executive, I took over from Sir John Wells as Chair and we welcomed a new mayor and group of elected members to lead our city.

In November I was delighted to announce Roger MacDonald as the new Panuku Chief Executive, taking over the reins from Interim Chief Executive John Dalzell.

After a global search, we selected Roger for his wealth of experience delivering multi-billion dollar property and infrastructure projects in the Middle East, the UK, Europe, India, the US and Africa.

We were particularly impressed with Roger's proven ability to deliver truly sustainable mixed use developments, including a wide range of complex government projects in the UK.

Roger's arrival came just weeks after Phil Goff was handed the mayoral chains and Aucklanders also elected a number of new councillors and Local Board chairs in some of our key development locations.

The new mayor has shown strong support for the work of Panuku and in particular our redevelopment of key urban centres including his old stomping ground in Old Papatoetoe.

Lastly in this year of change at Panuku, we farewelled Sir John Wells from the board in November after he handed over the role of chair to me earlier in the year.

I'd like to personally thank Sir John for the way he successfully guided the Panuku waka through our first year and for his earlier contribution as chair of Auckland Council Property Limited.

Now the focus turns to progress and the dual leadership provided by Roger and David Rankin (in the newly created Chief Operating Officer role) sets Panuku up perfectly for the challenges ahead.

The move to our new fit-for-purpose office on Wyndham Street in September will also help to ensure our organisation is working as effectively as possible.

My message to our leaders as we strive for that effective and efficient delivery is not to feel constrained by the inevitable challenges we encounter in the complex world of regeneration.

Look to our success stories in Wynyard Quarter, Hobsonville, Ormiston and Whangaparaoa as examples of how Panuku can help meet the demands of our fast-growing city.

Transforming Auckland doesn't happen overnight but knowing we have the support of the mayor and councillors, and that we're steering the Panuku waka in the right direction as we tackle the likes of Manukau, Onehunga, Northcote and Henderson is half the battle won.

Most importantly we have a passionate group of waka paddlers. A big thank you to both my fellow board members and all the hard-working staff at Panuku for their dedication to shaping spaces for Aucklanders to love.

Richard Aitken

Richard Aitken
Chair

2. Chief Executive's report

I look back with pride on what we have achieved in the past year and in my first seven months' in the role.

Sometimes on the long journey that is urban regeneration we forget the significant milestones that have been ticked off such as in Wynyard Quarter, Hobsonville, Ormiston, Whangaparaoa and Old Papatoetoe to name a few.

Firstly it was pleasing to see us out-perform against budget again this year, both with our managed properties and overall as an organisation.

One of the standouts for me was exceeding our disposals target of $50 million by an incredible $26.8 million or 53 per cent.

Other financial highlights included additional surpluses above budget of $1.7 million for marinas, $1.1 million for commercial properties that we manage on behalf of Auckland Council and Auckland Transport, and $1.4 million for business interests (quarries, landfills and forests).

On the development front, milestones continue to be knocked off in Wynyard Quarter with the opening of the magnificent ASB Waterfront Theatre in September and the re-purposed historical Mason Bros building completed in December. We now eagerly await the arrival of the first residents in Wynyard Quarter later this year, as well as watching the Park Hyatt Hotel emerge from the ground.

Across our other key development locations, our first Framework Plans were completed for Manukau and Northcote, while the over-arching plans for Onehunga, Old Papatoetoe and Henderson were also approved by the Planning Committee.

In February we confirmed Avanda Group as the housing developer for more than 500 homes in stage two of the Airfields precinct at Hobsonville Point. Just months later AV Jennings were underway with the building of the first of the 102 homes in stage one.

As the year ended, the Haumaru Housing joint venture was up and running to manage the council's Housing for Older People as we start to develop the portfolio to ensure the homes better meet the needs of older Aucklanders.

That feels like a very busy year, and my mission from day one in the role has been to ensure we are equipped to continue to move forward at pace and scale.

Looking offshore to help us move forward, we hosted an investment forum in Shanghai in May in conjunction with the mayor's office. This successful initiative triggered a range of inward investment opportunities.

My visits to China have given me a number of fresh ideas to help us tackle the current challenges in the building sector such as higher construction costs combined with a quieter residential market.

As an upside I was delighted to see my newly adopted country win the America's Cup and with it the rights to host the next event here in Auckland.

Major events are a fantastic catalyst for getting developments fast-tracked as we've seen with the birth of the Viaduct Harbour for the 2000 America's Cup defence and the redevelopment of North Wharf for the 2011 Rugby World Cup.

It certainly puts a spring in our step on the long journey of regeneration. While there's no denying there's still plenty of work to do and plenty of funding to secure, I believe Panuku is in a strong position to deliver.

Roger MacDonald
Chief Executive

3. What we do

Panuku helps to rejuvenate parts of our city – from small projects that refresh a site or building, to major transformations of town centres or neighbourhoods.

Auckland is facing rapid growth, and as a result of this is experiencing significant housing and infrastructure pressures. Around 800 people move to Auckland each week, and current projections suggest the population could reach two million by 2033 - an increase of more than 500,000 people within the next two decades. Panuku's role is to support key Council strategies to encourage more of Auckland's growth in and around existing town centres on good transport routes.

We manage around $2 billion of land and buildings that Auckland Council and Panuku own, which we continuously review to find smart ways to generate income for the region, grow the portfolio or release land or properties that can be better used by others.

We identify development opportunities and plan and prepare the ground to attract private investment and make it easier for others to take on the development of houses and commercial buildings. Together with our partners we unlock the full potential of this land to create spaces for Aucklanders to love.

To cater for this growth there is a need for more urban redevelopment and intensification of town centres and brownfields.

Panuku is involved throughout the life cycle of property, from buying, managing and selling property on behalf of council and Council Controlled Organisations, through to identifying when property is no longer required or when it can be used to better meet community needs.

This involvement means we are in a good position to make smart decisions and add value to council property assets.

Our funding streams are a mix of council funding (through the Long-term Plan), revenue from commercial operations, and from the reinvestment of funds gained from property sales into new urban developments within Transform locations.

We operate in a commercial way, but with good public outcomes. We deliver financial returns to council, but at the same time ensure developments and community outcomes are positive and sustainable.

Reporting to the Board, Panuku is led by Chief Executive Roger MacDonald. Approximately 160 staff work for Panuku across six directorates.

Strategy and Operations

Our Strategy and Operations Directorate, led by David Rankin, articulates our vision through a strategic framework and a performance monitoring framework. This team identifies opportunities for Panuku to add value through the use of council's considerable property assets. These opportunities are summarised in High Level Project Plans, which provide Panuku with a mandate to act in specific locations with appropriate shareholder and community engagement to help bring everyone on the journey.

Design and Place

Our Design and Place Directorate, led by Rod Marler, expands on the High Level Project Plans, developing integrated and implementable Framework Plans. Framework Plans outline how we will ensure high quality regeneration and redevelopment design outcomes, optimise commercial opportunities, and balance economic, social, cultural and environmental considerations.

Development

Our Development Directorate, led by Allan Young, then takes these opportunities and directs the delivery of selected redevelopment projects. This team works with stakeholders over the life of projects to ensure that we achieve best value outcomes for Aucklanders.

Portfolio Management

Our Portfolio Management Directorate, led by Ian Wheeler, is responsible for the management and performance of Panuku's property portfolio, including commercial property, residential homes, quarries, landfills, marinas and holiday camp grounds.

Panuku ensures this portfolio is managed in line with its strategic objectives, it is well cared for and fit for purpose for people to work, live and play in; and that Panuku achieves optimal return from the portfolio.

The directorate also provides the council with a range of property services and advice on matters such as asset development and renewal, statutory processes, acquisitions and disposals.

Corporate Services

Our Corporate Services Directorate, led by Carl Gosbee, ensures Panuku has effective and efficient internal control systems to support the safe delivery of projects and business functions. It provides budgeting, financial reporting, procurement, administration and other services that support the organisation.

Corporate Affairs

Our new Corporate Affairs Directorate, led by Angelika Cutler, focuses on how the organisation can work with the communities in our priority locations, key partners from central Government, mana whenua, and the private sector, locally and internationally, to generate urban regeneration at speed and at scale.

The Panuku property cycle

Strategically creating value from assets

Acquisitions

We buy property on behalf of Auckland Council for development, roads, infrastructure projects and other service needs.

Property transferred back to service portfolio and used for the purpose it was acquired for.

Portfolio management

We manage non-service property on behalf of Auckland Council and Auckland Transport. This property (open space, commercial and residential) is either waiting to be used, or is no longer required for the purpose it was purchased.

Development

We utilise property owned by Auckland Council to catalyse urban development that will deliver significant community benefits. These developments may involve partnerships with central government, iwi and the private sector.

Place shaping

We work with the local community to ensure that developments reflect the character and needs of the area.

Disposals

We manage the sale of properties that are surplus to requirements. These properties may be sold with or without contractual requirements for development.

4. Priority development locations

Panuku Development Auckland is a Council Controlled Organisation (CCO). It was established in September 2015 as a result of the merger of two CCOs – Waterfront Auckland and Auckland Council Property Ltd. The broad approach to achieving development outcomes is captured by three categories; transform, unlock and support.

Transform

Transform locations where Panuku will lead the transformation of select parts of our region; working alongside others and using our custodianship of land and planning expertise. The catalytic work at Wynyard Quarter is a great example of the transformation of urban locations. Our transform projects are Manukau, Onehunga and Wynyard Quarter, and we also work with the Tāmaki Regeneration Company on the transformation of Tāmaki.

Unlock

Unlock locations where Panuku acts as a facilitator; using relationships to break down barriers and influence others, including our council family, to create development opportunities. Our current unlock projects are Northcote, Takapuna, Avondale, Hobsonville, City Centre, Old Papatoetoe, Ormiston Town Centre and Henderson.

Support

Support projects where our role is to ensure council is making the most of what it already has. Intensification is a key driver in the Auckland Plan. Panuku will support housing demands by enabling development of council-owned land. Our current support projects are located in Whangaparaoa, New Lynn, Mt Eden, Stonefields, Otahuhu, Howick and Pukekohe.

Over the year, Panuku focused on the identified areas where it will facilitate significant urban redevelopment.

Transform

Wynyard Quarter is undergoing rapid change where both commercial and residential buildings are coming out of the ground (see 'Transforming Auckland's waterfront' section), while things are just kicking off in Manukau and Onehunga.

The vision for Transform Manukau is to create a town centre that becomes a thriving heart and soul of the south through a strong new residential focus. It was the first location to have a Framework Plan completed, outlining the five key moves for the project and the vision for Manukau in 2040.

The plan to transform Onehunga, on a similar scale to Wynyard Quarter, was approved in late March. The Onehunga town centre has heritage features, vitality and opportunity to redevelop the surplus port land. Panuku is leading the redevelopment of strategic council-owned land, and works in partnership with the Government and others, to deliver positive outcomes for the local community.

Unlock

In Takapuna, Auckland Council owns nearly four hectares of land focused around the Anzac Street carpark and the Gasometer site which are the subject of further detailed planning. Regeneration of these sites will inject new residential and mixed-use developments into the town centre and improve connections to Takapuna Beach. Statutory consultation on the potential change of use for the Anzac Street car park site will be undertaken.

In Northcote, we completed a Framework Plan in November that outlines the initial proposals to regenerate the town centre alongside a significant programme by central Government to improve the Housing New Zealand homes in the surrounding area.

Plans to repurpose the iconic Civic Administration Building in Aotea Square into high quality apartments and develop the surrounding area were announced in September 2016, with apartment sales progressing well.

In Hobsonville, Panuku is facilitating the development of the 20ha Airfields site. Stage one of construction of 102 standalone and terrace homes is underway. Avanda Group has been announced as the developers that will deliver more than 500 homes in stage two, of which a minimum of 10 per cent will be affordable housing.

In Old Papatoetoe, Panuku is leading the redevelopment of the mall, a 2.5ha block of land, which will see the area opened up with a new plaza space, reconfigured shops, upgraded carpark and a revamped New World supermarket. In addition to the upgrade of the mall, which is expected to be completed early next year, approximately 110 new homes are planned to be developed in the surrounding area. The council's Planning Committee approved the over-arching plans to redevelop Old Papatoetoe in June.

With the overall plan for Henderson being approved in May 2017, the vision is to focus on Henderson's role as an urban eco-centre. This vision will guide planning and development with an outcome towards 'liveable growth' by creating a safe, attractive and vibrant mixed-use environment with a uniquely west Auckland identity.

The regeneration of Avondale has been upgraded from a Support location to an Unlock. A High Level Project Plan is underway, identifying opportunities within the development area.

Also in Avondale, Panuku sold a site to Housing New Zealand in December which allowed for the development of 103 social housing units. In March Panuku secured a strategic one hectare development site in Avondale.

Meanwhile in Flat Bush in December, a 30-lot subdivision has been enabled when Panuku sold a site at 187 Flat Bush School Road.

Support

Panuku is also working on a number of support locations, where it ensures that council is making the most of what land it already has. These smaller projects are adding to Auckland's much needed housing supply and improved communities.

The Mariner Rise subdivision at 20 Link Crescent, Whangaparaoa has been completed by our development partner McConnell Property along with the delivery of a 2700sqm park and playground. Sixty new homes will be built on this new subdivision.

While in Otahuhu, Panuku is working collaboratively with the Council's Otahuhu-Middlemore Spatial Priority Areas (SPA) team to get an overview of assets within the area so that opportunities can be identified to consolidate, enhance or redevelop service assets, to create commercial opportunities and improved social infrastructure for the Otahuhu community.

5.Projects we're working on

From Whangaparaoa in the north to Pukekohe in the south, Panuku is working to give Aucklanders better connected neighbourhoods, safer places, improved housing and more access to the coastline.

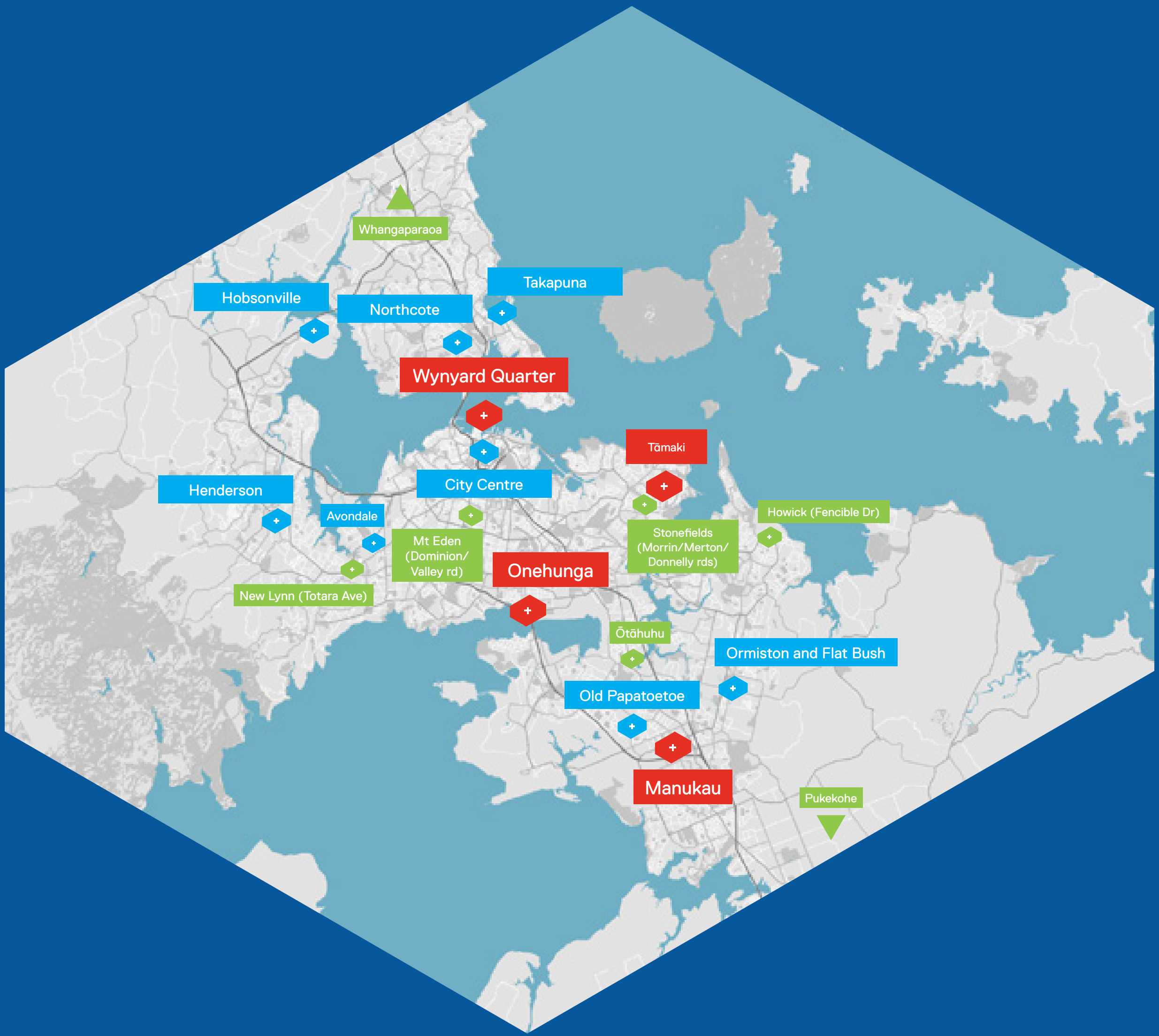
These locations have been selected based on:

- Where Auckland Council owns land
- Where there is an opportunity to work with other partners such as government and iwi
- And where there is the greatest community need.

Transform
Significant long-term regeneration

Unlock
Creating development opportunities with others

Support
Enabling housing development on council-owned land



Transforming Auckland's waterfront

The Wynyard Quarter provides 37ha of prime land for regeneration. Answering Aucklanders' call to open up the waterfront for public access, Panuku has delivered award-winning places alongside the water's edge including North Wharf, Silo Park, the Innovation Precinct and the Daldy Street Linear Park. Thousands of Aucklanders use and enjoy this space every week.

