Annual Report 2017-18

Panuku Development Auckland
An Auckland Council Organisation


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Highlights 2017

July

A regeneration plan for Old Papatoetoe is given the go ahead by the Auckland Council Planning Committee.

August

Resource consent is granted to build 40 new homes in central Henderson as part of the Haumaru Housing portfolio of homes for older people.

October

Panuku commits to new homes built across Transform and Unlock locations to be 6 Homestar ensuring high standards for energy efficiency.

November

A plan to redevelop Avondale as a quality residential neighbourhood with new open spaces is approved by the Planning Committee.

December

The first residents as part of the Panuku-led revitalisation of Wynyard Quarter move into their new homes.

December

Designs are invited to redevelop two Henderson carparks as part of the global C40 initiative to encourage low carbon development.

Highlights 2018

January
The first of 102 homes are completed at the Airfields precinct in Hobsonville Point.

February
The upgrade of Putney Way into a pedestrian-friendly main street for central Manukau gets underway.

March
A plan to revitalise Panmure town centre is given the green light by the Planning Committee.

March
Carparks are removed from the Eastern Viaduct allowing the area to be better used as a public space.

May
A new residential neighbourhood is announced for the Barrowcliffe site in Manukau, with at least half of the 300 homes to be affordable.

June
More than two million people visited the city waterfront throughout the year.

Contents

1. Chair's report

My term as chair finishes in a couple of months, and the end of a chapter always brings with it a chance to reflect. It's a time to reflect on my two years as Panuku chair as well as my time on the boards of both Panuku and its predecessor Auckland Council Property Limited.

It's been a stimulating, exciting and challenging time looking at many complex issues and deciding with my fellow directors and management the best ways forward. We must always be conscious of the importance of budget constraints, stakeholder expectations and achieving both social outcomes and quality urban redevelopment.

I think we have now reached a point where Panuku is making a real difference. Our expertise is incredibly valuable to the council family and plays an important part in helping our city face the challenges of phenomenal growth.

We must continually look to the future so that our redevelopment activities are catalysts for others. As we move into the outcomes phase for many of our developments, there is a wide variety of projects that will not only make a difference to these communities in the short to medium term but will leave a legacy for their long-term futures.

I am impressed with the sustainability initiatives that we're driving and the purchase of strategic assets like Onehunga Wharf as well as something as simple as ensuring we deliver open spaces in the right place.

It's certainly been a time of change in my two years as chair. Not long after I took the role the city voted in a new mayor who immediately announced housing alongside transport as his top two priorities.

A year later we had a new coalition Government who also stated housing would be one of their top priorities. We've witnessed this housing focus in recent months with KiwiBuild announcements alongside the Crown's long-held desire to bolster their role in urban regeneration.

Most importantly the new Government has expressed a keen interest in some of our locations, with an eagerness to deliver more than our initial plans. We look forward to turning this eagerness into action and tapping into the significant resources the Crown has at its fingertips.

I expect the relationship between ourselves and the Crown to strengthen and grow in importance as we deliver on the outcomes both parties are seeking.

More communities are looking to us for regeneration in their neighbourhoods. In theory it would be nice to expand our list of priority locations, but I'm always conscious of our responsibilities to ensure we deliver on the commitments we have made. That is why partnerships are so critical to our business be it with Government, the private sector or iwi.

On a personal note I have thoroughly enjoyed being part of the Panuku whānau and I feel I've helped Auckland in a small way to face the challenges ahead.

I'd like to thank my fellow board members, CE Roger MacDonald, the Executive Leadership Team, our incredibly hard working staff and all our partners that we work hand in hand with. I wish everyone a successful future as they make an increasing difference to Auckland.

Richard Aitken
Chair

2. Chief Executive's report

As we head towards our third birthday, we have built a strong platform, enabling Panuku to move from planning to implementation in most of our priority locations.

With the move to the delivery phase across our Transform and Unlock locations comes rising expectations, from both elected members and our communities who want to see some of the Panuku outcomes that have won us awards in Wynyard Quarter applied in their neighbourhood.

Like most public sector agencies, we have to deliver more with less. Our challenge is to 'think outside the box' to deliver innovative ways of implementing our comprehensive programmes and public good works (walking and cycling promenades, town squares and green spaces).

Kiwi nuclear physicist Ernest Rutherford once said "We haven't got the money, so we'll have to think" and that's exactly what we are doing at Panuku.

A new strategy we developed to support our programme was to consider a reinvestment approach, where any funds from sales could be ring fenced and used to fund those public good projects.

What this means is that money from property sales in our Transform and Unlock development locations can be used to fund our work across any of those priority locations. This approach has now been endorsed, providing Panuku with the ability to target the greatest need and opportunity.

It's incredibly important that Panuku strikes the right balance to support redevelopment across Auckland. A three-year reinvestment package was agreed and incorporated into the council's Long-term Plan.

A growing focus of our work is partnering with the Government to advance shared urban development and housing objectives, such as enabling KiwiBuild homes and the Auckland Housing Programme.

We are looking to work more closely together with the government in our Manukau Transform location, using lessons learnt in other locations.

Another successful partnership is with mana whenua iwi to enable them to seize commercial opportunities with us.

An important milestone in our Onehunga location was to reach agreement with Ports of Auckland to acquire the Onehunga Wharf land. This will provide a huge opportunity to help regenerate the Onehunga town centre and foreshore.

A core tenet of redevelopment done well, is ensuring new neighbourhoods are healthy and resilient – making sustainability a key consideration.

This year Panuku became the first organisation globally to be pre-awarded credits on a volume basis under Green Star Communities, an international rating tool to guide sustainable precinct planning and design.

Our commitment to 6 Homestar for all our Transform and Unlock locations continues, with Avanda becoming the first developer to achieve 6 Homestar using a bespoke Panuku tool, for designs at the Airfields in Hobsonville Point. This quality-assurance mark ensures good energy and water efficiency, among other outcomes.

Another project where we're striving for international best practice is the building of the team bases for the America's Cup in 2021. This will be delivered through a public-private partnership approach by Wynyard Edge Alliance.