The ASB Waterfront Theatre officially opened on 22 September and warmly welcomed a well-attended public open day two days later. Developed by Hawkins Construction and home to the Auckland Theatre Company, the theatre seats 650 people and has a 5 Green Star rating.

Auckland's newest luxury five-star hotel is rising above the Viaduct Harbour with the foundations firmly in place and the structural steel framework taking shape. Façade works start in September 2017 and external civil works are set to begin in May 2018. All up, approximately 2000 tonnes of primary structural steel will be used to construct the hotel, which will span a total area of 37,000sqm.

In April 2017, Mayor Phil Goff officially opened the Mason Bros. building, a former industrial warehouse that has been sensitively redeveloped into a three-level office space, bringing together a community of entrepreneurs and businesses that range from start-ups to bigger, global companies. It is the centrepiece of Wynyard Quarter's innovation precinct.

Developer Willis Bond is constructing 500-600 apartments in a range of types and sizes that will house around 1100 people. There are two distinct developments currently under construction within Wynyard Quarter; Wynyard Central which overlooks Daldy Street Park, while 132 Halsey is a premium apartment building on the edge of the Viaduct Harbour. The first residents will move in from September 2017.

Cranes continue to tower over Wynyard Quarter, proving the substantial regeneration of the area is well underway.

Meanwhile, a new chapter opened for Queens Wharf in June with Regional Facilities Auckland (RFA) taking over the management of Queens Wharf facilities, including Shed 10 and The Cloud. Panuku continues to lead the delivery of place making and the future development of the wharf as part of an integrated plan for the waterfront and city centre.

Housing for Older People

Auckland Council currently owns 1412 units and is committed to building an additional 40 units to house older Aucklanders.

A joint venture between Council and The Selwyn Foundation has been established, creating a new Community Housing Provider Haumaru Housing. The aim of this venture is to grow and improve the quality and location of Council's portfolio to better address tenants' needs and create other housing opportunities through more intensive use of the sites.

From July 2017 Haumaru Housing took over management of the 63 villages. Panuku maintains responsibility for redevelopment of Council's portfolio, working collaboratively with Haumaru Housing. Resource consent has been gained for the first new village on Henderson Valley Road.

Property management

Panuku manages approximately $2 billion of the council and Panuku property. This includes managing a diverse range of rental properties, including residential, commercial and business interests (quarries, waste disposal and forestry). In 2016-17, Panuku's rental portfolio delivered an annual net surplus of $32.3 million, compared to a budgeted net surplus of $31.2 million.

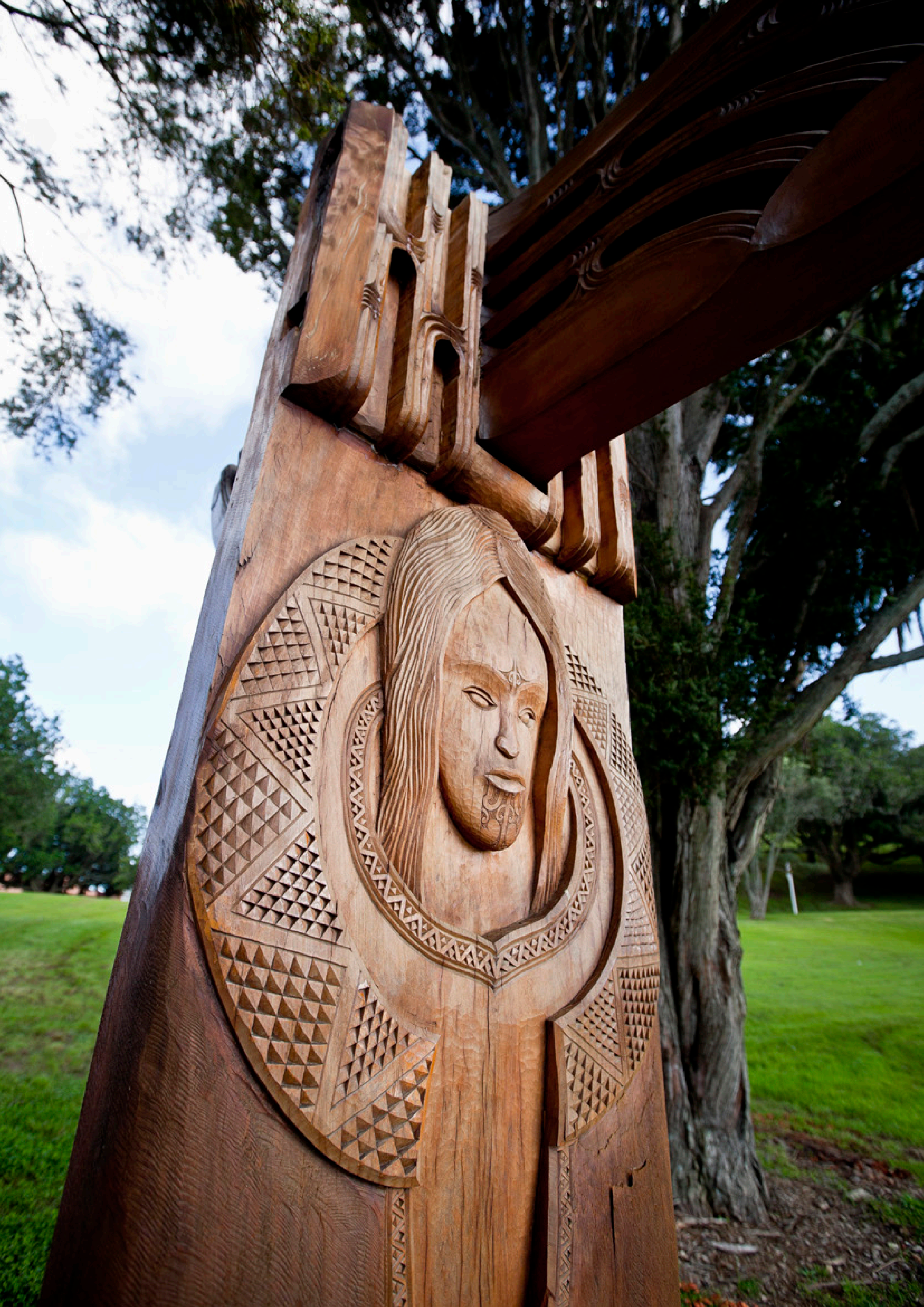
Marinas

Panuku's four marinas continue to go from strength to strength as the team progresses with improving infrastructure, building capacity, and opening up public spaces.

Westhaven Marina's most recent independent customer satisfaction survey resulted with 93 per cent of customers saying that they were satisfied with the marina's services.

The marina has held onto its international Blue Flag certification for the 11th consecutive year thanks to its efforts to maintain a clean and sustainable environment including instigating a major infrastructure project that will see water quality in St Marys Bay vastly improved. The marinas have welcomed new revenue streams, and successfully adapted to host around 3000 public visitors every weekend without compromising operations.

Silo Marina had its best year ever, while Downtown and Viaduct Marinas remain at full occupancy, despite significant maintenance works taking place nearby at Hobson Wharf and Te Wero Wharf.



Property acquisition and disposals

Panuku manages property acquisition and disposals on behalf of council with the exception of properties that need to be acquired for Auckland Transport projects.

In 2016-17, Panuku acquired 29 properties worth $68 million on behalf of council. These properties will help the council to deliver important projects including open space and storm water projects.

Disposing of council properties provides an important funding stream and also optimises the property portfolio that council has. Every year, the council sets Panuku two targets: one for the value of property that it should recommend to council for disposal; the second, the value of unconditional sales of property. In 2016-17, Panuku recommended $76.9 million of sales to council (above the Statement of Intent (SOI) target of $75 million). Panuku also completed unconditional sales worth $76.8 million (above the SOI target $50 million).

Panuku wins...

- Panuku scores a double win at the Royal Institute of Chartered Surveyors awards in May 2017, with the marinas team taking home the Facilities Manager of the Year Award and Waterfront Development Manager Anna Wallace winning Construction Professional of the Year.
- In June 2017, the newly opened Mason Bros building and ASB Waterfront Theatre in Wynyard Quarter took home four awards at the Property Council New Zealand Rider Levett Bucknall Property Industry Awards that celebrate excellence in property development. The refurbishment of heritage building Australis Nathan Buildings (Auckland) in Britomart was also recognised at these awards. This building falls under a development agreement with Panuku and Britomart Group that sets out the requirements for the upgrade of all older buildings Panuku sold to Britomart Group in 2004.
- The tramway in Wynyard Quarter received two awards at the annual rail safety conference in June 2017. The awards acknowledged the tramway team's safety and restoration efforts.

6. Financial summary

Financially, for the year ended 30 June 2017 Panuku achieved a net surplus of $39.2 million, $28.4 million more than the full year budget. The favourable surplus compared to budget was mainly due to a fair value increase in investment properties of $29.6 million, reflecting the impact of the Wynyard Central programme progression and general increase in property values.

The Panuku capital expenditure for the year was $16.4 million; $32.8 million lower than full year budget. The underspend was due to a number of deferrals, including the Westhaven Pile Mooring Redevelopment due to the delay in applying for resource consent, a result of longer than expected project consultation processes ($5.3 million) and the Westhaven Marine Village Stage 1 project ($5.1 million), delayed to ensure financial viability via market testing and project redesign. The remaining budgets of both projects have been deferred to the 2017-18 financial year.

The mandate of Panuku requires a balance between optimising value through long term leases and driving design-led outcomes, with energy efficient buildings and increased public open space and amenity. As such, some of the leases Panuku enters into may not meet values which would be achieved under a highest and best use valuation.

7. Governance

Panuku is governed by a Board of eight directors with a range of experiences and knowledge. There were nine Panuku Board members until 30 November 2016, when Sir John Wells' term expired and he was not replaced.

Panuku Development Auckland Limited is a limited liability company under the Companies Act 1993. Consequently the Board's first duty is to the future well-being of the company. Directors ensure that all legal requirements under the relevant statutes and regulations are met and that the company is protected from harmful situations and circumstances in the interests of current and future stakeholders.

The Board plays a number of important roles. First, it sets the strategic direction for Panuku. To do this it identifies corporate priorities, monitors progress against strategic outcomes, and approves annual business plans and budgets. Secondly, it ensures the financial integrity and viability of Panuku. It oversees financial processes and systems of control, reviews financial results, and approves Panuku's financial plan and financial announcements. Thirdly, it identifies and evaluates the principal risks faced by Panuku and ensures that appropriate risk management systems are in place.

Supporting the Board were the following committees:

- *Audit and Risk Committee* – to provide assurance and assistance to the Board on Panuku's risk, control and compliance framework and its external accountability responsibilities.
- *Remuneration Committee* – to monitor the Chief Executive's performance and approving remuneration for the Chief Executive and the Senior Leadership Team.
- *Conflicts Committee* – to report to and advise the Board, in conjunction with the Senior Leadership Team, by providing governance overviews where land transactions may occur which create actual or perceived conflicts of interest with members of the Panuku Board.
- *Business Interests Advisory Committee* – to report to, and support the Board, in conjunction with the Senior Leadership Team, by providing governance overviews for subsidiary and joint venture businesses.
- *Wynyard Central Advisory Committee* – to report to, and support the Board, in conjunction with the Senior Leadership Team, on governance with respect to Wynyard Central implementation.
- *Britomart Advisory Committee* – to report to, and support the Board, in conjunction with the Senior Leadership Team, to provide governance direction in respect of negotiations related to the Development Agreement between Britomart Group and Auckland City Council.

In addition to these committees the company had two subsidiaries:

- *Downtown Marinas Limited,* which owns and operates 23 berths at Hobson Wharf. Terry Kayes and Richard Leggat are Directors of Downtown Marinas Limited.
- *Westhaven Marina Limited* acts as a Corporate Trustee for the Westhaven (Existing Marina) Trust, and the Westhaven (Marina Extension) Trust, which control and licence 1162 and 345 marina berths respectively to third parties and to Panuku for rental purposes. Stephen Mills QC chairs Westhaven Marina Limited, and Terry Kayes and Richard Leggat are Directors.

Profiles of current Directors

Richard Aitken
Chair

Richard Aiken stepped down as Executive Chairman of Beca Group Limited on 31 March 2017. Beca is New Zealand's largest employee-owned professional services consultancy, with around 1000 employee shareholders throughout New Zealand, Australia and Asia. His career at Beca has spanned more than 40 years, covering various senior executive positions and directorships within the company.

Richard is a Director of TrustPower and he is a member of the Construction Strategy Group - a high-level strategy group addressing industry-wide issues. He is currently Chair of the Centre of Research Excellence, Te Punaha Matatini, the Centre for Complex Systems and Networks, established by the University of Auckland.

Richard was recognised as an officer of New Zealand Order of Merit in the 2017 New Year Honours.

Dr Susan Macken
Deputy Chair

Dr Macken has BSc and BCom degrees from Auckland University, and a PhD in Economics from Cambridge University. Dr Macken held various high level roles at Fletcher Challenge before becoming CEO of the Problem Gambling Foundation, then CEO of the Auckland Regional Economic Development Strategy. Since then she has been a Company Director and Business Consultant.

Dr Macken is currently Chair of Kiwibank and Deputy Chair of the Tāmaki Redevelopment Company. She is also a member of the New Zealand Treasury's Advisory Board.

Anne Blackburn
Director

Anne Blackburn has a background in banking, governance and strategic advice. In the mid 1990s she returned to New Zealand after 15 years working in international investment banks in New York and London.

Concurrently with senior positions in Corporate and Institutional Banking in BNZ, including Head of Capital Markets and Business Risk Management, she took up a number of commercial board appointments. Anne currently holds directorships at TSB Bank, TSB Group Capital, TSB Group Investments, Fisher Funds Management, Fidelity Life, New Zealand Venture Investment Fund, Wairaka Land Company Limited, Warren and Mahoney and is a member of the Treasury Commercial Operations Advisory Board.

Evan Davies
Director

Evan Davies is Managing Director of Todd Property Group Limited a subsidiary of Todd Corporation Limited. From 1996 until 2007 Evan was the founding Managing Director of gaming and entertainment company SKYCITY Entertainment Group Limited. While at SKYCITY Evan oversaw the purchase, design and development of several casinos in New Zealand and Australia including Auckland's Sky Tower and associated SKYCITY Casino complex.

A qualified planner, Evan has widespread interests in property development, city planning and urban issues as well as other business interests in farming and viticulture. Evan sits on the board of two charitable trusts and is Chair of the Capital Investment Committee, National Health Board and of the Christchurch Hospital Redevelopment Partnership Group.

Richard Leggat
Director

Richard Leggat brings to the board 30 years of experience across manufacturing, sales and marketing, and financial management in a range of industries.

For the past five years Richard has been a full time director with positions on a number of government and sporting organisations. Amongst his positions Richard is a Director of Tourism NZ, Education NZ, NZ Post, Chair of the NZ Cycle Trail, Director of Cycling NZ and Director of SnowSports NZ.

Paul Majurey
Director

Paul has extensive governance experience. He chairs several statutory entities and companies, and is a director on many company boards. He also has extensive experience chairing three separate iwi/hapū collectives comprising 30 iwi/hapū.

Paul is a senior partner at Atkins Holm Majurey, and has been a lawyer for 32 years.

Mike Pohio
Director

Mike Pohio is an independent director, serving on a number of boards including, Kiwirail, NIWA, OSPRI and Te Atiawa Iwi Holdings. Mike is also Chairman of BNZ Partners, Waikato Region. His executive career has spanned a wide range of industries and roles, most recently as CEO of Tainui Group Holdings.

In 2013 he was awarded a Fellowship by Chartered Accountants Australia + New Zealand, gained an MBA from IMD in 1999 and is a Chartered member of the New Zealand Institute of Directors.

Martin Udale
Director

Martin has more than 30 years experience in commercial and residential property development and investment in Australia and New Zealand. Before moving to New Zealand in 2003, Martin spent more than 20 years working in the Australian property markets holding senior roles in a number of organisations.

Since stepping back from corporate life he has pursued his interests in the wider areas of urban strategy and city development; urban regeneration; partnership models for public and private sector participation; and, institutional transformation.

Martin has been an active participant in and contributor to the urban development and housing debates in New Zealand, in particular in Auckland, and an advisor to both central and local government around these issues.

Martin now holds a number of Board and governance roles including inaugural Chair and now Director of the Tāmaki Regeneration Company, Director of Panuku Development Auckland, Chair of the Wairaka Land Company, and a Director of Waikato Innovation Park. He is a member of the Property Council of New Zealand and Chair of its Residential Development Council.

7. Governance (cont.)

Directors' attendance at Panuku Board meetings

The following table summarises Directors' attendance at Panuku Development Auckland Board meetings during the 2016-17 year.