Ngā mihi mahana

Roger MacDonald
Chief Executive

3. What we do

Panuku Development Auckland is a Council Controlled Organisation (CCO) of Auckland Council. It was established in September 2015 as a result of the merger of two CCOs. 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.

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 CCOs, 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 200 staff work for Panuku across seven directorates.

Strategy and Operations

Our Strategy and Operations Directorate, led by Chief Operating Officer David Rankin, articulates our vision and key strategies through a strategic framework. The team focuses on identifying property opportunities to progress our vision, and then prioritises and mandates those opportunities, particularly in our key locations. The team is also responsible for the Panuku programme management function, which supports all our teams to deliver our programme of projects.

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 the 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 Affairs

Our 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.

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.

People and Culture

Our People and Culture Directorate, led by Monica Ayers, drives business performance through strategic human resources activity. This starts with effective workforce planning, followed by a focus on talent attraction and retention to keep pace with business growth. Organisation development initiatives are designed to improve culture, engagement, leadership and employee capability in line with our strategic objectives. Panuku leverages Auckland Council's shared services including payroll and recruitment.

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. How we do it

The broad approach at Panuku 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, Panmure 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, Ōtāhuhu, Howick and Pukekohe.

5. Where we're working

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

6. Priority development locations

Transform

Great progress has been made in the last 12 months across all three Transform locations.

In **Manukau**, a major new housing development was announced for a five hectare site in Barrowcliffe Place. With 300 homes, the new neighbourhood called Kōtuitui Place will be an important contribution to the area's redevelopment providing a new residential community close to the city centre. Importantly, at least half of the homes will be part of an affordable housing scheme with a range of purchase models including rent-to-buy and shared equity ensuring a mixed and diverse community.

Panuku has entered into agreements with Te Ākitai Waiohua and the Puhinui Park Ltd partnership of the New Zealand Housing Foundation, Te Tumu Kainga and CORT Community Housing, to build the neighbourhood. Earthworks started in February and construction is expected to begin later in 2018 with completion of the homes required within five years.

The journey to create a thriving heart for Manukau also stepped up a gear in the financial year with the upgrade of Putney Way transforming the road into more of a pedestrian-friendly main street with native planting, safer lighting and artworks designed with local community input. The new Manukau Bus Station was also unveiled in early 2018. With room for 23 buses and handling around 5500 passengers a day, the new transport hub will make Manukau more connected than ever to the rest of the region.

In central Auckland, the ongoing transformation of **Wynyard Quarter** took a major symbolic step forward with the first residents moving into 28 homes in Wynyard Central in December. The homes are the first of about 350 dwellings being built by our development partner, Willis Bond. Another 139 homes are expected to be completed in September.

On the eastern edge of the Quarter, the five-star Park Hyatt hotel overlooking Viaduct Harbour is taking shape with the façade of the 195-room hotel being wrapped around the seven-storey building. The hotel is due to be completed in May 2019.

Meanwhile, an agreement was reached with leading marine services company Orams to develop a new marine refit facility on the western edge of the Quarter. The proposed development will feature a superyacht haul out facility for vessels up to 620 tonnes and is part of the ongoing commitment to retain a vibrant marine industry in the area.

In the third transform location, **Onehunga,** the wharf was acquired by Auckland Council right at the end of the financial year in a move that will be critical to the revitalisation of Onehunga over the next 30 years.

The vision for the wharf is that it will be transformed into a new community with homes, cafes, retail and public space, while retaining its seafaring history and spirit.

Public events or development on the site are up to five years away, as there is a lot of behind-the-scenes work to do including negotiating usage with other key players such as NZTA and undertaking maintenance.

Also in Onehunga work continues behind the scenes with key local stakeholders and major property owners to identify opportunities as part of the area's redevelopment. Early placemaking initiatives led by Panuku are having a positive impact, with the set-up of the 312 Hub – an art gallery, creative studio and shared space for youth, budding artists and musicians.

Unlock

In March 2018 a "change of use" for 40 Anzac Street in **Takapuna** was granted by Auckland Council's Planning Committee, meaning the site can be used for purposes other than car parking. The decision is a critical one for unlocking the potential of the rapidly growing seaside suburb and paves the way for the site to be developed into a town square in the heart of Takapuna. Extensive engagement continues to help identify development outcomes that are beneficial to the wider community including business and residents.

In the east, the plan to revitalise the **Panmure** town centre was given the green light. This step gives Panuku the mandate to reinvigorate Panmure's main street, reconnect the community with its surrounding natural features and work with Auckland Transport to improve connections to and from the town centre. It will also ensure any revitalisation of Panmure complements what's already underway in the nearby suburbs of Point England and Glen Innes led by the Tāmaki Regeneration Company.

Further west the redevelopment plan for the **Avondale** town centre was also approved, allowing Panuku to work closely with the local board and community to plan for new homes, retail and eateries, a community facility and to implement a retail strategy to attract new businesses. The successful purchase of a strategic site in the town centre in May is also expected to help unlock development opportunities. Construction is nearly complete at a 72-apartment development in Racecourse Parade helping to create a new residential catchment to activate the town centre. Thirty three new homes in Trent Street were completed in early 2018 through a partnership with New Zealand Housing Foundation, including 22 homes offered to first home buyers under its affordable equity or affordable rental programme.

In **Henderson**, Panuku has attracted strong global interest from designers and architects with plans to develop two under-used car parks into Auckland's most innovative low-carbon residential development as part of the global C40s Reinventing Cities Competition.

First designs were revealed for at least 50 new homes to be built at Henderson Valley Road on adjacent land to a new village of homes for older people that is underway (see below section on Housing for Older People). The creation of new public spaces for the area received a boost with Henderson-Massey Local Board allocating $2.5 million of discretionary funds for the Opanuku Link Project. The initiative is part of the over-arching plan to transform Henderson into an urban eco-centre and will connect Opanuku Reserve, Henderson Park and Corban Estate Arts Centre to the town centre through walking and cycling infrastructure.

In the north-west, the first of 102 homes has been completed at the Airfields precinct in **Hobsonville Point**, developed by AV Jennings and designed and built by GJ Gardner. Development of stage two with Avanda is underway, with works expected to be started in the next few months.

In the south, a number of tenants have moved into the upgraded **Old Papatoetoe** Mall which is almost complete. The refreshed mall has new spaces for retailers and a medical hub.

Support

A 2700sqm public reserve and children's playground in the new subdivision at Link Crescent in **Stanmore Bay** opened and the construction of the first homes got underway in January. Panuku is working with development partner McConnell Property on the 60 lot Mariner Rise subdivision.

7. Property management and other key projects

Property management

Panuku manages non-service properties on behalf of Auckland Council and Auckland Transport. It also manages a portfolio of assets in the city centre waterfront which it owns. These may be properties that have been purchased for a future use such as transport infrastructure upgrades but aren't currently required, or they may be properties that council intends to hold indefinitely.

Our current property portfolio consists of more than 900 properties worth around $2 billion and includes:

- industrial sites and buildings
- retail tenancies
- cafes and restaurants
- offices
- residential property
- land
- campgrounds
- quarries and landfills

Panuku manages around 1000 leases, which generate about $60 million annually. There are 877 leases managed on behalf of council that deliver $44.9 million in revenue, while there are 83 leases of Panuku-owned property generating $13.7 million.

We also manage relationships with external landlords when council itself is the tenant.

Our aim is to manage these properties in a smart way, to generate income for council and offset its costs, and add value to council property assets.

Marinas

At Westhaven, three significant projects are approaching construction: the Westhaven Marine Village, a project to increase capacity at Westhaven and create a new public headland, and the second and final stage of the Westhaven Promenade. Planning has also begun for the Skypath enabling works which will include reconfiguration of the park and road to the west of the Harbour Bridge, and remediation of the sea wall on the northern side to prevent inundations due to climate change.

The water quality at St Mary's Bay has also been a key focus and Auckland Council's St Marys Bay-Masefield Beach Water Quality Improvement Project is in the resource consent process.

Meanwhile, all three marinas (Westhaven, Viaduct and Silo) remain at operational full capacity, revenue is strong, and the team continues to deliver excellent and improving customer satisfaction results. At Westhaven, ongoing engagement with berth holders and a wide range of stakeholders remains a focus to ensure that the marina can perform highly both as a world class marine hub, and as a public space that is enjoyed by more Aucklanders each year.

Property acquisitions and disposals

Panuku manages property acquisitions and disposals on behalf of council with the exception of properties that need to be acquired for Auckland Transport projects. In 2017-18 Panuku acquired 25 properties worth $38.7 million on behalf of council. These properties will help the council deliver important projects including open space and stormwater.

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 net sale proceeds achieved from actual property sales. In 2017-18 Panuku recommended $88 million of sales to council (above the Statement of Intent target of $60 million). Panuku also completed 24 unconditional sales generating net proceeds of $231 million (above the SOI target of $100 million).

In addition to the acquisitions and disposals referred to above, Panuku completed the negotiations on behalf of council of the Three Kings land exchange. This exchange will deliver a much improved Three Kings Reserve, and facilitate the comprehensive redevelopment of the Three Kings Quarry for housing by Fletcher Residential.

Panuku also acted for council in the negotiation of compensation for land required by the Crown (NZTA) at Constellation Reserve, Rosedale to improve the motorway interchange between SH18 and SH1.

Transforming Auckland's waterfront

Panuku is helping to progress the next stage of the development to enhance Auckland's city centre and waterfront. A package of proposed projects advanced by Auckland Council in September last year will help cater for the increasing number of people arriving into Auckland and includes plans for a new ferry terminal, new cruise ship infrastructure and a new public space along the water's edge.

Panuku has also led the transformation of Eastern Viaduct from a public car park to a new piece of public space, prioritising it for pedestrians and cyclists. This prime piece of the waterfront connects Quay Street to Te Wero Island and has quickly become a popular new public space to test urban design ideas with a range of activations from a BMX pump track to a gigantic dining table for public use.

With Auckland confirmed as the venue for the next America's Cup regatta in 2021, early planning is underway for a range of works including an extension of Hobson Wharf, and five additional syndicate team bases adjacent to Wynyard Wharf. Panuku is working closely with other agencies involved to ensure longer term benefits beyond Auckland's hosting of the regatta. This includes helping to ensure the works contribute positively to the transformation of Wynyard Point into a signature public space and that the water space occupied by the syndicates can have on-going future use for other maritime events such as dragon boats and waka ama.

Ongoing maintenance and improvement of our historic wharves remains a focus, with significant remediation of both Hobson Wharf and Te Wero Wharves completed.

Haumaru Housing for older people

Construction has begun on a new village in Henderson that will take the Haumaru Housing portfolio of homes for older people to 1452 across the region. The village is located at 33 Henderson Valley Road and consists of 40 one-bedroom units within a single four-storey building underpinned by a bespoke architectural design approach. The redevelopment of the wider Henderson site also includes the creation of at least 50 terraced houses suitable for families with returns from the development being reinvested back into the village for older people.

Panuku continues to work with Haumaru Housing for future redevelopment opportunities across the portfolio.

Sustainability

Panuku continued to demonstrate a commitment to sustainable residential development in the past financial year, making 6 Homestar a requirement in all Transform and Unlock areas. To smooth the transition, Panuku developed a customised Homestar checklist in partnership with the New Zealand Green Building Council, which included input from across the council family.

The first Homestar rating under this bespoke tool was achieved by Avanda Group at the Airfields in Hobsonville.

Panuku was pleased to achieve 7 Homestar for a 40-unit development in Henderson, the first time Homestar has awarded innovation points for social housing and Te Aranga design. This project for older residents will be managed by Haumaru, the joint venture between Panuku and the Selwyn Foundation.

In May, Panuku became the first organisation internationally to be volume assessed under Green Star Communities, a rating tool for sustainable precincts. This is a valuable endorsement of the Panuku approach to planning, design and engagement across its locations.