	No. of meetings	
Director	Attended	Total
Sir John Wells	4	5
R.H. Aitken	11	11
Dr S.C. Macken	10	11
M.A. Blackburn	11	11
E.W. Davies	9	11
R.I. Leggat	11	11
P.F. Majurey	10	11
M.E. Pohio	11	11
C.M. Udale	10	11

Directors' interests at 28 June 2017

Member	Interest	Company / Entity	Conflicts pre-identified?
Richard H. Aitken	Chairman	Panuku Development Auckland Limited	
	Director	BGCF Trustee Ltd	
	Shareholder	Beca Group Ltd	
	Director	BGL Custodian Ltd	
	Director	BGLIR Trustee Ltd	
	Director	BGL Management Share Trustee Ltd	
	Director	BGL Nominees Ltd	
	Director	BGS Trustee Ltd	
	Director	Derceto Trustee Ltd	
	Director	Hopetoun Pitt Ltd	
	Director	Gands Plan Pty Ltd (Australia)	
	Director	John Scotts Investments Ltd	
	Director	TrustPower Ltd	
	Chair	Te Punaha Matatini Advisory Board	
	Trustee	BAS Custodian Trust	
	Trustee	Beca Indeminity Fund Custodian Trust	
	Trustee	BGLIR Custodian Trust	
	Trustee	BGL Custodian Trust	
	Trustee	BGS Custodian Trust	
	Trustee & discretionary beneficiary	The Glade Trust	
	Trustee	The Sunnybrae Trust	
	Trustee	The Waimarama Trust	

7. Governance (cont.)

Directors' interests at 28 June 2017

Member	Interest	Company / Entity	Conflicts pre-identified?
Dr Susan C. Macken	Director	Panuku Development Auckland Limited	
	Director	Treasury Advisory Board	
	Director	Blossom Bear Limited	
	Director	STG Ltd	
	Deputy Chair	Tāmaki Redevelopment Company Limited	Possible
	Director	Spa Electrics Ltd (Aust)	
	Chair	Kiwibank	
M. Anne Blackburn	Director	Panuku Development Auckland Limited	
	Member	Commercial Operation Advisory Board to the Treasury	
	Director	New Zealand Venture Investment Fund Limited	
	Director	NZVIF Investments Limited	
	Director	Warren & Mahoney Limited	Supplier
	Director	Warren & Mahoney Architects Limited	Supplier
	Director	Committee for Auckland Limited	
	Director	Fidelity Life Assurance Company Limited	
	Director	Fisher Funds Management Limited	
	Director	TSB Bank Limited	
	Director	TSB Group Capital Limited	
	Director	TSB Group Investments Limited	
	Director	Ten Gracie Square Limited	
	Director	Wairaka Land Company Limited (Unitec land development subsidiary)	Possible

Directors' interests at 28 June 2017

Member	Interest	Company / Entity	Conflicts pre-identified?
Evan W. Davies	Director	Panuku Development Auckland Limited	
	Director	Welch Securities Ltd	
	Director	Paris Magdalinos Architects Ltd	
	Director	Kokako Fames Ltd	
	Director	Todd Property Group Limited and Subsidiaries	
	Director	Todd Property Ormiston Town Centre Ltd	J/V with Panuku
	Trustee	Melanesian Mission Trust	
	Trustee	Anglican Trust for Women and Children	
	Chair	Capital Investment Committee, Nation Health Board	
	Chair	Christchurch Hospital Redevelopment Partnership Board	
	Director	FMS Ltd (Aust)	

Member	Interest	Company / Entity	Conflicts pre-identified?
Richard I. Leggat	Director	Panuku Development Auckland Limited	
	Director	New Zealand Post Ltd	
	Deputy Chair	Tourism NZ	
	Director	Education NZ	
	Director	Cycling NZ	
	Member	Union Cycliste Internationale Ethics Commission	
	Chairman	NZ Cycle Trail Incorporated	
	Director	Snowsports NZ	
	Panel Member	NZ Markets Disciplinary Tribunal	
	Director	Trophy Metropolitan Limited	
	Director	Mortleg Ltd	
	Director	Winter Games New Zealand	
	Advisor	MyMoneyFit Ltd	

7. Governance (cont.)

Directors' interests at 28 June 2017

Member	Interest	Company / Entity	Conflicts pre-identified?
Paul F. Majurey	Director	Panuku Development Auckland Limited	
	Chair	Tāmaki Makaurau Community Housing Limited	
	Chair	Mana Whenua & Crown Working Group (Proposed Hauraki Gulf / Tikapa Moana Recreational Fishing Park)	
	Chair	Marutūāhu Rōpū General Partner Limited	
	Chair	Marutūāhu Collective (5 iwi collective)	
	Chair	Hauraki Collective (12 iwi collective)	
	Co-Chair	Sea Change Marine Spatial Plan Project	
	Co-Chair	Tāmaki Healthy Families Alliance	
	Director	Museum of New Zealand Te Papa Tongarewa	
	Director	Pare Hauraki Asset Holdings Limited	
	Director	Taimoana Marine Farms Limited	
	Director	Tikapa Moana Enterprises Limited	
	Director	Pouarua Farm General Partner Limited	
	Director	Ngāti Maru Pouarua Farm Limited	
	Director	Half Moon Bay Venture Limited	
	Director	Atkins Holm Majurey Limited	
	Trustee	Crown Forestry Rental Trust	
	Trustee	Ngāti Maru Rūnanga Trust	
	Trustee	Hauraki Fishing Group	
	Mana Whenua Representative	Hauraki Gulf Forum	
	Tainui Waka Representative	Iwi Working Group (Review of Te Ohu Kaimoana)	
	Chair	Whenuapai Housing General Partner Limited	

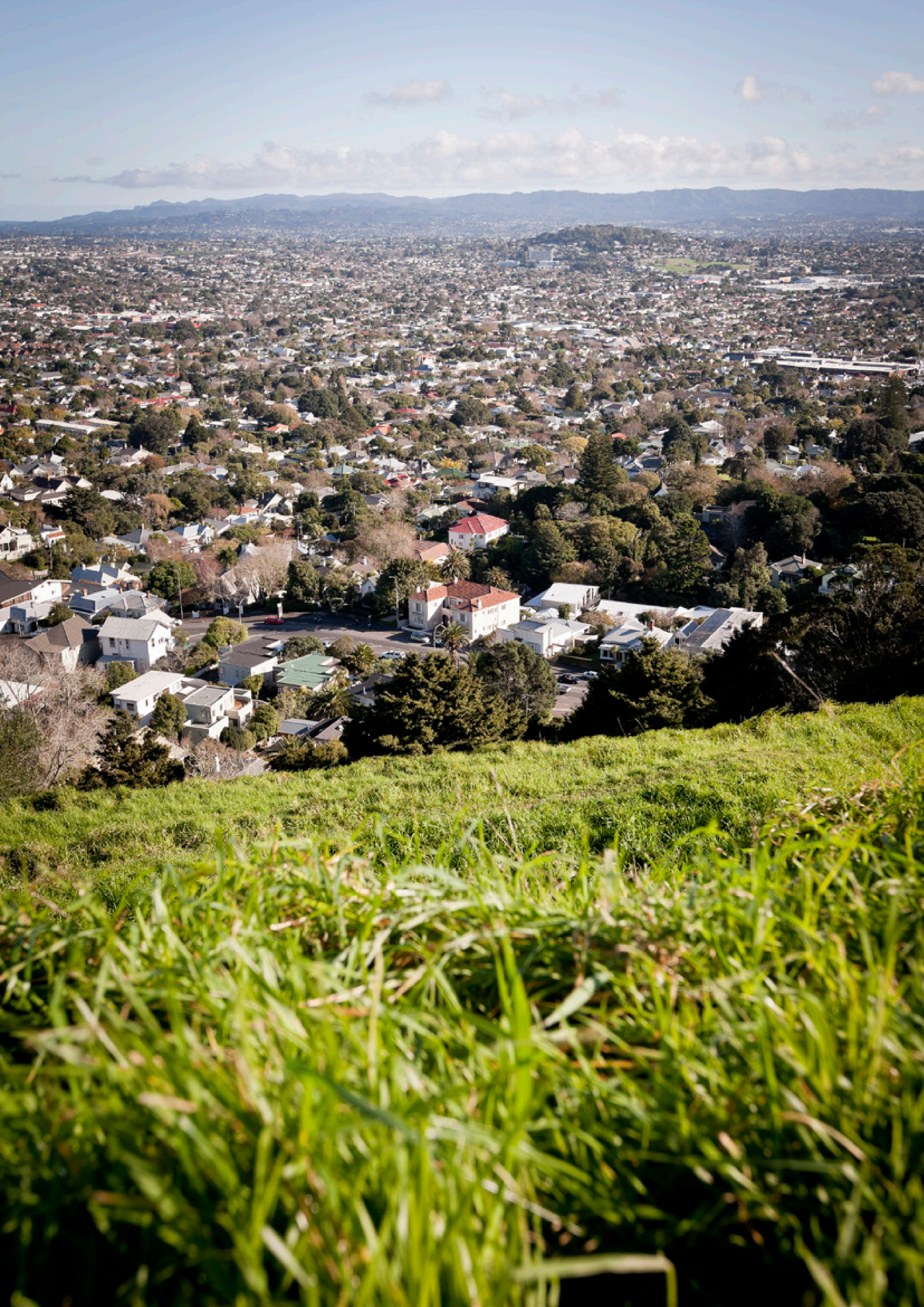
Directors' interests at 28 June 2017

Member	Interest	Company / Entity	Conflicts pre-identified?
Michael E. Pohio	Director	Panuku Development Auckland Limited	
	Director	National Institute of Water & Atmospheric Research Limited	
	Director	NIWA Vessel Management Limited	
	Director	KiwiRail Limited	
	Chairman	BNZ Partners Waikato	
	Director	Te Atiawa Iwi Holdings	
	Director	Te Atiawa (Taranaki) Holdings Limited	
	Director	TBFree	
	Director	Ospri New Zealand Ltd National Animal Identification and Tracing Ltd	

7. Governance (cont.)

Directors' interests at 28 June 2017

Member	Interest	Company / Entity	Conflicts pre-identified?
C. Martin Udale	Director	Panuku Development Auckland Limited	
	Director	Essentia Consulting Group Limited	
	Director	Fleming Urban Limited	Possible Onehunga development
	Director	Innovation Waikato Limited	
	Director	Paparata Limited	
	Director	Tall Wood Limited	
	Director	Tall Wood Distribution Limited	
	Director	Forest Group Limited	
	Director	Tāmaki Redevelopment Company Limited	Possible
	Director	Tāmaki Regeneration Limited	
	Director	Waikato Innovation Park Limited	
	Chair	Wairaka Land Company Limited (Unitec land development subsidiary)	Possible
	Trustee	Cardinal Trustees Limited	
	Director	TW Twenty Twenty Limited	
	Director	Hobsonville GP Limited	
	Director	New Ground Living (Hobsonville Point) Limited	
	Director	Tall Wood Assembly Limited	

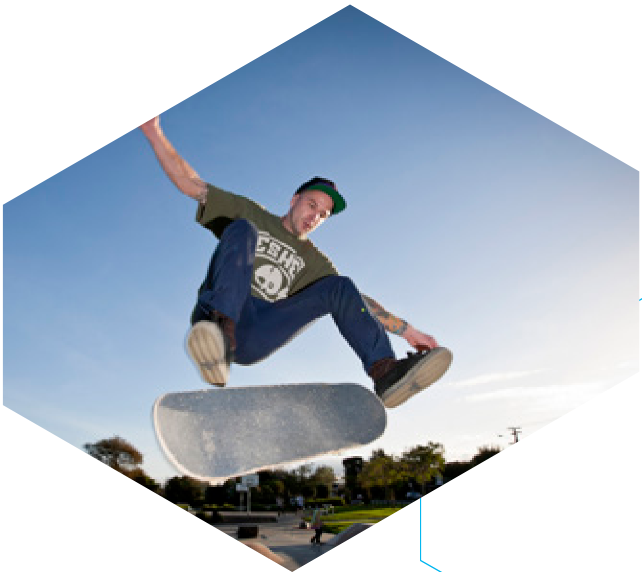


8. Risks and opportunities

Panuku has a comprehensive risk management framework based on AS/NZS ISO 31000: 2009 Risk Management Standard. This provides a structured approach to identifying and managing uncertainties relating to achievement of its objectives.

The significant risks to the company are project funding, property market changes, tighter lending requirements, effect of general election and employment market.

To achieve shareholder outcomes, Panuku will continue to take and manage risks in a calculated and responsible way.



9. Independent Auditor's report

To the readers of Panuku Development Auckland Limited's Group financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of Panuku Development Auckland Limited (the Company) and Group. 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 the performance information of the Company and Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Company and Group on pages 44 to 82, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expense, 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 Company and Group on pages 32 to 41.

In our opinion:

- the financial statements of the Company and Group on pages 44 to 82:
    - 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 PBE International Public Sector Accounting Standards; and
- the performance information of the Company and Group on pages 32 to 41 presents fairly, in all material respects, the Company and Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company and Group's objectives for the year ended 30 June 2017.

Our audit was completed on 27 September 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 Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other 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 Board of Directors for the financial statements and the performance information

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable it 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 Board of Directors is responsible on behalf of the Company and Group for assessing the Company and Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company and Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

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 Company and Group'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 Company and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Company and Group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and Group'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 Company and Group 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 obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Company and Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the Company and Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 28 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 the fact. We have nothing to report in this regard.

Independence

We are independent of the Company and Group 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 New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out a review engagement in respect of the Company and Group's six monthly reporting as at 31 December 2017 to Auckland Council, which is compatible with those independence requirements.

Other than the audit of the review engagement, we have no relationship with, or interests in, the Company and Group.

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

10. Statement of service performance

Activities and key performance achievements

Over the last year, Panuku has built a platform for forward regeneration and redevelopment of Transform and Unlock locations. While not tangible and visible, this 'platform building' is an essential pre-requisite to progressing significant redevelopment. Panuku achieved the mandate for regeneration of locations through Council approval of High Level Project Plans. Panuku also worked closely with the communities to develop the vision of their locations and identify key moves in the achievement of regeneration outcomes. With the platform being laid, Panuku's activities are focused in delivering on plans.

Panuku carries out projects and activities using its own funds and assets or projects and activities on behalf of Auckland Council using Council funds and assets.

Key performance achievements relating to Panuku activities include a return on equity on commercial assets and services of 12.7% (4.3% above target) and a 93% visitor's satisfaction with their experience of the public spaces on the city centre waterfront (18% above target).

Key performance achievements relating to activities carried out on behalf of Council include achieving $76.8 million of net property sales for the year ($26.8 million above target), $76.9 million worth of properties recommended to council for approval to sell ($1.9 million above target) and returning a net surplus on the property portfolio of $32.3 million to council ($1.1 million above target).

Criteria for performance measures

We have used the following grading system to rate performance for each performance measure:

Performance Assessment Criteria

Achieved	Where the performance result for the year is either equal to or above the target, then the performance measure target was met (or achieved).	**Not achieved but progress made**	Where the performance result for the year is below the target (with a margin of more than 2%) but the result is better than the previous year.
Substantially achieved	Where the performance result for the year is below the target, but has not been achieved by a slim margin (of around 2%).	**Not achieved**	Where the performance result for the year is below the target (with a margin higher than 2%) and the result is lower than the result achieved in the previous year.

Results for SOI 2016-2019: Non-financial performance measures

Service Level Statement		Measure	Actual 2015-16	Target 2016-17	Actual 2016-17		Commentary	Notes
					Status	Result		
Catalyse urban development								
Develop and activate town centre and waterfront development areas	1	The Board approves the rolling High Level Project Plan (HLPP) programme. (The quarterly rolling HLPP programme will contain individual HLPPs that will be approved by the Panuku Board and Council, where appropriate). The programme will be communicated to Council.	New performance measure	The quarterly rolling HLPP programme is approved by the Board.	✓	**Achieved**	The Board approved the rolling HLPP programme shared with council.	1
	2	Significant Master programme deliverables are completed as planned. (The main Master programme deliverables for Transform and Unlock Locations include the Engagement, Framework and Implementation Plans approved by the Panuku Board and by Council, where appropriate).	New performance measure	Number of Significant Master programme deliverables completed within the Board approved timeline.	✓	**Achieved**	The master programme was approved by the Board and the deliverables in the master programme were achieved. There were 4 deliverables completed in accordance with the original programme and 14 completed within the approved amended programme.	2

Results for SOI 2016-2019: Non-financial performance measures

Service Level Statement	Measure	Actual 2015-16	Target 2016-17	Actual 2016-17		Commentary	Notes
				Status	Result		
Catalyse urban development							
3	Development agreements are submitted to the Panuku Board and/or council for approval. (Housing and urban regeneration)	Six development agreements have been entered into with third parties against a three year target of 26 development agreements.	Three year target 26 development agreements with third parties including community housing organisations to be entered into. (Period 2016 to 2018)	Three year target progressing	**Target is on track**	The three year target is progressing (2016 to 2018). To date, 15 agreements have been completed and 11 agreements remain to be achieved.	3
		New Target	Three year target 15 development agreements with third parties including community housing organisations to be entered into. (Period 2017 to 2019)	Three year target progressing	**Target is on track**	The three year target is progressing (2017 to 2019). To date, 9 agreements have been completed and 6 agreements remain to be achieved.	
4	On completion, the project achieves the financial and non-financial outturn in the business cases. (Housing and urban regeneration combined)	There were no housing development projects or place shaping projects completed during this financial period.	All projects completed this year achieve business case financial and non-financial outturn	Target progressing	**Progressing**	There were no projects fully completed during this financial period.	4

Results for SOI 2016-2019: Non-financial performance measures

Service Level Statement		Measure	Actual 2015-16	Target 2016-17	Actual 2016-17		Commentary	Notes
					Status	Result		
Strategically create value from assets								
Identify and propose opportunities across Auckland Council Group portfolios	5	Written evidence that opportunities have been identified and assessed, to be progressed or not. (housing and urban regeneration combined)	50 opportunities have been identified and assessed during the year.	At least 50 opportunities identified and assessed		**Achieved**	To date, 341 opportunities have been identified and assessed.	5
Facilitate private development of waterfront, metro and town centre selected sites	6	The net surplus on the property portfolio achieves the annual budget agreed with Council.	Actual net surplus on the property portfolio for the 12 months ended 30 June 2016 is $4.5 million ahead of budget (actual surplus of $32 million against budget of $27.5 million). Actual net surplus on the property portfolio for the 10 months since the formation of Panuku, 1 September 2015 is $3.7 million ahead of budget (actual surplus of $29.6 million against budget of $25.9 million).	Net Surplus achieves budget for 2016-17		**Achieved**	Actual net surplus on the property portfolio for the 12 months ended 30 June 2017 is $1.1 million ahead of budget (actual surplus of $32.3 million against budget of $31.2 million).	
Optimise returns from the managed property portfolio	7	Improvement in gross rental income on those properties that are available for rent and have been held in the portfolio for at least two years prior to the end of the reporting period	Achieved 7.04% improvement in gross rental income on properties that are available for rent and on a like for like basis against two year CPI movement 0.9%.	The annualised % movement in gross rental income of properties with rent reviews during the financial period is equal to or greater than the Consumer Price Index (CPI) movement.		**Achieved**	Achieved 5.6% improvement in gross rental income on properties that are available for rent and on a like for like basis against two year CPI movement 0.8%.	6