Panuku has also explored opportunities for innovation, most notably through taking part in C40's Reinventing Cities initiative. C40 is a network of global cities which collaborate on responses to climate change. Under Reinventing Cities, Auckland nominated two sites in Henderson for international bids to design and develop them with a zero carbon aspiration. Around 11 bids were received from local and international design teams. At the end of 2017-18 these were being shortlisted, prior to the Request for Proposals stage opening in September.

Rod Marler (left)
John Carter (right)

Panuku wins...

Design and Place Director Rod Marler won the Urban Design Award at the Auckland Property People Awards in October 2017.

Nominated for his unique ability to articulate a vision and champion the transformation of Wynyard Quarter, the Urban Design Award identifies Rod as a thought leader in the urban design space.

Panuku graduate Tessa Meyer was a finalist for the Young Achiever of the Year Award.

Senior Project Planning Leader John Carter won a prestigious award in March 2018 for his work on the rejuvenation of Avondale.

The Best Practice Award: District/ Strategic Planning and Guidance Award was given by the New Zealand Planning Institute for the overarching plan he wrote for the area.

8. Financial summary

For the year ended 30 June 2018, Panuku achieved a net surplus of $10.2 million. Due to the way Auckland Council funds the capital expenditure of Panuku, this was less than budget, however if we remove capital funding and the non-cash impact of investment property revaluations, the net surplus was $9 million better than budget. Further explanation of the variances between our actual and budget financial performance are explained in the notes to the financial statements.

The Panuku capital expenditure for the year was $12.3 million. Major projects progressed this year include the upgrades of Madden and Pakenham streets in Wynyard Quarter, the new public information kiosk located in Karanga Plaza and the build of Tīramarama public laneway located between the Precinct and Willis Bonds developments in Wynyard Quarter.

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.

9. Governance

Panuku is governed by a Board of seven directors with a range of experiences and knowledge. There were eight Panuku Board members until 30 October 2017, when Anne Blackburn and Evan Davies' terms expired. David Kennedy joined the board on 1 November 2017.

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 the 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 are the following committees:

- *Audit and Risk Committee* – to provide assurance and assistance to the Board on Panuku risk, control and compliance framework; health and safety including strategy, culture and processes; internal and external audit; and its external accountability responsibilities.
- *Remuneration Committee* – to monitor the Chief Executive's performance and approving remuneration for the Chief Executive and the Executive Leadership Team.
- *Transformation Committee* – to provide governance direction to the Executive Leadership Team with respect to matters arising from the Transform and Unlock priority location areas.

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 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 1100 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.

Dr Susan Macken
Deputy Chair

Susan has BSc and BCom degrees from Auckland University, and a PhD in Economics from Cambridge University. Susan 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.

Susan is currently Chair of Kiwibank and Deputy Chair of the Tāmaki Redevelopment Company.

David Kennedy
Director

David is Chief Executive of Ngāi Tahu Property, the property company of South Island's Ngāi Tahu Group. He has had significant experience in property, government policy, entertainment industry, strategy development and organisational development and has consulted to industry, particularly with regard to retail and property development. He has also had governance roles in significant commercial joint venture and public companies.

David has had community involvement through his roles as Chair of Counties Manukau Sport and Sportnet, and as a Minister of Social Development-appointed Chair of the Auckland Central Community Response Forum.

Richard Leggat
Director

Richard 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 private sector, government and sporting organisations. Amongst his positions Richard is a Director of Tourism NZ, Education NZ, Warren and Mahoney, Chair of the NZ Cycle Trail, Director of Cycling NZ and Director of SnowSports NZ.

Mike Pohio
Director

Mike is an independent director, serving the boards of KiwiRail, NIWA, OSPRI and Te Atiawa Iwi Holdings. Mike is also Chairman of BNZ Partners, Waikato Region. His executive career has spanned a 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.

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 33 years.

Martin Udale
Director

Martin has more than 30 years' experience in commercial and residential property development and investment in Australia and New Zealand. 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 holds a number of board and governance roles. He is a member of the Property Council of New Zealand and Chair of its Residential Development Council.

9. Governance (cont.)

Directors' attendance at Panuku Board meetings

The following table summarises Directors' attendance at Panuku Development Auckland Board meetings during the 2017-18 year.

	No. of meetings	
Director	Attended	Total
R.H. Aitken	11	11
Dr S.C. Macken	11	11
M.A. Blackburn	3	4
E.W. Davies	3	4
D. I. Kennedy	6	7
R.I. Leggat	11	11
P.F. Majurey	10	11
M.E. Pohio	10	11
C.M. Udale	11	11

Directors' Interests at 27 June 2018

Member	Interest	Company / Entity	Conflicts pre-identified?
Richard H. Aitken	Chair	Panuku Development Auckland Limited	
	Chair	Te Punaha Matatini Advisory Board	
	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	Trust Power Ltd	
	Trustee	BAS Custodian Trust	
	Trustee	Beca Indemnity Fund Custodian Trust	
	Trustee	BGLIR Custodian Trust	
	Trustee	BGL Custodian Trust	
	Trustee	BGS Custodian Trust	
	Trustee and Discretionary Beneficiary	The Glade Trust	
	Trustee	The Sunnybrae Trust	
	Trustee	The Waimarama Trust	

9. Governance (cont.)

Directors' Interests at 27 June 2018

Member	Interest	Company / Entity	Conflicts pre-identified?
Dr Susan C. Macken	Deputy Chair	Panuku Development Auckland Limited	
	Chair	Kiwibank	
	Chair	Spa Electrics Ltd (Aust.)	
	Deputy Chair	Tāmaki Redevelopment Company Ltd	Possible
	Director	Blossom Bear Ltd	
	Director	STG Ltd	
David. I Kennedy	Director	Panuku Development Auckland Limited	
	Director	525 Blenheim Road Limited	
	Director	Cathedral Property Limited	
	Director	Good General Practice Limited	
	Director	Grantley Holdings Limited	
	Director	Hobsonville Development GP Limited	
	Director	New Ground Living (Hobsonville Point) Limited	
	Director	Ngai Tahu Justice Holdings Limited	
	Director	Ngai Tahu Property (CCC-JV) Limited	Possible
	Director	Ngai Tahu Property Joint Ventures Limited	
	Director	Ngai Tahu Property Joint Ventures (No.2) Limited	
	Director	Ngai Tahu Real Estate Limited	
	Director	NTP Development Holdings Limited	
	Director	NTP Investment Holdings Limited	
	Director	NTP Investment Property Group Limited	
	Director	Prestons Road Limited	
Richard I. Leggat	Director	Panuku Development Auckland Limited	
	Chairman	NZ Cycle Trail Incorporated	
	Deputy Chair	Tourism NZ	
	Director	Cycling NZ	
	Director	Education NZ	
	Director	Mortleg Ltd	
	Director	Snowsports NZ	
	Director	Trophy Metropolitan Ltd	
	Director	Warren and Mahoney	
	Director	Winter Games New Zealand	
	Panel Member	NZ Markets Disciplinary Tribunal	
	Member	Union Cycliste Internationale Ethics Commission	