Results for SOI 2016-2019: Non-financial performance measures

Service Level Statement		Measure	Actual 2015-16	Target 2016-17	Actual 2016-17		Commentary	Notes
					Status	Result		
Strategically create value from assets								
	8	For those properties available for rent: The rolling average over a 12 month period, of % occupancy at each month end (LTP).	The average of monthly % occupancy for the year is 98.25% against the target of 95%.	The average of monthly % occupancy for the year is 95% or more.		**Achieved**	The average of monthly % occupancy for the year is 97.8% against the target of 95%.	
	9	Maintain or improve the baseline established at the end of the 2012/13 financial year. Return on Investment (ROI) on properties on a like for like basis (LTP). Panuku is committed to continuously review and improve the ROI target over the term of the SOI.	The ROI calculated on this year's property valuation on a like for like basis is 2.83% against the 2.1% target.	Greater than or equal to 2.2%		**Achieved**	The ROI calculated on this year's property valuation on a like for like basis is 3.1% against the 2.2% target.	7
Optimise return from assets	10	Return on Equity on commercial assets and services (LTP) at waterfront.	13.5%	8.4%		**Achieved**	Actual ROE of 12.7%	8

Results for SOI 2016-2019: Non-financial performance measures

Service Level Statement		Measure	Actual 2015-16	Target 2016-17	Actual 2016-17 Status	Actual 2016-17 Result	Commentary	Notes
Strategically create value from assets								
Dispose agreed surplus properties	11	List of properties recommended for disposal submitted to council. The disposal target for the next financial period will be agreed with council in the current financial period.	A total of $53.8 million worth of properties was recommended to council seeking approval to dispose for the 2015-16 financial period. A total of $44.8 million worth of properties was recommended to Council seeking approval to dispose for the 10 months since the formation of Panuku, 1 September 2015 (the target for 10 months is $33.3 million).	A list of recommended properties with a total value agreed by the Board the prior year totalling $75 million gross value will be submitted to council seeking approval to dispose for 2016-17 financial period. A recommended for disposal target for 2017-18 will be agreed with council in the 2016-17 financial period.	✓	**Achieved**	A total of $76.9 million worth of properties was recommended to council seeking approval to dispose for the 2016-17 financial period. The target of $75 million has been exceeded.	
Dispose agreed surplus properties	12	Achieve total forecast net sales for the financial year.	Achieved actual net sales of $55.5 million for the financial year. The target of $50 million has been exceeded. Achieved actual net sales of $46.2 million for the 10 months since the formation of Panuku, 1 September 2015 (the target for 10 months is $41.6 million).	Meet or exceed financial forecasts. Property disposal target of $50 million (net value of unconditional sales). Property disposal target (net value of unconditional sales) for 2017-18 financial period will be agreed with Council in 2016-17.	✓	**Achieved**	Achieved actual net sales of $76.8 million for the financial year. The target of $50 million has been exceeded.	
Acquire properties	13	Acquisitions are delivered within the timeline agreed with Auckland Council.	87.5% of acquisitions are delivered within agreed timeline	75% satisfaction against agreed service performance measure	✓	**Achieved**	96.5% of acquisitions are delivered within agreed timeline	

Results for SOI 2016-2019: Non-financial performance measures

Service Level Statement		Measure	Actual 2015-16	Target 2016-17	Actual 2016-17		Commentary	Notes
					Status	Result		
Demonstrate business leadership								
Develop and activate public spaces on waterfront, metro and town centre development areas	14	Percentage of visitors surveyed satisfied with their experience of the public spaces on the city centre waterfront (LTP)	93%	75%		**Achieved**	93% satisfied	9
	15	Percentage of Aucklanders surveyed who have visited the city centre waterfront in the past year (LTP)	74%	73%		**Achieved**	73% visited the Waterfront	10
	16	Percentage of attendees surveyed satisfied with key waterfront place programmes and activities	80%	84%		**Not achieved but progress made**	80% satisfied. The satisfaction rate was maintained despite a higher target set compared to the previous year and the effect of disruptions during the year caused by physical works projects in the area.	11
	17	Percentage of customers surveyed satisfied overall with marina facilities and services (LTP)	89%	74%		**Achieved**	93% Satisfied	12
Facilitate effective engagement with Māori	18	Number of significant Māori initiatives implemented per annum (LTP)	50	47		**Achieved**	48 Māori initiatives have been implemented this year.	

Results for SOI 2016-2019: Non-financial performance measures

Service Level Statement	Measure	Actual 2015-16	Target 2016-17	Actual 2016-17		Commentary	Notes
				Status	Result		
19	% Māori groups satisfied with quality of engagement	The baseline has been established. 40% of mana whenua survey respondents were satisfied with the quality of engagement, 40% of respondents were neither satisfied nor dissatisfied and 20% were dissatisfied.	Maintain or Improve	✕	**Not achieved**	25% of mana whenua survey respondents were satisfied with the quality of engagement, 42% of respondents were neither satisfied nor dissatisfied and 33% were dissatisfied. The small sample size makes it difficult to make a statistical finding. Satisfied respondents represents only 15% of the total survey sample (3 out of 19).	13

Notes:

1. High level project plans (HLPP) outline the vision and outcomes for locations which is used to obtain approval from the shareholder for the project to proceed. This includes approval to utilise development sites, gain initial funding and proceed with master planning.
2. Significant master programme deliverables for transform and unlock locations includes high level project plans, engagement plans, framework plans and implementation plans.

   These planning deliverables set the platform for delivering regeneration and redevelopment projects.
3. These are agreements that contribute to development outcomes for locations. These include sale of sites with development conditions, acquisition of sites to consolidate for future development and partnering with third parties on developments.
4. Development projects take more than one year to complete. Outturn is assessed by comparing actual project outcomes to those in the original project business cases.
5. Panuku carries out reviews of Council's property assets to identify opportunities for redevelopment or asset sales. This includes reviewing of planning constraints, legal, geotechnical and other issues. After the review, viable opportunities are approved by Council to be transferred to the Panuku sales/ development pipeline.
6. The CPI movement is sourced from Statistics NZ.
7. (Like for Like) Return on Investment (ROI) is calculated as 'EBITDA divided by valuation'. Like for like basis relates to the comparison of tenanted properties held in the portfolio as at 30 June of the reporting period, compared to the same properties tenanted at 30 June two years prior.

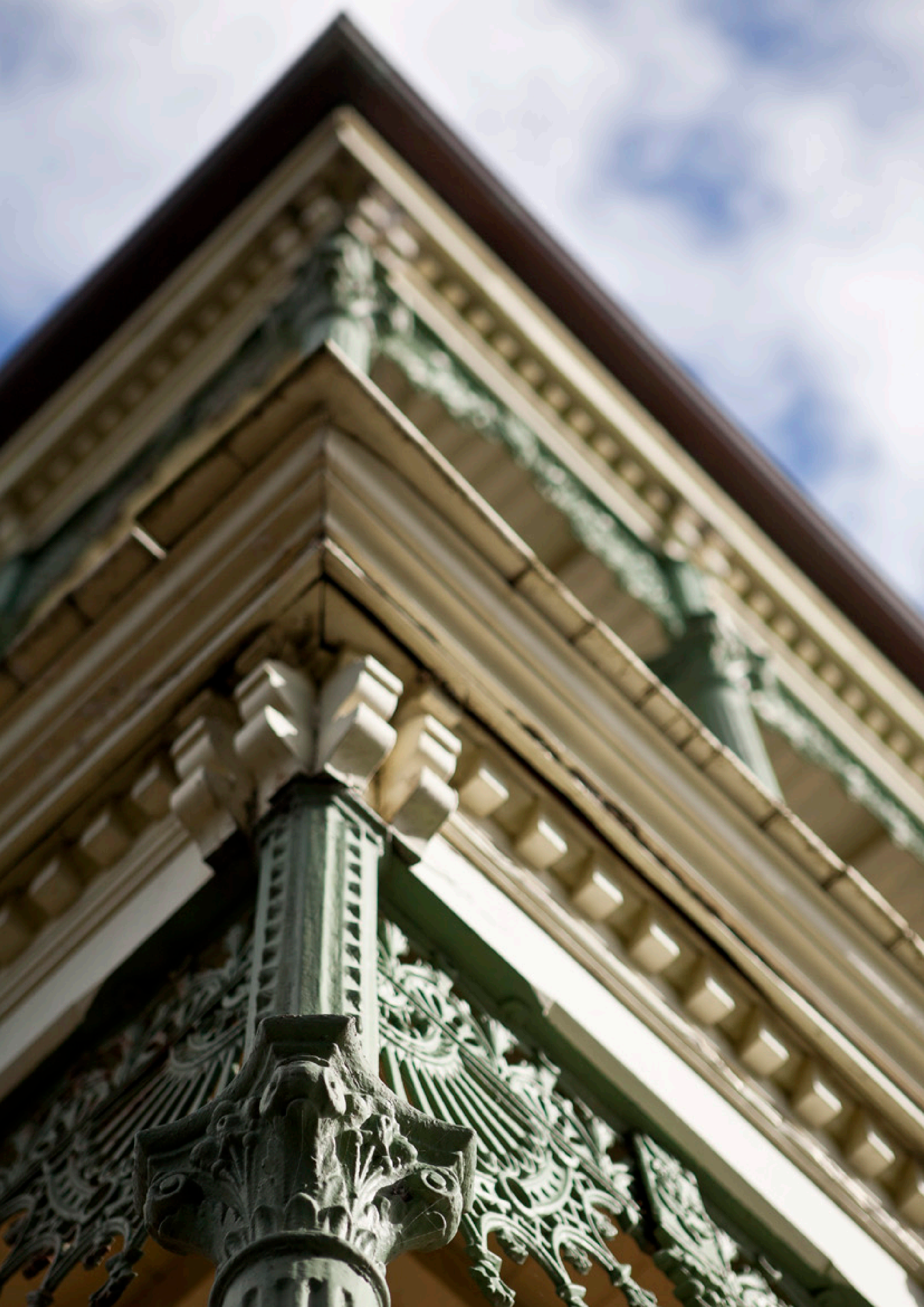
   Valuation data is sourced from Council valuation for each property. The Council re-values properties every three years for rating purposes. Properties excluded from the measure calculation include those that are no longer in the portfolio, are vacant at one or both points in time, or un-tenantable properties or properties undergoing maintenance or capital works, properties comprising bare land, or properties where there is no separate valuation attributable to them or with a disproportional valuation compared to return, such as a house on a large reserve where value is disproportionate to the rent received.
8. Return on Equity (ROE) is calculated as '(Ending valuation less beginning valuation less capital expenditure plus EBITDA) divided by (beginning valuation plus 0.5(capital expenditure less EBITDA))'. This is the Property Council of NZ ROE formula. Shareholder equity includes all Panuku owned Investment Property and any Public Realm property generating a commercial income.

   EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation. Data is collected from internal sources using information from SAP and valuation reports. The purpose is to achieve an optimal return on shareholder equity on commercial assets, ensuring assets are managed efficiently, return a long-term value to Auckland and increase non-rates revenue for Auckland Council.
9. This survey was conducted on visitors to the waterfront over six major events during the year by TouchPoll NZ. Survey methodology is via email invitation from intercepted visitors at the events. The number of people surveyed was 1108 with 586 responses. The average margin of error for the six surveyed events is ±8%.
10. This survey was facilitated by Auckland Council as part of the annual Auckland Residents Survey 2017. The survey was conducted by Colmar Brunton NZ using a mix of online, phone and face-to-face interviews. The population used to select respondents was Auckland residents aged 15 and over. Demographic quotas were set by age, gender, ethnicity and local board area. The sample size was 4242 with a margin of error of ±1.15%.
11. Survey on visitors satisfied with key Waterfront place based programmes - while the target was not achieved by a small 4% margin, the 80% result was consistent with last year and it still sets a high benchmark. As a result of the surveys and our impression of how the place making programme is tracking, we

are taking this time to reassess our offer for the Waterfront and to identify new ideas and opportunities for refreshing the offer. This survey was conducted on visitors to the waterfront over six major events during the year by TouchPoll NZ. Survey methodology is via email invitation from intercepted visitors at the events. The number of people surveyed was 1108 with 586 responses. The average margin of error for the six surveyed events is ±8%.

12. This survey was conducted by Kantar TNS on Westhaven marina customers via online and telephone interviews. The number of people surveyed was 1463 leaseholders and renters with 561 responses (544 online, 17 telephone). The margin of error at 95% confidence level is ±3.25%. The result is calculated on a scale of 1 to 7, where all results above the mid-point of 4 is considered 'satisfied'.

13. The survey was facilitated by Auckland Council on behalf of CCOs. Arapai Limited surveyed mana whenua organisations across the region, to measure satisfaction with the council's (including CCO's) engagement on key issues. The research was undertaken either online as an electronic written survey, or by phone discussion or face to face with mana whenua representatives who have been involved with engagement activities with council and or CCOs. Twelve of nineteen mana whenua organisations participated in the research. The margin of error is not useful for the small sample.



Annual financial statements

Panuku Development Auckland Limited
Statement of comprehensive revenue and expense

For the year ended 30 June 2017

	Note	**Parent Actual 2017 $000**	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Revenue					
Rental and other revenue	3	**57,995**	58,848	**59,608**	60,782
Interest income		**643**	498	**719**	589
Other gains / (losses)	4	**29,607**	32,971	**29,607**	32,971
Total income		**88,245**	92,317	**89,934**	94,342
Expenses					
Personnel	5	**18,614**	14,135	**19,792**	15,318
Depreciation and amortisation	14,15	**8,366**	8,718	**8,696**	9,042
Interest expense		**993**	1,174	**993**	1,174
Other operating expenses	6	**22,227**	24,332	**22,771**	24,992
Total expenditure		**50,200**	48,359	**52,252**	50,526
Surplus before tax		**38,045**	43,958	**37,682**	43,816
Income tax (benefit) / expense	7	**(1,430)**	(1,041)	**(1,495)**	(1,093)
Surplus after tax		**39,475**	44,999	**39,177**	44,909
Other comprehensive revenue and expense					
Gains on revaluation of property, plant and equipment		**–**	14,632	**147**	14,632
Tax on revaluation gains	8	**–**	(1,559)	**(41)**	(1,559)
Total other comprehensive income		**–**	13,073	**106**	13,073
Total comprehensive income		**39,475**	58,072	**39,283**	57,982
Surplus is attributable to:					
Auckland Council		**39,475**	44,999	**39,177**	44,909
		39,475	44,999	**39,177**	44,909
Total comprehensive revenue and expense is attributable to:					
Auckland Council		**39,475**	58,072	**39,283**	57,982
		39,475	58,072	**39,283**	57,982

The notes to the financial statements form part of, and should be read in conjunction with, these financial statements.

Panuku Development Auckland Limited
Statement of changes in equity

For the year ended 30 June 2017

	Parent Actual 2017 $000	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Equity at the beginning of the year	**640,595**	584,323	**642,592**	586,410
Total comprehensive revenue and expense				
Surplus / (deficit) for the year	**39,475**	44,999	**39,177**	44,909
Other comprehensive revenue and expense	**–**	13,073	**106**	13,073
Total comprehensive revenue and expense	**39,475**	58,072	**39,283**	57,982
Transactions with owners				
Share issue	**15,000**	–	**15,000**	–
Dividend expense	**(1,800)**	(1,800)	**(1,800)**	(1,800)
Total transactions with owners	**13,200**	(1,800)	**13,200**	(1,800)
Equity at the end of the year	**693,270**	640,595	**695,075**	642,592

The notes to the financial statements form part of, and should be read in conjunction with, these financial statements.

Panuku Development Auckland Limited
Statement of financial position

As at 30 June 2017

	Note	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Assets					
Current assets					
Cash and cash equivalents	9	**2,369**	3,273	**5,142**	5,712
Debtors and other receivables	10	**15,078**	37,739	**12,639**	35,387
Tax receivables	12	**9**	9	**9**	28
Total current assets		**17,456**	41,021	**17,790**	41,127
Non-current assets					
Debtors and other receivables	11	**1,840**	2,013	**1,840**	2,013
Other non-current assets	13	**1,774**	1,753	**–**	–
Property, plant and equipment	14	**266,294**	271,141	**269,346**	274,376
Intangible assets	15	**–**	24	**–**	24
Investment properties	16	**443,601**	401,254	**443,601**	401,254
Investments in subsidiaries	17	**446**	446	**–**	–
Total non-current assets		**713,955**	676,631	**714,787**	677,667
Total assets		**731,411**	717,652	**732,577**	718,794

	Note	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Liabilities					
Current liabilities					
Creditors and other payables	19	**13,875**	28,234	**11,867**	26,451
Employee entitlements	21	**1,976**	1,584	**1,976**	1,584
Other current liabilities	22	**–**	–	**1,692**	1,327
Borrowings	23	**–**	23,000	**–**	23,000
Total current liabilities		**15,851**	52,818	**15,535**	52,362
Non-current liabilities					
Creditors and other payables	20	**21,080**	21,599	**20,634**	21,153
Other non-current liabilities	24	**–**	–	**139**	39
Deferred tax liabilities	8	**1,210**	2,640	**1,194**	2,648
Total non-current liabilities		**22,290**	24,239	**21,967**	23,840
Total liabilities		**38,141**	77,057	**37,502**	76,202
Net assets		**693,270**	640,595	**695,075**	642,592
Equity					
Contributed equity	25	**483,489**	468,489	**485,722**	470,722
Accumulated funds	26	**154,870**	117,496	**152,928**	115,852
Reserves	27	**54,911**	54,610	**56,425**	56,018
Total equity		**693,270**	640,595	**695,075**	642,592

The notes to the financial statements form part of, and should be read in conjunction with, these financial statements.

For and on behalf of the Board:

Richard Aitken (Chair)
27 September 2017

Mike Pohio (Chair of Audit and Risk Committee)
27 September 2017

Panuku Development Auckland Limited
Statement of cash flows

For the year ended 30 June 2017

	Note	**Parent Actual 2017 $000**	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Cash flows from operating activities					
Receipts from customers		**27,685**	51,900	**32,571**	53,768
Interest received		**297**	36	**373**	126
Grant funding from Auckland Council		**14,326**	15,313	**14,326**	15,313
Payments to suppliers and employees		**(48,590)**	(44,552)	**(53,234)**	(45,915)
Interest paid		**(1,283)**	(1,174)	**(1,283)**	(1,174)
Income tax received / (paid)		**-**	(9)	**16**	(20)
Goods and services tax received from / (paid to) IRD		**1,750**	2,722	**1,750**	2,722
Net cash from operating activities	28	**(5,815)**	24,236	**(5,481)**	24,820
Cash flows from investing activities					
Cash acquired on acquisition		**-**	376	**-**	376
Capital expenditure on property, plant & equipment and investment properties		**(18,634)**	(20,506)	**(18,634)**	(20,506)
Net cash from investing activities		**(18,634)**	(20,130)	**(18,634)**	(20,130)
Cash flows from financing activities					
Advances (to) / from Auckland Council		**21,163**	(7,135)	**21,163**	(7,135)
Repayment of advances from Auckland Council		**(8,359)**	(10,228)	**(8,359)**	(10,228)
Repayment of loans from Auckland Council		**(23,000)**	-	**(23,000)**	-
Capital expenditure funding from Auckland Council		**20,541**	15,052	**20,541**	15,052
Issue of Shares		**15,000**	-	**15,000**	-
Dividends paid		**(1,800)**	(1,800)	**(1,800)**	(1,800)
Net cash from financing activities		**23,545**	(4,111)	**23,545**	(4,111)
Net (decrease) / increase in cash and cash equivalents		**(904)**	(5)	**(570)**	579
Cash and cash equivalents at the beginning of the year		**3,273**	3,278	**5,712**	5,133
Cash and cash equivalents at the end of the year	9	**2,369**	3,273	**5,142**	5,712

The notes to the financial statements form part of, and should be read in conjunction with, these financial statements.

Panuku Development Auckland Limited
Notes to the financial statements
For the year ended 30 June 2017

Contents

1. Statement of accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

a) Basis of preparation

i) Reporting entity

Panuku Development Auckland Limited (Panuku) is a Council controlled organisation (CCO) of the Auckland Council and is domiciled in New Zealand. Panuku's principal address is Level 2, 11 Westhaven Drive, Auckland Central, Auckland 1010. It changed its name on 1 September 2015 from Auckland Waterfront Development Agency Limited (Waterfront Auckland) to Development Auckland Limited and changed it again on 1 May 2017 to Panuku Development Auckland Limited.

The Group consists of the parent, Panuku, and its subsidiaries, Westhaven Marina Limited, Westhaven (Existing Marina) Trust, Westhaven (Marina Extension) Trust and Downtown Marinas Limited.

Panuku will contribute to the implementation of the Auckland Plan and encourage economic development by facilitating urban redevelopment that optimises and integrates good public transport outcomes, efficient and sustainable infrastructure and quality public services and amenities. Panuku will manage council's non-service property portfolio and provide strategic advice on council's other property portfolios. It will recycle or redevelop sub-optimal or underutilised council assets and aim to achieve an overall balance of commercial and strategic outcomes.

As Panuku and Group do not have the primary objective of making a financial return, Panuku and Group are designated as public benefit entities and apply New Zealand Tier 1 Public Benefit Entity accounting standards (PBE Accounting Standards).

The financial statements of Panuku and Group are for the year ended 30 June 2017. The financial statements were authorised for issue by the Board of Directors on the date they were signed.

ii) Statement of compliance

The financial statements of Panuku and Group have been prepared in accordance with the requirements of section 69 of the Local Government Act 2002 and the Companies Act 1993, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP").

These financial statements have been prepared in accordance with NZ GAAP. They comply with PBE Accounting Standards.

iii) Measurement base

The Panuku and Group financial statements have been prepared on an historical cost basis, modified by the revaluation of investment property, land, buildings, wharves, marinas and certain financial assets. The values of assets and liabilities that were vested in Panuku on 1 November 2010 represented the historical cost for those assets.

iv) Going concern

The financial statements have been prepared on a going concern basis, with the Company reliant on the shareholder (Auckland Council) continuing to support its operations as set out in the Company's Statement of Intent (SOI) and Auckland Council's Long Term Plan.

v) Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated. The functional currency of Panuku and Group is New Zealand dollars.

vi) Budget figures

The budget figures have been prepared in accordance with NZ GAAP, included in the Company's Statement of Intent for 2016-2019, and are consistent with the accounting policies adopted by the Company for the preparation of the financial statements.

b) Consolidation

The Group financial statements consolidate all entities where Panuku has the capacity to control their financing and operating policies.

The Group financial statements are prepared by adding together like items of assets, liabilities, equity, income, and expenses of entities within the Group on a line by line basis. All intragroup balances, transactions, revenues and expenses are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to Panuku. They are deconsolidated from the date that control ceases.

In Panuku's financial statements, investment in subsidiaries are carried at cost less any accumulated impairment.

c) Associate

Panuku has a 42% shareholding (420 shares fully paid with nominal $1 value) in New Lynn Central Limited. New Lynn Central Limited was incorporated in October 2012 in New Zealand and has a 30 June balance date.

New Lynn Central Limited is an associate of Panuku. An associate is an entity over which Panuku has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investment in an associate is accounted for using the equity method.

New Lynn Central Limited is the general partner of New Lynn Central Limited Partnership (Limited Partnership), in which Auckland Council has a 42% interest in the Limited Partnership. New Lynn Central Limited is the agent for the Limited Partnership and has responsibility for the management of the business and affairs of the Limited Partnership.

Auckland Council is entitled to all profit distribution arising from the business of the Limited Partnership. There are no tax implications for Panuku.

There are no transactions in New Lynn Central Limited for the period ended 30 June 2017 or 30 June 2016.

d) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the 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 period end exchange rates of monetary assets and liabilities are recognised in the Statement of Comprehensive Revenue and Expense.

e) Property, plant and equipment

Property, plant and equipment consists of land, buildings, wharves, marinas, plant and machinery, computer equipment, furniture fittings and equipment and motor vehicles.

i) Initial recognition

Property, plant, and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses, if any. In the case of the assets acquired by Panuku on establishment at 1 November 2010, cost was the carrying value of the asset by the disestablished Council or disestablished CCO.

ii) Subsequent measurement

Land, buildings, marinas and wharves are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every 3 years. All other classes of assets are measured at historical cost less accumulated depreciation and accumulated impairment except for public art which is measured at historical cost and accumulated impairment. Each year, Panuku and Group considers the adequacy of the valuation of its assets to ensure the carrying value reflects fair value. If there is a material difference, then the asset classes are revalued off-cycle.

Revaluations of property, plant and equipment are accounted for on a class of asset basis.

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 assets. 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 in the Statement of Comprehensive Revenue and Expense. If a revaluation increase reverses a decrease previously recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense, the increase is recognised first in the surplus or deficit in the Statement of Comprehensive Revenue and Expense to reverse previous decreases. Any residual increase is then recognised in other comprehensive income.

iii) Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Panuku and Group and the cost of the item can be measured reliably.

Property, plant and equipment 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.

iv) Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit in the Statement of Comprehensive Revenue and Expense. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

1. Statement of accounting policies (cont.)

v) *Depreciation*

Depreciation on all property, plant and equipment, apart from land, is provided on a straight line basis at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The residual value and remaining useful life of an asset is reviewed, and adjusted if applicable, at each financial period end. The useful lives of major classes of assets have been estimated as follows. The estimated remaining useful lives of some assets is only one year due to the age of the assets when they were acquired from the disestablished councils.

Class of asset depreciated	Estimated useful life
Buildings	1-50
Plant and machinery	1-50
Computer equipment	1-3
Furniture, fittings and equipment	1-35
Wharves	10-60
Marina	1-35
Drainage	1-90
Civil structures	1-100

vi) *Capital work in progress*

Capital 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.

vii) *Carrying amount*

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.

f) Intangible assets

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.

Subsequent to initial recognition, intangible assets with finite useful lives are recorded at cost, less any amortisation and impairment losses and are reviewed annually for impairment losses. Assets with indefinite useful lives are not amortised but are tested, at least annually, for impairment and are carried at cost less accumulated impairment losses.

Realised gains and losses arising from the disposal of intangible assets are recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense in the period in which the disposal occurs.

Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Impairment losses resulting from impairment are reported in the surplus or deficit in the Statement of Comprehensive Revenue and Expense.

i) Computer software

Acquired computer software licences are capitalised based on the costs incurred to acquire and bring to use. Costs are amortised using the straight line method over their estimated useful lives (3 to 8 years).

Costs directly associated with the development of identifiable and unique software products for internal use are recognised as an intangible asset to the extent it is probable such costs are expected to be recoverable.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives (not exceeding 3 years).

g) Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. Investment property is measured initially at its cost, including transaction costs. After initial recognition, all investment property is measured at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense. Investment property is not depreciated.

h) Impairment of non financial assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where Panuku or Group would, if deprived of the asset, replace its remaining service potential. The value in use for cash generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense, a reversal of the impairment loss is also recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense.

i) Financial assets

Financial assets are initially measured at fair value plus transaction costs.

Purchases and sales of financial assets are recognised at trade date, this being the date on which Panuku and Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Panuku and Group has transferred substantially all the risks and rewards of ownership.

The Group's financial assets consists of loans and receivables. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance date, which are included in non current assets. After initial recognition loans and receivables are carried at amortised cost using the effective interest rate method less impairment if any. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense.

j) Impairment of financial assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense.

Impairment is established when there is evidence that Panuku and Group will not be able to collect amounts due according to the terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of a provision for doubtful debts. When the receivable is uncollectible, it is written off against the allowance account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense.

k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with financial institutions, 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, and bank overdrafts.

l) Debtors and other receivables

Debtors are amounts due from customers. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non current assets.

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

When a receivable for which the provision for impairment has been recognised becomes uncollectible in a subsequent period, it is written off against the provision for impairment of receivables. Subsequent recoveries of amounts previously written off are credited to 'other income' in the surplus or deficit in the Statement of Comprehensive Revenue and Expense.

1. Statement of accounting policies (cont.)

m) Creditors and other payables

Creditors and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non current liabilities.

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

n) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and amortised cost is recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Panuku and Group have an unconditional right to defer settlement of the liability for at least 12 months after the year end date.

o) Current and deferred income tax

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by balance date. Income tax expense is charged or credited to the surplus or deficit in the Statement of Comprehensive Revenue and Expense, except when it relates to items charged or credited directly to equity or other comprehensive income.

Current tax is the amount of income tax payable based on the taxable surplus for the current period, plus any adjustments to income tax payable in respect of prior periods.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which Panuku and Group expect to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting surplus nor taxable surplus.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where Panuku and Group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

p) Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for debtors and other receivables and creditors and other payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related expense or asset.

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.

q) Employee entitlements

i) Short term employee entitlements

Employee benefits that Panuku and Group expects to be settled within 12 months of balance date are measured at accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retirement gratuities and long service entitlements expected to be settled within 12 months, and sick leave.

Panuku and Group recognise a liability for sick leave to the extent that absences in the coming period are expected to be greater than the sick leave entitlements earned in the coming period. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Group anticipates it will be used by staff to cover those future absences.

ii) Superannuation schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit in the Statement of Comprehensive Revenue and Expense when they are incurred.

r) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. The specific accounting policies for significant revenue items are explained below:

i) Rental revenue

Rental revenue from operating leases is recognised as income on a straight line basis over the lease term.

ii) Berthage hire

Berthage hire from marina berths is recognised as income on a straight line basis over the hire term.

iii) Provision of services

Provision of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

iv) Income from services provided

Income from the rendering of services to Council Group entities is recognised when the service is provided. These services include development projects, business interests and Council Group property acquisitions and disposals. The income from services provided is calculated based on direct costs and staff time incurred or allocated to specific projects.

Income from services provided is classified as 'Other Revenue' in the profit or loss.

v) Funding from Auckland Council

Funding is recognised as revenue upon entitlement based on the eligibility of expenditure in accordance with the Statement of Intent between Panuku and Auckland Council.

vi) Interest income

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

s) Leases

i) Panuku as Lessee

Panuku leases certain property, plant and equipment.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the surplus or deficit in the Statement of Comprehensive Revenue and Expense on a straight line basis over the period of the lease.

Leases of property, plant and equipment, where Panuku has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The leased assets (the leased properties) and corresponding liabilities (the lease payments) are recognised in the Statement of Financial Position. Interest on finance leases is charged to the surplus or deficit in the Statement of Comprehensive Revenue and Expense over the lease period. Leased assets are depreciated over the period the Group is expected to benefit from their use or the lease term if ownership at the end of the lease is uncertain.

ii) Panuku as Lessor

Assets leased to third parties under operating leases are included in investment property in the Statement of Financial Position. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

2. Critical accounting estimates and judgements

In preparing the consolidated financial statements Panuku and Group made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements 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, judgements and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year have been included below.

Valuation of investment property

The valuation of investment property is based on market expectations for forecast future cash inflows from existing and anticipated new tenants and is net of remediation costs for contaminated land. The timing and amount of cash inflows from new tenants is based on current property and market conditions. If market conditions change then it is possible that the future cash flows may vary, in timing or amount, from those included in the valuation. The assumptions for remediation costs are based on reports from independent experts. The cost for removing and containing different levels of contaminated soil within landfill sites has a range of prices and depends on the scope of the development.

Useful lives of property, plant and equipment

If useful lives do not reflect the actual consumption of the benefits of the assets, then Panuku could be over or under estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Revenue and Expense. Asset inspection, deterioration, and condition modelling are also carried out regularly as part of asset management activities, which provides further assurance over useful life estimates.

3. Rental and other revenue

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Revenue from exchange transactions				
Rental revenue	**11,226**	11,107	**11,183**	11,064
Berthage hire	**11,937**	10,726	**11,937**	10,726
Other income	**6,850**	5,662	**8,506**	7,639
Services provided	**4,880**	3,825	**4,880**	3,825
Revenue from non-exchange transactions				
Funding from Auckland Council – for operating expenditure	**14,077**	15,300	**14,077**	15,300
Funding from Auckland Council – for capital expenditure	**9,025**	11,868	**9,025**	11,868
Other income	**–**	360	**–**	360
Total rental and other revenue	**57,995**	58,848	**59,608**	60,782

4. Other gains / (losses)

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Fair value increase on investment property (note 16)	**29,608**	32,973	**29,608**	32,973
Net foreign exchange (losses) / gains	**(1)**	(2)	**(1)**	(2)
Total other gains	**29,607**	32,971	**29,607**	32,971

5. Personnel costs

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Salaries and wages	**17,643**	13,419	**18,733**	14,527
Increase / (decrease) in employee entitlements	**55**	97	**63**	102
Defined contribution plan employer contributions *	**386**	302	**412**	327
Other	**530**	317	**584**	362
Total personnel costs	**18,614**	14,135	**19,792**	15,318

There are two primary drivers of the increase in personnel costs from 2016 to 2017:

- Panuku was created on 1 September 2015 through the merging of two Auckland Council CCO's – Auckland Council Property and Waterfront Auckland. Personnel costs incurred by Auckland Council Property in the two months prior to the merger are not included in the table above. If the merger had occurred at the beginning of the financial year on 1 July 2015, personnel costs for 2016 would have been $15.661m for the parent and $16.846m for the group.
- The increased remit of Panuku has required additional staffing to work on the new transform, unlock and support projects.

* Employer contributions to defined contribution plans includes contributions to KiwiSaver.

6. Other expenses

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Fees paid to Audit NZ for audit of the financial statements and statement of service performance	**207**	200	**238**	231
Fees paid to Audit NZ for review of the half year financial reporting pack to Auckland Council	**16**	16	**16**	16
Directors' fees and expenses	**595**	561	**597**	563
Lease payments under operating leases	**1,739**	1,099	**1,748**	1,106
Professional services	**4,499**	6,164	**4,203**	5,881
Repairs and maintenance	**4,931**	4,402	**6,658**	5,727
Utilities and occupancy	**3,310**	3,534	**4,051**	4,387
Impairment of receivables	**-**	33	**-**	33
Amortisation of redeemable preference shares	**179**	133	**-**	–
Other operating expenses	**6,751**	8,190	**5,260**	7,048
Total other expenses	**22,227**	24,332	**22,771**	24,992

7. Income tax

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Components of income tax:				
Current tax	**–**	–	**–**	11
Deferred tax	**(1,430)**	(1,041)	**(1,495)**	(1,104)
Income tax (benefit) / expense	**(1,430)**	(1,041)	**(1,495)**	(1,093)
Relationship between income tax and accounting surplus / (deficit):				
Surplus / (deficit) before tax	**38,045**	43,958	**37,682**	43,816
Less net (surplus) / deficit from non-taxable activities	**–**	–	**132**	(135)
Taxable surplus / (deficit) before tax	**38,045**	43,958	**37,814**	43,681
Prima facie income tax at 28%	**10,653**	12,308	**10,588**	12,231
Prior period adjustment	**–**	87	**–**	97
Taxation effect of permanent differences	**(11,733)**	(12,131)	**(11,733)**	(12,131)
Loss offset *	**(350)**	(1,305)	**(350)**	(1,290)
Income tax (benefit) / expense	**(1,430)**	(1,041)	**(1,495)**	(1,093)

* Panuku Development Auckland and its subsidiaries are part of a tax group with its shareholder Auckland Council and other subsidiaries of Auckland Council. Tax losses from other entities are shared within the group resulting in tax loss offsets for the Panuku group. Subvention payments are generally not required under group arrangements.