Directors' Interests at 27 June 2018

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

9. Governance (cont.)

Directors' Interests at 27 June 2018

Member	Interest	Company / Entity	Conflicts pre-identified?
Michael E. Pohio	Director	Panuku Development Auckland Limited	
	Chairman	BNZ Partners Waikato	
	Director	KiwiRail Ltd	
	Director	National Institute of Water & Atmospheric Research Ltd	
	Director	NIWA Vessel Management Ltd	
	Director	Ospri New Zealand Ltd	
		National Animal Indentification and Tracing Ltd	
	Director	TBFree	
	Director	Te Atiawa Iwi Holdings	
	Director	Te Atiawa (Taranaki) Holdings Ltd	
C. Martin Udale	Director	Panuku Development Auckland Limited	
	Director	Accessible Properties New Zealand Limited	
	Director	Cardinal Trustees Ltd	
	Director	Essentia Consulting Group Ltd	Possible
	Director	Fleming Urban Ltd	
	Director	Forest Group Ltd	
	Director	Hobsonville Development GP Ltd	
	Director	New Ground Living (Hobsonville Point) Ltd	
	Director	Tall Wood Ltd	
	Director	Tallwood Assembly Limited	
	Director	Tallwood Design Limited	
	Director	Tallwood Holdings Limited	
	Director	Tallwood Projects Limited	
	Director	Tāmaki Redevelopment Company Ltd	Possible
	Director	Tāmaki Regeneration Ltd	
	Director	THA GP Limited	
	Director	TW Twenty Ltd	
	Member	KiwiRail Property Committee	

10. Risk management

Panuku has a comprehensive risk management framework based on the world class standard ISO 31000:2018 'Risk Management Guidelines'. This provides a structured approach to identifying, assessing and managing uncertainties relating to its business objectives.

The significant risks to the company are project funding, property market changes, tighter lending requirements and political decision making, along with the construction and employment markets.

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

11. 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 2018

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 43 to 82, that comprise the statement of financial position as at 30 June 2018, 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 34 to 41.

In our opinion:

- the financial statements of the Company and Group on pages 43 to 82:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with PBE International Public Sector Accounting Standards; and
- the performance information of the Company and Group on pages 34 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 2018.

Our audit was completed on 29 August 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the 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 our opinion

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

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

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

Responsibilities of the 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, 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

12. Statement of service performance

Activities and key performance achievements

Panuku carries out two categories of activities. The first category is Panuku-funded activities. The second category is activities it carries out on behalf of Auckland Council using council funds and assets.

Some of the performance highlights for the year

Panuku activities - a return on equity on commercial assets and services of 11.2% (2.8% above target) and a 90% visitor satisfaction with their experience of the public spaces on the city centre waterfront (15% above target).

Activities carried on behalf of council - include $231 million worth of property sold during the year ($131 million above target), $88 million worth of properties recommended to council for approval to sell ($28 million above target) and returning a net surplus on the property portfolio of $31 million to council ($3.9 million above target).

The full list of performance results against annual targets is included in the table below.

Criteria for performance measures

We have used the following criteria to rate 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 Statement of Intent 2017-2020: Non-financial performance measures

Service Level Statement		Measure	Actual 2016-17	Target 2017-18	Actual 2017-18 Status	Actual 2017-18 Result	Commentary	Footnote
Catalyse urban development and demonstrate business leadership								
Develop and activate town centre and waterfront development areas	1	Achieve 10 key deliverables in the Board approved Master programme. (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). It also includes key implementation milestones.	New performance measure	Master programme deliverables completed within the Board approved timeline.	✓	Achieved	All 10 master programme deliverables were completed within the financial year. This is the last group of planning documents completed giving Panuku mandate on sites in the remaining priority development locations. Going forward the company's focus is on delivering projects contained in the plans.	
	2	Number of net new dwelling units is calculated in accordance with agreed criteria.	New performance measure	Projected number of net new dwelling units is approved by the Board at least annually.	✓	Achieved	The Board approved the projected number of net new dwelling units as being 11,300 units over the next decade for the 2017-18 year as calculated in accordance with the agreed criteria.	

Results for Statement of Intent 2017-2020: Non-financial performance measures

Service Level Statement		Measure	Actual 2016-17	Target 2017-18	Actual 2017-18		Commentary	Footnote
					Status	Result		
	3	Development agreements are submitted to the Panuku Chief Executive, Board and/or council for approval. (Housing and urban regeneration)	· The three year target is progressing (2016 to 2018). To date, 15 agreements have been completed and 11 agreements remain to be achieved. · The three year target is progressing (2017 to 2019). To date, nine agreements have been completed and six agreements remain to be achieved.	**Three year target** · 26 development agreements with partners including community housing organisations to be entered into. (Period 2016 to 2018) · 15 development agreements with partners including community housing organisations to be entered into.(Period 2017 to 2019)	✓	Achieved	Actual 30 agreements were achieved against the June 2018 target of 26 agreements 24 agreements were achieved against the June 2019 target of 15 agreements	1
	4	On completion of the project or each key stage of the project, the project achieves the financial and non-financial outturn in the business cases. (Housing and urban regeneration combined)	There were no projects fully completed during this financial period.	All projects completed this year achieve business case financial and non-financial outturn.	✓	Achieved	Financial and non-financial outturn for the 1 Trent Street project. 33 houses were completed by the New Zealand Housing Foundation, 22 of which were affordable.	2