8. Deferred tax liabilities

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	**9,201**	8,079	**9,217**	8,079
Deferred tax assets to be recovered within 12 months	**428**	367	**428**	367
Deferred tax assets	**9,629**	8,446	**9,645**	8,446
Deferred tax liabilities				
Deferred tax liabilities to be recovered after more than 12 months	**(10,839)**	(11,086)	**(10,839)**	(11,094)
Deferred tax liabilities to be recovered within 12 months	**–**	–	**–**	–
Deferred tax liabilities	**(10,839)**	(11,086)	**(10,839)**	(11,094)
Net deferred tax assets / (liabilities)	**(1,210)**	(2,640)	**(1,194)**	(2,648)

	Property, plant and equipment $000	Other $000	Total $000
Parent			
Balance at 1 June 2015	(6,852)	4,730	**(2,122)**
Charged to surplus/(deficit) component of statement of comprehensive income	1,007	34	**1,041**
Charged to other comprehensive income	(1,559)	-	**(1,559)**
Balance at 30 June 2016	(7,404)	4,764	**(2,640)**
Balance at 1 June 2016	(7,404)	4,764	**(2,640)**
Charged to surplus/(deficit) component of Statement of Comprehensive Income	1,451	(21)	**1,430**
Charged to other comprehensive income	–	–	**-**
Balance at 30 June 2017	(5,953)	4,743	**(1,210)**
Group			
Balance at 1 June 2015	(6,977)	4,784	**(2,193)**
Charged to surplus / (deficit) component of statement of comprehensive income	1,064	40	**1,104**
Charged to other comprehensive income	(1,559)	-	**(1,559)**
Balance at 30 June 2016	(7,472)	4,824	**(2,648)**
Balance at 1 June 2016	(7,472)	4,824	**(2,648)**
Charged to surplus / (deficit) component of statement of comprehensive income	1,510	(15)	**1,495**
Charged to other comprehensive income	–	(41)	**(41)**
Balance at 30 June 2017	(5,962)	4,768	**(1,194)**

9. Cash and cash equivalents

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Cash at bank and in hand	**2,369**	3,273	**5,142**	5,712
Total cash and cash equivalents	**2,369**	3,273	**5,142**	5,712

10. Debtors and other receivables – Current

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Debtors	**2,047**	2,371	**2,047**	2,371
Less provision for doubtful debts	**-**	(47)	**-**	(47)
Net debtors	**2,047**	2,324	**2,047**	2,324
Accrued receivables *	**884**	362	**884**	362
Sundry receivables	**2**	26	**2**	26
Related party receivables	**9,412**	32,510	**9,412**	32,510
Goods and services tax	**138**	-	**138**	-
Prepayments *	**2,595**	2,517	**156**	165
Total debtors and other receivables – current	**15,078**	37,739	**12,639**	35,387
Receivables from exchange transactions	**8,624**	27,879	**6,185**	25,527
Receivables from non exchange transactions	**6,454**	9,860	**6,454**	9,860
Total debtors and other receivables – current	**15,078**	37,739	**12,639**	35,387

* Refer to note 11 for the non-current portions of these receivables.

a) Impairment of debtors

The ageing of debtors (net of the provision for doubtful debts) is as follows:

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Current	**805**	1,957	**805**	1,957
Past due 1 - 60 days	**1,191**	292	**1,191**	292
Past due 61+ days	**51**	75	**51**	75
Balance at 30 June	**2,047**	2,324	**2,047**	2,324

At each period end, all overdue receivables are assessed for impairment and appropriate provisions applied.
A doubtful debts provision of $0 has been recognised at 30 June 2017 (2016: $47,000).

10. Debtors and other receivables – Current

	Parent Actual 2017 $000	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Balance at 1 July	**47**	17	**47**	17
Additional provisions made during the year	**-**	30	**-**	30
Unused provisions reversed during the year	**(5)**	-	**(5)**	-
Receivables written off during the period	**(42)**	-	**(42)**	-
Balance at 30 June	**-**	47	**-**	47

b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The Group has no exposure to credit risk or foreign exchange risk in respect of debtors and other receivables at balance date. The Group does not hold any collateral as security. Refer to note 34 for more information on the risk management policy of the Group.

c) Accrued and sundry receivables

These amounts relate to either accrued income or arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

d) Foreign exchange and interest rate risk

The Group has no exposure to foreign exchange and interest rate risk in relation to debtors and other receivables at balance date.

11. Debtors and other receivables – Non-current

	Parent Actual 2017 $000	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Accrued receivables	**622**	639	**622**	639
Prepayments	**1,218**	1,374	**1,218**	1,374
Total debtors and other receivables – non-current	**1,840**	2,013	**1,840**	2,013
Receivables from exchange transactions	**1,840**	2,013	**1,840**	2,013
Receivables from non exchange transactions	**-**	-	**-**	-
Total debtors and other receivables – non-current	**1,840**	2,013	**1,840**	2,013

12. Tax receivables

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Excess of tax paid for current period over amount due	**9**	9	**9**	28
Total current tax receivable	**9**	9	**9**	28

13. Other non-current assets

	Parent Actual 2017 $000	Parent Actual 2016 $000
Balance at 1 July	**1,753**	1,436
Purchased during the year	**200**	450
Amortisation expense	**(179)**	(133)
Balance at 30 June	**1,774**	1,753

This balance represents the value of the redeemable preference shares that Panuku owns in its subsidiary, Downtown Marinas Limited. The fair value of redeemable preferences share is cost less amortisation and impairment. The shares are being amortised over the useful life until their redemption date (29 September 2026). Panuku owns 21 of the available 23 berth shares (2016: 20).

14. Property, plant and equipment

Parent

	1 July 2016			Current year movements					30 June 2017		
	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount	Additions	Disposals	Transfers *	Depreciation	Revaluations	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Land	67,105	-	67,105	-	-	-	-	-	67,105	-	67,105
Buildings	18,303	-	18,303	-	-	-	(794)	-	18,303	(794)	17,509
Works of art	791	-	791	-	-	-	-	-	791	-	791
Plant and machinery	11,635	(4,762)	6,873	-	-	-	(468)	-	11,635	(5,230)	6,405
Computer equipment	2,092	(2,092)	-	-	-	-	-	-	2,092	(2,092)	-
Furniture, fittings and equipment	1,129	(931)	198	-	-	-	(52)	-	1,129	(983)	146
Wharves	66,376	(2,373)	64,003	-	-	-	(2,373)	-	66,376	(4,746)	61,630
Marinas	61,853	-	61,853	-	-	-	(1,916)	-	61,853	(1,916)	59,937
Drainage	3,083	(188)	2,895	-	-	-	(44)	-	3,083	(232)	2,851
Civil structures	56,206	(9,717)	46,489	-	-	-	(2,695)	-	56,206	(12,412)	43,794
Capital work in progress	2,631	-	2,631	16,234	-	(12,739)	-	-	6,126	-	6,126
Total Parent property, plant and equipment	291,204	(20,063)	271,141	16,234	-	(12,739)	(8,342)	-	294,699	(28,405)	266,294

	1 July 2015			Prior year movements					30 June 2016		
	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount	Additions	Disposals	Transfers *	Depreciation	Revaluations	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Land	62,825	-	62,825	-	-	(4,783)	-	9,063	67,105	-	67,105
Buildings	18,054	(755)	17,299	-	-	188	(801)	1,617	18,303	-	18,303
Works of art	791	-	791	-	-	-	-	-	791	-	791
Plant and machinery	11,635	(3,794)	7,841	-	-	-	(968)	-	11,635	(4,762)	6,873
Computer equipment	2,092	(2,091)	1	-	-	-	(1)	-	2,092	(2,092)	-
Furniture, fittings and equipment	1,105	(876)	229	4	-	20	(55)	-	1,129	(931)	198
Wharves	66,376	-	66,376	-	-	-	(2,373)	-	66,376	(2,373)	64,003
Marinas	60,971	(1,918)	59,053	-	-	579	(1,731)	3,952	61,853	-	61,853
Drainage	3,083	(145)	2,938	-	-	-	(43)	-	3,083	(188)	2,895
Civil structures	54,165	(7,029)	47,136	-	-	2,041	(2,688)	-	56,206	(9,717)	46,489
Capital work in progress	2,428	-	2,428	22,072	-	(21,869)	-	-	2,631	-	2,631
Total Parent property, plant and equipment	283,525	(16,608)	266,917	22,076	-	(23,824)	(8,660)	14,632	291,204	(20,063)	271,141

* Net transfers to / (from) property, plant and equipment, intangible assets and investment properties. There are no assets held in property, plant and equipment under finance leases. There are no restrictions over the title of the Company's property, plant and equipment nor are any assets pledged as security for liabilities.

14. Property, plant and equipment (cont.)

Group

	1 July 2016			Current year movements					30 June 2017		
	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount	Additions	Disposals	Transfers *	Depreciation	Revaluations	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Land	67,105	-	67,105	-	-	-	-	-	67,105	-	67,105
Buildings	18,303	-	18,303	-	-	-	(794)	-	18,303	(794)	17,509
Works of art	791	-	791	-	-	-	-	-	791	-	791
Plant and machinery	11,635	(4,762)	6,873	-	-	-	(468)	-	11,635	(5,230)	6,405
Computer equipment	2,092	(2,092)	-	-	-	-	-	-	2,092	(2,092)	-
Furniture, fittings and equipment	1,129	(931)	198	-	-	-	(52)	-	1,129	(983)	146
Wharves	66,376	(2,373)	64,003	-	-	-	(2,373)	-	66,376	(4,746)	61,630
Marinas	66,382	(1,294)	65,088	-	-	-	(2,246)	147	65,235	(2,246)	62,989
Drainage	3,083	(188)	2,895	-	-	-	(44)	-	3,083	(232)	2,851
Civil structures	56,206	(9,717)	46,489	-	-	-	(2,695)	-	56,206	(12,412)	43,794
Capital work in progress	2,631	-	2,631	16,234	-	(12,739)	-	-	6,126	-	6,126
Total Group property, plant and equipment	294,439	(20,063)	274,376	16,234	-	(12,739)	(8,672)	147	298,081	(28,735)	269,346

	1 July 2015			Prior year movements					30 June 2016		
	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount	Additions	Disposals	Transfers *	Depreciation	Revaluations	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Land	62,825	-	62,825	-	-	(4,783)	-	9,063	67,105	-	67,105
Buildings	18,054	(755)	17,299	-	-	188	(801)	1,617	18,303	-	18,303
Works of art	791	-	791	-	-	-	-	-	791	-	791
Plant and machinery	11,635	(3,794)	7,841	-	-	-	(968)	-	11,635	(4,762)	6,873
Computer equipment	2,092	(2,091)	1	-	-	-	(1)	-	2,092	(2,092)	-
Furniture, fittings and equipment	1,105	(876)	229	4	-	20	(55)	-	1,129	(931)	198
Wharves	66,376	-	66,376	-	-	-	(2,373)	-	66,376	(2,373)	64,003
Marinas	65,501	(2,889)	62,612	-	-	579	(2,055)	3,952	66,382	(1,294)	65,088
Drainage	3,083	(145)	2,938	-	-	-	(43)	-	3,083	(188)	2,895
Civil structures	54,165	(7,029)	47,136	-	-	2,041	(2,688)	-	56,206	(9,717)	46,489
Capital work in progress	2,428	-	2,428	22,072	-	(21,869)	-	-	2,631	-	2,631
Total Group property, plant and equipment	288,055	(17,579)	270,476	22,076	-	(23,824)	(8,984)	14,632	295,733	(21,357)	274,376

* Net transfers to / (from) property, plant and equipment, intangible assets and investment properties. There are no assets held in property, plant and equipment under finance leases. There are no restrictions over the title of the Group's property, plant and equipment nor are any assets pledged as security for liabilities.

14. Property, plant and equipment (cont.)

This table details the revaluations that have been undertaken by the Group.

Asset Class	Date of revaluation	Valuation amount ($000)	Basis of revaluation	Valuer company	Valuer name
Land	30-Jun-16	46,050	Adjusted urban fringe	Jones Lang LaSalle	Arthur Harris, registered valuer
Land	30-Jun-16	21,055	Discounted cash flow	Seagar and Partners	Chris Seagar, registered valuer
Buildings	30-Jun-16	17,008	Optimised depreciated replacement cost	Jones Lang LaSalle	Arthur Harris, registered valuer
Buildings	30-Jun-16	1,295	Optimised depreciated replacement cost	Seagar and Partners	Chris Seagar, registered valuer
Marinas	30-Jun-16	61,853	Discounted cash flow	Seagar and Partners	Chris Seagar, registered valuer
Wharves	30-Jun-15	59,366	Optimised depreciated replacement cost and Sales comparison	Beca Valuations	Peter Erceg, registered valuer
Wharves	30-Jun-15	7,010	Discounted cash flow	Jones Lang LaSalle	Arthur Harris, registered valuer

15. Intangible assets

Group and Parent

	1 July 2015			Current year movements		30 June 2016		
	Cost / revaluation	Accumulated amortisation & impairment charges	Carrying amount	Transfers	Amortisation	Cost / revaluation	Accumulated amortisation & impairment charges	Carrying amount
	$000	$000	$000	$000	$000	$000	$000	$000
Computer software	1,007	(983)	24	-	(24)	1,007	(1,007)	-
Total intangible assets	1,007	(983)	24	-	(24)	1,007	(1,007)	-

	1 July 2014			Prior year movements		30 June 2015		
	Cost / revaluation	Accumulated amortisation & impairment charges	Carrying amount	Transfers	Amortisation	Cost / revaluation	Accumulated amortisation & impairment charges	Carrying amount
	$000	$000	$000	$000	$000	$000	$000	$000
Computer software	1,007	(925)	82	-	(58)	1,007	(983)	24
Total intangible assets	1,007	(925)	82	-	(58)	1,007	(983)	24

There are no restrictions over the title of the company's intangible assets nor are any intangible assets pledged as security for liabilities.

16. Investment properties

	Parent Actual 2017 $000	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Opening balance	**401,254**	344,458	**401,254**	344,458
Transfers from Property Plant and Equipment (land)	**–**	4,800	**–**	4,800
Transfers from Property Plant and Equipment (work in progress)	**12,739**	19,023	**12,739**	19,023
Book value prior to revaluation	**413,993**	368,281	**413,993**	368,281
Values per independent valuations	**425,390**	380,822	**425,390**	380,822
Prepaid rental income	**18,211**	20,432	**18,211**	20,432
Fair value as at 30 June	**443,601**	401,254	**443,601**	401,254
Fair value increase / (decrease)	**29,608**	32,973	**29,608**	32,973
Rental revenue	**12,729**	13,312	**12,729**	13,312
Expenses	**3,489**	4,478	**3,489**	4,478

Panuku's investment properties are valued at fair value each balance date.

The fair value of investment property has been determined using the discounted cash flow method or the comparative sales approach as may be appropriate to the individual assets. This method is based upon assumptions including future rental income and appropriate discount rates.

In arriving at their valuation for the Wynyard Quarter investment property, Seagar and Partners (Auckland) Limited and CBRE Limited have relied on inputs regarding expected expenditure for remediation of contaminated land, which have been independently assessed and/or reviewed by Tonkin and Taylor Limited, MPM Projects Limited and Beca Limited.

The CBRE valuations include land which is the subject of development agreements and agreements to lease between Development Auckland and development partners including Willis Bond and Precinct Properties. These agreements include specific design requirements, environmental standards and contributions to public works. Each of these factors within the development agreement have a financial impact on the overall market value of the sites with the agreements in place.

Accounting standards require that the restrictions under the development agreements are reflected within the fair value assessment of the land. CBRE has adopted a weighting system between the highest and best use of the land should the development agreements be broken, and the value of the land with the development agreements in place. As property market values increase across Auckland, the difference between the highest and best use, and use under the development agreements, widens. When a site becomes subject to lease, the fair value moves directly to the value under the lease terms, without any link back to highest and best use. Thus a value reduction is registered upon the commencement of a long-term lease. Individual site value reductions under leases are not disclosed as the investment property valuations are held under a portfolio basis. Increases in the value of properties not subject to development agreements have compensated for the reductions upon entering into long-term leases under the development agreements, with an overall net increase in investment property value for the year.

Valuer	**Value 2017 $000**	Value 2016 $000
Seagar and Partners (Auckland) Limited	**303,490**	276,830
CBRE	**121,900**	103,992
Total valuation	**425,390**	380,822

17. Investment in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b). All subsidiaries are incorporated in New Zealand.

	Control %	
	2017 %	2016 %
– Westhaven Marina Limited – corporate trustee of Westhaven (Existing Marina) Trust and Westhaven (Marina Extension) Trust	100	100
– Downtown Marinas Limited – owns and operates Hobson West Marina	100	100
Panuku controls the following Trusts:		
– Westhaven (Existing Marina) Trust – owns and operates berths within Westhaven Marina	100	100
– Westhaven (Marina Extension) Trust – owns and operates berths within Westhaven Marina	100	100

	Parent Actual 2017 $000	Parent Actual 2016 $000
Westhaven Marina Limited	**446**	446
Downtown Marinas Limited	**-**	-
Westhaven (Existing Marina) Trust	**-**	-
Westhaven (Marina Extension) Trust	**-**	-
Total investment in subsidiaries	**446**	446

18. Business combinations

During 2015, Auckland Council undertook a review of the existing CCOs to determine whether there was a need for change to better align the CCO's activities to the goals of Council. In June 2015, following the review and public consultation during the 2015-2025 Long-term Plan process, the Auckland Council Governing Body resolved to amalgamate Auckland Waterfront Development Agency Limited (Waterfront Auckland) and Auckland Council Property Limited (ACPL) into one entity to take effect from 1 September 2015.