Results for Statement of Intent 2017-2020: Non-financial performance measures

Service Level Statement	Measure		Actual 2016-17	Target 2017-18	Actual 2017-18		Commentary	Footnote
					Status	Result		
Develop and activate public spaces on waterfront, metro and town centre development areas	5	Percentage of visitors surveyed satisfied with their experience of the public spaces on the city centre waterfront (LTP)	93% satisfied	75%	✓	Achieved	Actual 90%	3
	6	Percentage of Aucklanders surveyed who have visited the city centre waterfront in the past year (LTP)	73% visited the Waterfront	73%	✓	Substantially Achieved	Actual 72%	4
	7	Percentage of attendees surveyed satisfied with key waterfront place programmes and activities	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.	84%	✓	Achieved	Actual 89%	3
	8	Number of event days per year at the waterfront	New performance measure	350 days	✓	Achieved	Actual 952 event days	
	9	Number of visitors per year at the waterfront	New performance measure	1.9 million	✓	Achieved	Actual 2,177,078 visitors	
	10	Percentage of customers surveyed satisfied overall with marina facilities and services (LTP)	93% Satisfied	74%	✓	Achieved	Actual 92%	5

Results for Statement of Intent 2017-2020: Non-financial performance measures

Service Level Statement		Measure	Actual 2016-17	Target 2017-18	Actual 2017-18		Commentary	Footnote
					Status	Result		
Facilitate effective engagement with Māori	11	Number of significant Māori initiatives implemented or active per annum (LTP)	48 Māori initiatives have been implemented this year.	47	✓	Achieved	Actual 49 Māori initiatives have been implemented this year.	
	12	% of mana whenua groups satisfied with quality of engagement	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).	Maintain or Improve	✗	Not Achieved	18% of mana whenua survey respondents were satisfied with the quality of engagement, 27% of respondents were neither satisfied nor dissatisfied and 55% were dissatisfied.	6
Strategically create value from assets								
Identify and propose opportunities across Auckland Council Group-owned properties.	13	Written evidence that opportunities have been identified and assessed, to be progressed or not. (Housing and urban regeneration combined)	To date, 341 opportunities have been identified and assessed.	At least 100 opportunities identified and assessed	✓	Achieved	203 opportunities have been identified and assessed this year.	7

Results for Statement of Intent 2017-2020: Non-financial performance measures

Service Level Statement		Measure	Actual 2016-17	Target 2017-18	Actual 2017-18 Status	Actual 2017-18 Result	Commentary	Footnote
Optimise returns from the managed property portfolio	14	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 2017 is $1.1 million ahead of budget (actual surplus of $32.3 million against budget of $31.2 million).	Net surplus achieves budget for 2017/18	✓	Achieved	Actual net surplus on the property portfolio for the 12 months ended 30 June 2018 is $3.9 million ahead of budget (actual surplus of $31 million against budget of $27.1 million).	
	15	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 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%.	The annualised % movement in gross rental income of properties with rent reviews during the financial period is equal to or greater than the CPI movement.	✓	Achieved	Achieved 8.05% improvement in gross rental income on 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 against CPI movement 2.93%.	8
	16	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 97.8% 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 97.5% against the target of 95%.	
	17	Maintain or improve the baseline established at the end of the 2012-13 financial year. 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 3.1% against the 2.2% 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 3.06% against the 2.2% target.	9
Optimise return from assets	18	Return on Equity on commercial assets and services (LTP) at Waterfront.	Actual ROE of 12.7%	8.4%	✓	Achieved	Actual ROE of 11.2%	10

Results for Statement of Intent 2017-2020: Non-financial performance measures

Service Level Statement	Measure	Actual 2016-17	Target 2017-18	Actual 2017-18		Commentary	Footnote
				Status	Result		
Dispose agreed surplus properties	19 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 $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.	A list of recommended properties with a total value agreed by the Board the prior year totalling $60 million gross value will be submitted to council seeking approval to dispose for 2017/18 financial period. A recommended for disposal target for 2018/19 will be agreed by the Board in the 2017/18 financial period.		Achieved	$88 million of recommended properties have been presented to council for approval to dispose. A recommended for disposal target for 2018-19 was agreed by the Board in June 2018.	
	20 Achieve total forecast net sales for the financial year through unconditional agreements.	Achieved actual net sales of $76.8 million for the financial year. The target of $50 million has been exceeded.	Meet or exceed financial forecast Property disposal target of $100 million (net value of unconditional sales). Property disposal target (net value of unconditional sales) for 2017-18 financial period will be agreed by the Board in 2016-17.		Achieved	Achieved actual net sales of $231 million for the financial year. The target of $100 million has been exceeded.	
	21 Acquisitions are delivered within the timeline agreed with Auckland Council.	96.5% of acquisitions are delivered within agreed timeline	80% satisfaction against agreed service performance measure		Achieved	100% of the acquisitions were delivered within the timeline agreed with Auckland Council. 20 acquisitions for council were completed this year.	

Notes:

1. Development agreements are defined as any agreements with developers, third parties, crown and other which results in future development outcomes.
2. 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.
3. 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 1379 with 658 responses. The average margin of error for the six surveyed events is ±8% with a 90% confidence level based on visitor numbers of approximately 27,000 on the days surveyed at the various events.
4. This survey was facilitated by Auckland Council as part of the annual Auckland Residents Survey 2018. 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 4475 with a margin of error of ±1.57%.
5. This survey was conducted by Kantar TNS on Westhaven marina customers via online and telephone interviews. The number of people surveyed was 1465 leaseholders and renters with 588 responses (579 online, 9 telephone). The margin of error is ±3.1% at 95% confidence level. The result is calculated on a scale of 1 to 7, where all results above the mid-point of 4 is considered ‘satisfied’.
6. 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 CCOs) 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. Eleven of 19 mana whenua organisations participated in the research. The margin of error is not useful for the small sample.
7. Panuku carries out reviews of council’s property assets to identify opportunities for redevelopment, asset sales or urban regeneration outcomes. This involves assessing the viability of an opportunity by investigating planning constraints, legal issues and geotechnical issues. Viable opportunities progress to a business case for development of asset sales.
8. The CPI movement is sourced from Statistics NZ.
9. (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.
10. 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.