For legal purposes, the merger took the form of a short-form amalgamation under the Companies Act 1993 effective 1 September 2015. Waterfront Auckland was the surviving entity and changed its name to Panuku Development Auckland Limited. As most of the activities undertaken by ACPL were done on behalf of Auckland Council, the assets, liabilities and equity of ACPL as a separate company are not material and had minimal impact on the Statement of Financial Position of Panuku.

	Fair Value at acquisition date (1 September 2015) $000
Assets	
Cash and cash equivalents	376
Trade receivables	2,441
Total Assets	2,817
Liabilities	
Trade payables	2,817
Total Liabilities	2,817
Total identifiable net assets at fair value	-
Purchase consideration transferred	-

19. Creditors and other payables – Current

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Creditors	**3,204**	3,494	**3,203**	3,492
Accrued expenses *	**3,510**	16,895	**3,541**	16,926
Deposits and bonds	**240**	13	**240**	13
Related party payables	**4,974**	5,634	**777**	1,707
Goods and services tax	**-**	431	**-**	431
Revenue in advance	**1,947**	1,767	**4,106**	3,882
Total creditors and other payables – current	**13,875**	28,234	**11,867**	26,451
Payables from exchange transactions	**13,262**	16,691	**11,254**	14,908
Payables from non exchange transactions	**613**	11,543	**613**	11,543
Total creditors and other payables – current	**13,875**	28,234	**11,867**	26,451

Creditors and other payables are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value. Included in accrued expenses is retentions on construction contracts. The payment terms for these vary depending on the contract. The Group has minimal exposure to foreign exchange risk and no interest rate risk in respect of creditors and other payables at balance date.

20. Creditors and other payables – Non-current

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Related party payables	**446**	446	**-**	-
Revenue in advance *	**20,634**	21,153	**20,634**	21,153
Total creditors and other payables – non-current	**21,080**	21,599	**20,634**	21,153
Payables from exchange transactions	**21,080**	21,599	**20,634**	21,153
Payables from non exchange transactions	**-**	-	**-**	-
Total creditors and other payables – non-current	**21,080**	21,599	**20,634**	21,153

The fair value of creditors and other payables is equal to their carrying value.

* Revenue in advance is lease income that has been prepaid by lessors. The timing of when this income will be recognised is shown in note 29 (c).

21. Employee entitlements

	Parent Actual 2017 $000	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Accrued salaries and wages	**946**	623	**946**	623
Annual leave	**1,030**	961	**1,030**	961
Total employee entitlements	**1,976**	1,584	**1,976**	1,584

22. Other current liabilities

	Group Actual 2017 $000	Group Actual 2016 $000
Balance at 1 July	1,327	960
Contributions during the year	365	367
Utilised during the year	-	-
Balance at 30 June	1,692	1,327

This liability is accumulated from a charge to Berth Entitlement Unit holders of the Westhaven (Existing Marina) Trust and Westhaven (Marina Extension) Trust and Berth Share holders of Downtown Marinas Limited based on 10% of the annual operating expenditure budget as set out in the berth licence. It is used to contribute to future significant repairs, renovations, replacements and maintenance.

23. Borrowings

	Parent Actual 2017 $000	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Secured loans – current	**-**	23,000	**-**	23,000
Total borrowings	**-**	23,000	**-**	23,000

Panuku's borrowings of $23 million (fixed rate debt from Auckland Council) were repaid in June 2017. Panuku's borrowings were secured by a security interest over all of the personal property and a fixed charge over all of the non-personal property subject to a general security deed. Panuku has entered into a Credit Facility Agreement with Auckland Council. At 30 June 2016 the debt consisted of two tranches, each subject to different repayment terms and interest rates which are disclosed below.

	Fixed interest rate			
	1 year or less $000	1 and 2 years $000	2 to 3 years $000	**Total $000**
2016 Parent and Group				
Secured loans	23,000		–	**23,000**
Weighted average interest rate	0.00%	**5.10%**	0.00%	

24. Other non-current liabilities

	Group Actual 2017 $000	Group Actual 2016 $000
Redeemable preference shares in subsidiary	139	39
Total other non-current liabilities	**139**	39

The redeemable preference shares are treated as debt rather than equity on the basis that the preference shareholders do not share in the residual assets of the company (Downtown Marinas Limited) and are entitled to a redemption of $1 per share on 29 September 2026. The shares are being amortised over the useful life until their redemption date. Development Auckland owns 21 of the available 23 berth shares (2016: 20).

25. Contributed equity

(a) Share capital	**Parent Actual 2017 $000**	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Balance at 1 July	**468,489**	468,489	**470,722**	470,722
Shares issued during the year	**15,000**	-	**15,000**	-
Balance at 30 June	**483,489**	468,489	**485,722**	470,722

(b) Movements in ordinary shares:	**2017 Shares**	2016 Shares	**2017 Shares**	2016 Shares
Opening balance of ordinary shares issued	**1,100**	1,100	**1,100**	1,100
Share issue	**1**	-	**1**	-
Closing balance of ordinary shares issued	**1,101**	1,100	**1,101**	1,100

26. Accumulated funds

	Parent Actual 2017 $000	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Balance at 1 July	**117,496**	74,451	**115,852**	72,897
Surplus/(deficit) for the year	**39,475**	44,999	**39,177**	44,909
Net transfer (to) / from maintenance reserves	**(301)**	(154)	**(301)**	(154)
Dividends paid*	**(1,800)**	(1,800)	**(1,800)**	(1,800)
Balance at 30 June	**154,870**	117,496	**152,928**	115,852
Dividend per share	**$1,636.36**	$1,636.36	**$1,636.36**	$1,636.36

* The dividend for 2017 was paid to the shareholder on 31 May 2017. The dividend per share calculation is based on 1,100 shares. The share issue disclosed in note 25 above took place on 22 June 2017.

27. Reserves

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
Asset revaluation reserves	**53,590**	53,590	**55,104**	54,998
Maintenance reserves	**1,321**	1,020	**1,321**	1,020
Total Reserves	**54,911**	54,610	**56,425**	56,018

The movements in each type of reserve are disclosed as follows:

Asset revaluation reserves				
Balance at 1 July	**53,590**	40,517	**54,998**	41,925
Revaluation gains/(losses)	**-**	14,632	**147**	14,632
Deferred tax on revaluation	**-**	(1,559)	**(41)**	(1,559)
Balance at 30 June	**53,590**	53,590	**55,104**	54,998

The asset revaluation reserves records the revaluation of property, plant and equipment on an asset class basis. Any revaluation decrease will first be written off against the balance in asset revaluation reserve. Any decrease over and above the amount recorded will be transferred to the other gains / (losses) section of the surplus / (deficit) within the Statement of Comprehensive Revenue and Expense.

Maintenance reserves				
Balance at 1 July	**1,020**	866	**1,020**	866
Net transfer from / (to) accumulated funds	**301**	154	**301**	154
Balance at 30 June	**1,321**	1,020	**1,321**	1,020

Included in rental and other revenue in the surplus / (deficit) within the Statement of Comprehensive Revenue and Expense are contributions from some tenants towards the costs of maintenance on properties. The maintenance reserve records the accumulated unspent contributions. When costs are incurred on the properties this spend is recorded in other operating expenses in the surplus / (deficit) within the Statement of Comprehensive Revenue and Expense and a transfer is recorded from the maintenance reserve to accumulated funds.

28. Reconciliation of net surplus / (deficit) after tax to net cash flow from operating activities

	Parent Actual 2017 $000	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Surplus / (deficit) after tax	**39,475**	44,999	**39,177**	44,909
Add / (less) non-cash items:				
Depreciation and amortisation expense	**8,365**	8,718	**8,695**	9,042
Amortisation of redeemable preference shares	**179**	133	**300**	242
Fair value (increase) / decrease on investment property	**(29,608)**	(32,973)	**(29,608)**	(32,973)
Movement in deferred tax through surplus	**(1,430)**	(1,041)	**(1,495)**	(1,104)
Add/(less) items classified as investing or financing activities				
Capital expenditure funding from Auckland Council recognised as revenue	**(9,025)**	(11,868)	**(9,025)**	(11,868)
Add / (less) movements in working capital items:				
Debtors and other receivables (excluding related party)	**(263)**	(1,556)	**(175)**	(1,420)
Investing activities included in debtors and other receivables	**-**	23	**-**	23
Creditors and other payables (excluding related party)	**(14,218)**	20,194	**(14,175)**	20,232
Investing activities included in creditors and other payables	**2,000**	(2,832)	**2,000**	(2,832)
Related party receivables and payables	**22,438**	(14,893)	**22,169**	(15,130)
Financing activities included in related party receivables and payables	**(24,120)**	14,591	**(24,120)**	14,591
Current tax	**-**	(9)	**19**	(9)
Other current liabilities	**-**	-	**365**	367
Employee entitlements	**392**	750	**392**	750
Net cash inflow / (outflow) from operating activities	**(5,815)**	24,236	**(5,481)**	24,820

29. Capital commitments and operating leases

a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:	**Parent Actual 2017 $000**	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Investment property	5,533	**16,933**	5,533	16,933
Property, plant and equipment	2,645	**2,631**	2,645	2,631
Total capital commitments	8,178	**19,564**	8,178	19,564

The above balances have been committed in relation to future expenditure on capital projects. Amounts already spent are included in investment property or property, plant and equipment.

29. Capital commitments and operating leases (cont.)

b) Operating leases as lessee

The Group leases two properties & some equipment in the normal course of its business. The future aggregate minimum lease payments payable under non cancellable operating leases are as follows:

	Parent Actual 2017 $000	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Less than one year	**2,135**	1,248	**2,135**	1,248
Between one and five years	**9,086**	1,376	**9,086**	1,376
More than five years	**5,544**	1,706	**5,544**	1,706
Total non-cancellable operating leases as lessee	**16,765**	4,330	**16,765**	4,330

Leases can be renewed at the group's discretion, with rents set by reference to current market rates for items of equivalent age and condition. There are no restrictions placed on Panuku and Group by any of the leasing arrangements.

c) Operating leases as lessor

The Group leases out investment property and some commercial property. The leases contain non cancellable periods ranging from 1 month to 90 years. Subsequent renewals are negotiated with the lessee. The future aggregate minimum lease payments to be collected under non cancellable operating leases are as follows:

	Parent Actual 2017 $000	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Less than one year	**7,919**	8,641	**7,919**	8,641
Between one and five years	**30,199**	30,416	**30,199**	30,416
More than five years	**35,638**	42,628	**35,638**	42,628
Total non-cancellable operating leases as lessor	**73,756**	81,685	**73,756**	81,685

No contingent rents have been recognised in the statements of comprehensive income during the period.

Not included in the table above are operating leases that have been prepaid by lessees and are held on the statement of financial position within revenue in advance. The lease revenue will be recognised as follows:

	Parent Actual 2017 $000	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Less than one year	**513**	508	**513**	508
Between one and five years	**2,051**	2,533	**2,051**	2,533
More than five years	**18,583**	18,620	**18,583**	18,620
Total non-cancellable operating leases as lessor (prepaid)	**21,147**	21,661	**21,147**	21,661

30. Related party transactions

The group contains subsidiaries as set out in note 17. Auckland Council is the ultimate parent of the Group as outlined in note 1. Auckland Council has other CCOs that Panuku has transacted with during the period including Auckland Transport, Regional Facilities Auckland, Auckland Tourism Events and Economic Development Limited and Watercare Limited. In addition Panuku has also transacted with Ports of Auckland Limited, which is a subsidiary of Auckland Council Investments Limited, another CCO of the Auckland Council.

Related parties include subsidiaries, associates, joint ventures, key management personnel, the Directors of the Board and their close family members and entities controlled by them. Key management personnel are the Chief Executive and the executive leadership team. Close family members include spouses or domestic partners, children and dependants.

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

31. Contingencies

There are no contingent liabilities or contingent assets

32. Events occurring after balance date

There are no events occurring after the balance date that should be disclosed.

33. Remuneration

Key management personnel includes the Board of Directors and the Senior Leadership Team. The Senior Leadership Team consists of the Chief Executive and direct reports to the Chief Executive.

	Parent Actual 2017 $000	Parent Actual 2016 $000	**Group Actual 2017 $000**	Group Actual 2016 $000
Key management personnel remuneration				
Senior Leadership Team (7 FTE)	**2,788**	2,317	**2,788**	2,317
Board of Directors – Panuku Development Auckland Limited (2 FTE) *	**552**	529	**552**	529
Board of Directors – Westhaven Marina Limited	**23**	21	**23**	21
Board of Directors – Downtown Marinas Limited	**-**	-	**3**	2
Total key management personnel remuneration	**3,363**	2,867	**3,366**	2,869

* The Board Directors FTE is based on the assumption that each of the eight Directors work an average of one week in each month preparing for, and attending, Board and sub committee meetings.

33. Remuneration (cont.)

	Parent Actual 2017 $000	Parent Actual 2016 $000	Group Actual 2017 $000	Group Actual 2016 $000
a) Senior Leadership Team Remuneration				
Salary and other short-term employee benefits	**2,788**	2,317	**2,788**	2,317
Total Senior Leadership Team remuneration	**2,788**	2,317	**2,788**	2,317
b) Board of Directors Remuneration – Panuku Development Auckland Limited				
Current directors				
Richard Aitken (appointed 1 Sep 2015 – Chair from May 2016)	**107**	63	**107**	63
Susan Macken (appointed 1 Nov 2014 – Deputy Chair from Apr 2017)	**57**	52	**57**	52
Anne Blackburn (appointed 1 Sep 2015)	**61**	50	**61**	50
Evan Davies (appointed 6 Dec 2010)	**61**	57	**61**	57
Richard Leggat (appointed 1 Nov 2014 – Chair Jul 2015 to Aug 2015)	**61**	63	**61**	63
Paul Majurey (appointed 1 Sep 2015)	**62**	50	**62**	50
Mike Pohio (appointed 1 Sep 2015)	**62**	45	**62**	45
Martin Udale (appointed 1 Sep 2015)	**53**	44	**53**	44
Directors now retired				
Sir John Wells (appointed 1 Sep 2015 – retired 30 Nov 2016)	**28**	82	**28**	82
Ngarimu Blair (retired 31 Aug 2015)	**-**	7	**-**	7
Christine Caughey (retired 31 Aug 2015)	**-**	8	**-**	8
Terry Kayes (retired 31 Aug 2015)	**-**	8	**-**	8
Total Board remuneration – Panuku Development Auckland	**552**	529	**552**	529

33. Remuneration (cont.)

b) Board of Directors Remuneration – Westhaven Marina Limited

Stephen Mills	**15**	15	**15**	15
Terry Kayes	**8**	6	**8**	6
Richard Leggat	**-**	-	**-**	-
Total Board remuneration – Westhaven Marina Limited	**23**	21	**23**	21

Remuneration for directors of Westhaven Marina Limited is paid by Panuku Development Auckland Limited.

c) Board of Directors Remuneration – Downtown Marinas Limited

Terry Kayes	**-**	-	**3**	2
Richard Leggat	**-**	-	**-**	-
Total Board remuneration – Downtown Marinas Limited	**-**	-	**3**	2

33. Remuneration (cont.)

d) Employee Remuneration

The table below shows the number of employees or former employees who received remuneration of $100,000 or more during the year within specified $10,000 bands.

This table shows remuneration paid to staff members in the year. Waterfront Auckland merged with Auckland Council Property Limited on 1 September 2015 to form Panuku. 13 staff included in the 2016 column below who joined the company from the merger are represented with 10 months of their annual salary. If the remuneration paid to staff in July and August 2015 while employed by Auckland Council Property Limited was taken into account, the total number of staff disclosed in this table for 2016 would increase from 39 to 46."