13. Financial statements

Panuku Development Auckland Limited
Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2018

	Note	**Parent Actual 2018 $000**	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Revenue					
Rental and other revenue	3	**61,540**	57,995	**63,417**	59,608
Interest income		**619**	643	**697**	719
Other gains / (losses)	4	**(1,639)**	29,607	**(1,639)**	29,607
Total income		**60,520**	88,245	**62,475**	89,934
Expenses					
Personnel	5	**20,820**	18,614	**22,096**	19,792
Depreciation and amortisation	13	**7,609**	8,366	**7,939**	8,696
Interest expense		**-**	993	**-**	993
Other operating expenses	6	**22,250**	22,227	**22,976**	22,771
Total expenditure		**50,679**	50,200	**53,011**	52,252
Surplus / (deficit) before tax		**9,841**	38,045	**9,464**	37,682
Income tax (benefit) / expense	7	**(711)**	(277)	**(714)**	(342)
Surplus / (deficit) after tax		**10,552**	38,322	**10,178**	38,024
Other comprehensive revenue and expense					
Gains on revaluation of property, plant and equipment		**27,282**	-	**27,282**	147
Tax on revaluation gains	8	**(2,175)**	-	**(2,175)**	(41)
Total other comprehensive income		**25,107**	-	**25,107**	106
Total comprehensive income		**35,659**	38,322	**35,285**	38,130
Surplus is attributable to:					
Auckland Council		**10,552**	38,322	**10,178**	38,024
		10,552	38,322	**10,178**	38,024
Total comprehensive revenue and expense is attributable to:					
Auckland Council		**35,659**	38,322	**35,285**	38,130
		35,659	38,322	**35,285**	38,130

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 2018

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Equity at the beginning of the year	**690,337**	638,815	**692,142**	640,812
Total comprehensive revenue and expense				
Surplus / (deficit) for the year	**10,552**	38,322	**10,178**	38,024
Other comprehensive revenue and expense	**25,107**	-	**25,107**	106
Total comprehensive revenue and expense	**35,659**	38,322	**35,285**	38,130
Transactions with owners				
Share issue	**-**	15,000	**-**	15,000
Dividend expense	**(1,500)**	(1,800)	**(1,500)**	(1,800)
Total transactions with owners	**(1,500)**	13,200	**(1,500)**	13,200
Equity at the end of the year	**724,496**	690,337	**725,927**	692,142

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 2018

	Note	Parent Actual 2018 $000	Parent Actual 2017 $000	Group Actual 2018 $000	Group Actual 2017 $000
Assets					
Current assets					
Cash and cash equivalents	9	**2,651**	2,369	**5,263**	5,142
Debtors and other receivables	10	**38,984**	15,078	**36,409**	12,639
Tax receivables		**-**	9	**-**	9
Total current assets		**41,635**	17,456	**41,672**	17,790
Non-current assets					
Debtors and other receivables	11	**3,087**	1,840	**3,087**	1,840
Other non-current assets	12	**1,582**	1,774	**-**	-
Property, plant and equipment	13	**296,137**	266,294	**298,859**	269,346
Investment properties	14	**443,474**	443,601	**443,474**	443,601
Investments in subsidiaries	15	**446**	446	**-**	-
Total non-current assets		**744,726**	713,955	**745,420**	714,787
Total assets		**786,361**	731,411	**787,092**	732,577

	Note	Parent Actual 2018 $000	Parent Actual 2017 $000	Group Actual 2018 $000	Group Actual 2017 $000
Liabilities					
Current liabilities					
Creditors and other payables	16	**10,916**	13,875	**9,061**	11,867
Employee entitlements	18	**2,617**	1,976	**2,617**	1,976
Other current liabilities	19	**-**	-	**1,496**	1,692
Total current liabilities		**13,533**	15,851	**13,174**	15,535
Non-current liabilities					
Creditors and other payables	17	**42,725**	21,080	**42,279**	20,634
Other non-current liabilities	20	**-**	-	**124**	139
Deferred tax liabilities	8	**5,607**	4,143	**5,588**	4,127
Total non-current liabilities		**48,332**	25,223	**47,991**	24,900
Total liabilities		**61,865**	41,074	**61,165**	40,435
Net assets		**724,496**	690,337	**725,927**	692,142
Equity					
Contributed equity	21	**483,489**	483,489	**485,722**	485,722
Accumulated funds	22	**160,683**	151,937	**158,367**	149,995
Reserves	23	**80,324**	54,911	**81,838**	56,425
Total equity		**724,496**	690,337	**725,927**	692,142

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)
29 August 2018

Mike Pohio (Chair of Audit and Risk Committee)
29 August 2018

Panuku Development Auckland Limited Statement of Cash Flows

For the year ended 30 June 2018

	Note	**Parent Actual 2018 $000**	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Cash flows from operating activities					
Receipts from customers		**49,815**	27,685	**52,377**	32,571
Interest received		**10**	297	**88**	373
Grant funding from Auckland Council		**18,058**	14,326	**18,058**	14,326
Payments to suppliers and employees		**(47,005)**	(48,590)	**(49,808)**	(53,234)
Interest paid		**-**	(1,283)	**-**	(1,283)
Income tax received / (paid)		**9**	-	**11**	16
Goods and services tax received from / (paid to) IRD		**1,215**	1,750	**1,215**	1,750
Net cash from operating activities	24	**22,102**	(5,815)	**21,941**	(5,481)
Cash flows from investing activities					
Capital expenditure on property, plant & equipment and investment properties		**(11,683)**	(18,634)	**(11,683)**	(18,634)
Net cash from investing activities		**(11,683)**	(18,634)	**(11,683)**	(18,634)
Cash flows from financing activities					
Advances (to) / from Auckland Council		**(19,696)**	21,163	**(19,696)**	21,163
Repayment of loans from Auckland Council		**-**	(23,000)	**-**	(23,000)
Repayment of capital advances from Auckland Council		**(3,800)**	(8,359)	**(3,800)**	(8,359)
Capital expenditure funding from Auckland Council		**14,859**	20,541	**14,859**	20,541
Issue of shares		**-**	15,000	**-**	15,000
Dividends paid		**(1,500)**	(1,800)	**(1,500)**	(1,800)
Net cash from financing activities		**(10,137)**	23,545	**(10,137)**	23,545
Net increase / (decrease) in cash and cash equivalents		**282**	(904)	**121**	(570)
Cash and cash equivalents at the beginning of the year		**2,369**	3,273	**5,142**	5,712
Cash and cash equivalents at the end of the year	9	**2,651**	2,369	**5,263**	5,142

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 2018

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 Ground floor, 82 Wyndham Street, Auckland 1010.