	Number of Employees	
	2017	2016
$100,000-$109,999	7	6
$110,000-$119,999	5	4
$120,000-$129,999	9	4
$130,000-$139,999	9	4
$140,000-$149,999	4	3
$150,000-$159,999	2	2
$160,000-$169,999	4	-
$170,000-$179,999	1	4
$180,000-$189,999	1	3
$190,000-$199,999	1	1
$200,000-$209,999	3	-
$210,000-$219,999	1	1
$220,000-$229,999	2	-
$230,000-$239,999	2	-
$240,000-$249,999	-	-
$250,000-$259,999	-	1
$260,000-$269,999	2	-
$270,000-$279,999	1	-
$280,000-$289,999	-	-
$290,000-$299,999	2	1
$300,000-$309,999	1	1
$310,000-$319,999	-	-
$320,000-$329,999	1	2
$330,000-$339,999	-	-
$340,000-$349,999	-	1
$380,000-$389,999	1	-
$420,000-$429,999	1	-
$540,000-$549,999	1	-
$580,000-$589,999	-	1
Total employees who received $100,000 or more	61	39

34. Financial risk management

Development Auckland and the group's activities expose it to a variety of financial risks: market risk, liquidity risk and credit risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Development Auckland's treasury management is carried out under a shared service agreement by Auckland Council. The treasury management policy incorporates a liability management policy and an investment policy. These policies do not allow any transactions that are speculative in nature to be entered into.

i) Carrying amount and fair value of financial assets and liabilities of the Parent	Carrying Amount		Fair Value	
	2017 $000	2016 $000	**2017 $000**	2016 $000
Financial assets				
Cash and cash equivalents	**2,369**	3,273	**2,369**	3,273
Loans and receivables				
Debtors and other receivables	**12,967**	35,861	**12,967**	35,861
Total financial assets	**15,336**	39,134	**15,336**	39,134
Financial liabilities				
Financial liabilities at amortised cost				
Creditors and other payables	**12,374**	26,482	**12,374**	26,482
Borrowings	**–**	23,000	**–**	23,000
Total financial liabilities	**12,374**	49,482	**12,374**	49,482
Net financial assets / (liabilities)	**2,962**	(10,348)	**2,962**	(10,348)

ii) Carrying amount and fair value of financial assets and liabilities of the Group	Carrying Amount		Fair Value	
	2017 $000	2016 $000	**2017 $000**	2016 $000
Financial assets				
Cash and cash equivalents	**5,142**	5,712	**5,142**	5,712
Loans and receivables				
Debtors and other receivables	**12,967**	35,861	**12,967**	35,861
Total financial assets	**18,109**	41,573	**18,109**	41,573
Financial liabilities				
Financial liabilities at amortised cost				
Creditors and other payables	**7,761**	22,138	**7,761**	22,138
Borrowings	**–**	23,000	**–**	23,000
Total financial liabilities	**7,761**	45,138	**7,761**	45,138
Net financial assets / (liabilities)	**10,348**	(3,565)	**10,348**	(3,565)

34. Financial risk management (cont.)

b) Liquidity risk

Contractual maturity analysis of financial assets and liabilities

The table below analyses Panuku's financial assets and liabilities into relevant maturity groupings based on the period remaining at balance date until the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

i) Contractual maturity analysis of financial assets and liabilities of the Parent

	On demand	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash inflow / (outflow)	Carrying amount (assets) / liabilities
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
30 June 2017								
Financial assets								
Cash and cash equivalents	2,369	-	-	-	-	-	**2,369**	**2,369**
Debtors and other receivables	11,010	420	107	882	221	327	**12,967**	**12,967**
Total financial assets	13,379	420	107	882	221	327	**15,336**	**15,336**
Financial liabilities								
Creditors and other payables	12,374	-	-	-	-	-	**12,374**	**12,374**
Total financial liabilities	12,374	-	-	-	-	-	**12,374**	**12,374**
30 June 2016								
Financial assets								
Cash and cash equivalents	3,273	-	-	-	-	-	**3,273**	**3,273**
Debtors and other receivables	-	35,474	36	59	172	120	**35,861**	**35,861**
Total financial assets	3,273	35,474	36	59	172	120	**39,134**	**39,134**
Financial liabilities								
Creditors and other payables	-	26,482	-	-	-	-	**26,482**	**26,482**
Borrowings	-	591	23,340	-	-	-	**23,931**	**23,000**
Total financial liabilities	-	27,073	23,340	-	-	-	**50,413**	**49,482**

34. Financial risk management (cont.)

ii) Contractual maturity analysis of financial assets and liabilities of the Group

	On demand	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash inflow / (outflow)	Carrying amount (assets) / liabilities
	$000	$000	$000	$000	$000	$000	$000	$000
30 June 2017								
Financial assets								
Cash and cash equivalents	5,142	-	-	-	-	-	**5,142**	**5,142**
Debtors and other receivables	11,010	420	107	882	221	327	**12,967**	**12,967**
Total financial assets	16,152	420	107	882	221	327	**18,109**	**18,109**
Financial liabilities								
Creditors and other payables	7,761	-	-	-	-	-	**7,761**	**7,761**
Total financial liabilities	7,761	-	-	-	-	-	**7,761**	**7,761**
30 June 2016								
Financial assets								
Cash and cash equivalents	5,712	-	-	-	-	-	**5,712**	**5,712**
Debtors and other receivables	-	35,474	36	59	172	120	**35,861**	**35,861**
Total financial assets	5,712	35,474	36	59	172	120	**41,573**	**41,573**
Financial liabilities								
Creditors and other payables	-	22,138	-	-	-	-	**22,138**	**22,138**
Borrowings	-	591	23,340	-	-	-	**23,931**	**23,000**
Total financial liabilities	-	22,729	23,340	-	-	-	**46,069**	**45,138**

35. Capital management

Panuku's capital is its equity which comprise accumulated funds. Equity is represented by net assets. Panuku manages its revenues, expenses, assets, liabilities and general financial dealings prudently to meet its long term objective and in a way that promotes the current and future interests of the community. Equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities and general financial dealings. Panuku is implementing asset management plans for major classes of assets detailing renewal and maintenance programmes.

Panuku is required by Auckland Council to maintain an 'equity to total assets' ratio of not less than 60%.

	Parent 2017 $000	Parent 2016 $000
Equity	693,270	640,595
Total assets	731,411	717,652
Equity to total assets	95%	89%

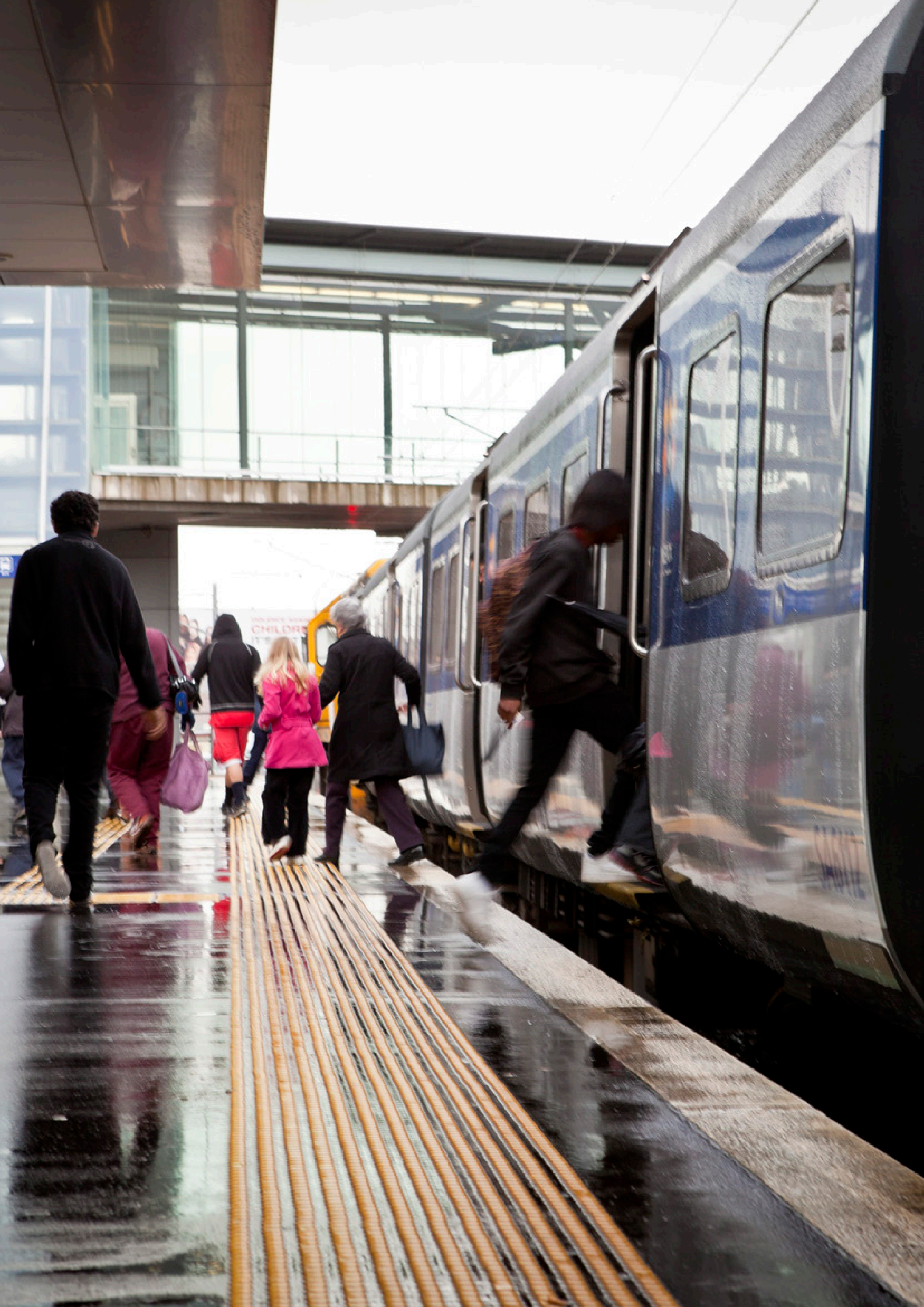
36. Explanation of major variances to budget

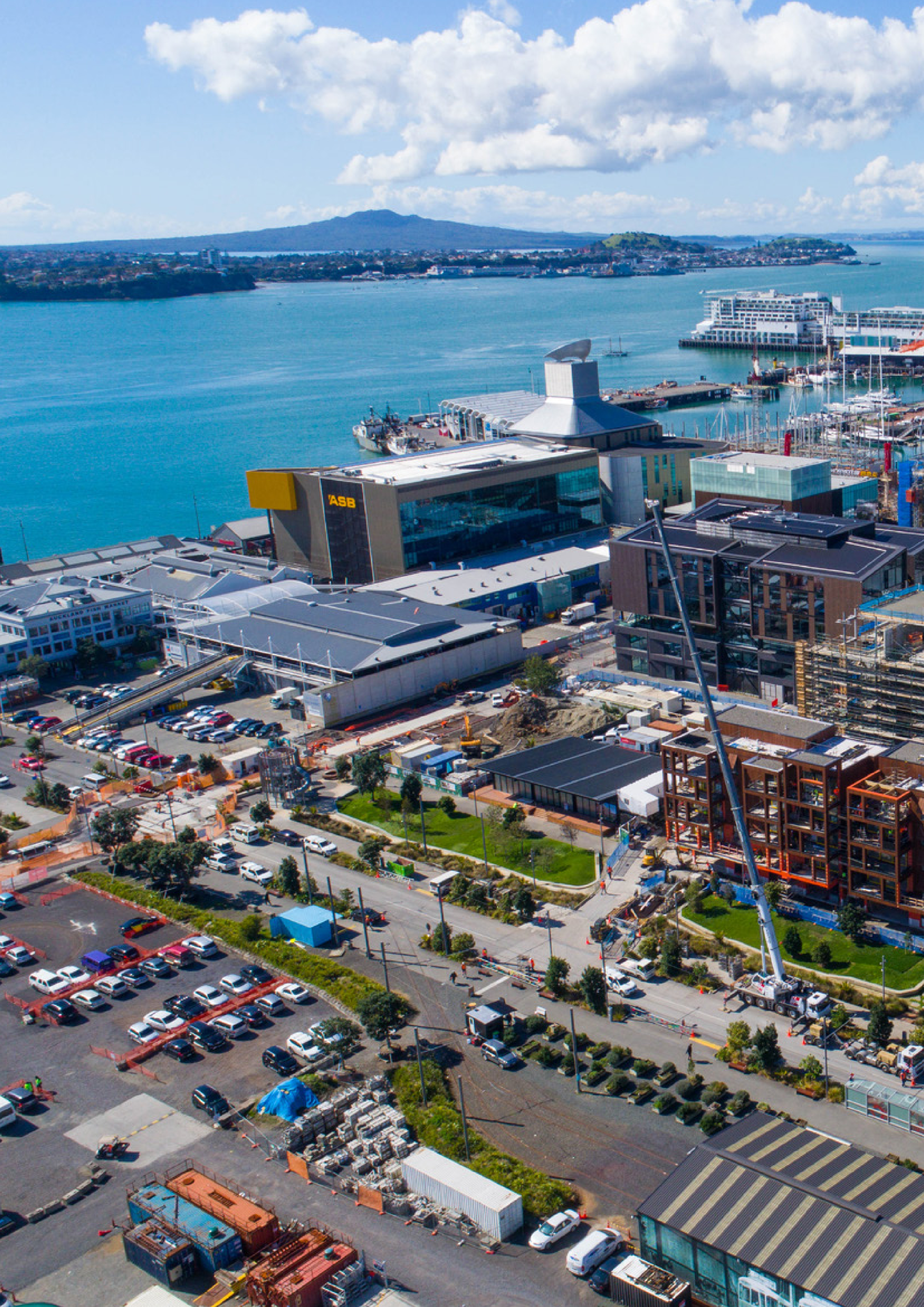
As a CCO, Panuku agrees its budget each year with the shareholder Auckland Council and publishes the budget in the Statement of Intent. The following table shows a high level comparison of actual financial performance to budget.

	Group Actual 2017 $000	Group Budget 2017 $000	**Favourable / (unfavourable) Variance $000**	Note
Revenue				
Rental and other revenue	**59,608**	73,865	**(14,257)**	1
Interest income	**719**	63	**656**	
Other gains / (losses)	**29,607**	–	**29,607**	2
Total income	**89,934**	73,928	**16,006**	
Expenses				
Personnel	**19,792**	19,875	**83**	
Depreciation and amortisation	**8,696**	11,182	**2,486**	
Interest expense	**993**	3,300	**2,307**	3
Other operating expenses	**22,771**	28,768	**5,997**	4
Total expenditure	**52,252**	63,125	**10,873**	
Surplus / (deficit) before tax	**37,682**	10,803	**26,879**	
Income tax (benefit) / expense	**(1,495)**	–	**1,495**	2
Surplus / (deficit) after tax	**39,177**	10,803	**28,374**	
Other comprehensive revenue and expense				
Gains on revaluation of property, plant and equipment	**147**	–	**147**	2
Tax on revaluation gains	**(41)**	–	**(41)**	2
Total other comprehensive income	**106**	–	**106**	
Total comprehensive income	**39,283**	10,803	**28,480**	

Notes

1. Capital expenditure funding was budgeted at $20.234m for the year. The actual revenue recognised was $9.025m as some capital expenditure projects are deferred to future years.
2. Panuku does not budget for non-cash revaluations of investment property, revaluations of property, plant and equipment and related movements in deferred tax.
3. The budget assumed that interest would be paid on some of the capital expenditure funding from Council. This funding was instead offset by amounts receivable from Auckland Council and no interest was charged. In addition the borrowings were switched to short-term debt with a lower interest rate in March 2017 in preparation for repayment of the debt which occurred in June 2017.
4. The budget does not eliminate intra-entity transactions between Panuku and its subsidiaries. If these were eliminated, the actual operating expenses would be $2.83m lower than budget. Consultants costs for acquisition and disposals undertaken on behalf of Auckland Council were lower than budgeted.

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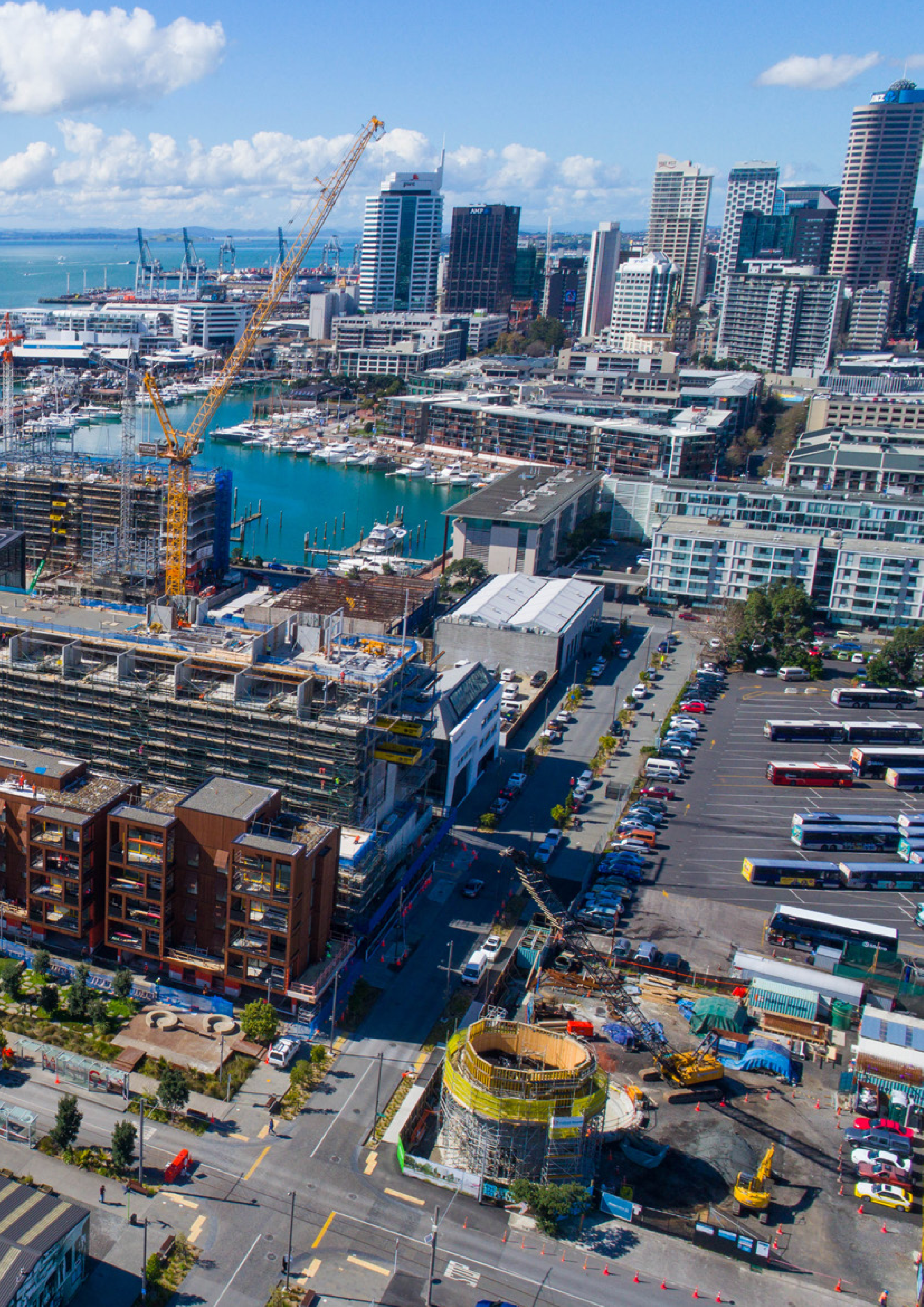


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