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 2018. 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 2017-2020, 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 2018 or 30 June 2018.

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 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Revenue from exchange transactions				
Rental revenue	**9,541**	11,226	**9,497**	11,183
Berthage hire	**12,486**	11,937	**12,486**	11,937
Other income	**7,139**	6,850	**9,060**	8,506
Services provided	**6,271**	4,880	**6,271**	4,880
Revenue from non-exchange transactions				
Funding from Auckland Council - for operating expenditure	**17,880**	14,077	**17,880**	14,077
Funding from Auckland Council - for capital expenditure	**8,003**	9,025	**8,003**	9,025
Other income	**220**	-	**220**	-
Total rental and other revenue	**61,540**	57,995	**63,417**	59,608

4. Other gains / (losses)

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Fair value increase / (decrease) on investment property (note 14)	**(1,640)**	29,608	**(1,640)**	29,608
Net foreign exchange (losses) / gains	**1**	(1)	**1**	(1)
Total other gains	**(1,639)**	29,607	**(1,639)**	29,607

5. Personnel costs

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Salaries and wages	**19,767**	17,643	**20,944**	18,733
Increase / (decrease) in employee entitlements	**95**	55	**104**	63
Defined contribution plan employer contributions *	**437**	386	**465**	412
Other	**521**	530	**583**	584
Total personnel costs	**20,820**	18,614	**22,096**	19,792

* Employer contributions to defined contribution plans includes contributions to KiwiSaver.
At 30 June 2018 there were 184 full time equivalent (FTE) employees (30 June 2017: 170)

6. Other expenses

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Fees paid to Audit NZ for audit of the financial statements and statement of service performance	**209**	207	**242**	238
Fees paid to Audit NZ for review of the half year financial reporting pack to Auckland Council	**18**	16	**18**	16
Fees paid to Audit NZ for other assurance services	**-**	-	**12**	-
Directors' fees and expenses	**532**	595	**534**	597
Lease payments under operating leases	**2,600**	1,739	**2,608**	1,748
Professional services	**4,575**	4,499	**4,287**	4,203
Repairs and maintenance	**4,458**	4,931	**6,478**	6,658
Utilities and occupancy	**3,157**	3,310	**3,892**	4,051
Impairment of receivables	**27**	-	**27**	-
Amortisation of redeemable preference shares	**192**	179	**-**	-
Other operating expenses	**6,482**	6,751	**4,878**	5,260
Total other expenses	**22,250**	22,227	**22,976**	22,771

7. Income tax

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Components of income tax:				
Current tax	**-**	-	**-**	-
Deferred tax	**(711)**	(277)	**(714)**	(342)
Income tax (benefit) / expense	**(711)**	(277)	**(714)**	(342)
Relationship between income tax and accounting surplus / (deficit):				
Surplus / (deficit) before tax	**9,841**	38,045	**9,464**	37,682
Less net (surplus) / deficit from non-taxable activities	**-**	-	**91**	132
Taxable surplus / (deficit) before tax	**9,841**	38,045	**9,555**	37,814
Prima facie income tax at 28%	**2,755**	10,653	**2,675**	10,588
Taxation effect of permanent differences	**(620)**	(10,673)	**(620)**	(10,673)
Loss offset (refer note a)	**(2,846)**	(257)	**(2,769)**	(257)
Income tax	**(711)**	(277)	**(714)**	(342)

* 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 2018 $000	Parent Actual 2017 $000	Group Actual 2018 $000	Group Actual 2017 $000
Deferred tax assets				
To be recovered after more than 12 months	**9,135**	9,201	**9,154**	9,217
To be recovered within 12 months	**586**	428	**586**	428
Deferred tax assets	**9,721**	9,629	**9,740**	9,645
Deferred tax liabilities				
To be recovered after more than 12 months	**(15,328)**	(13,772)	**(15,328)**	(13,772)
To be recovered within 12 months	**-**	-	**-**	-
Deferred tax liabilities	**(15,328)**	(13,772)	**(15,328)**	(13,772)
Net deferred tax assets / (liabilities)	**(5,607)**	(4,143)	**(5,588)**	(4,127)

	Property, plant and equipment $000	Other $000	Total $000
Parent			
Balance at 1 June 2016	(9,184)	4,764	**(4,420)**
Charged to surplus/(deficit)	298	(21)	**277**
Charged to other comprehensive income	-	-	**-**
Balance at 30 June 2017	(8,886)	4,743	**(4,143)**
Balance at 1 June 2017	(8,886)	4,743	**(4,143)**
Charged to surplus/(deficit)	634	77	**711**
Charged to other comprehensive income	(2,175)	-	**(2,175)**
Balance at 30 June 2018	(10,427)	4,820	**(5,607)**
Group			
Balance at 1 June 2016	(9,252)	4,824	**(4,428)**
Charged to surplus / (deficit)	357	(15)	**342**
Charged to other comprehensive income	-	(41)	**(41)**
Balance at 30 June 2017	(8,895)	4,768	**(4,127)**
Balance at 1 June 2017	(8,895)	4,768	**(4,127)**
Charged to surplus / (deficit)	693	21	**714**
Charged to other comprehensive income	(2,175)	-	**(2,175)**
Balance at 30 June 2018	(10,377)	4,789	**(5,588)**

9. Cash and cash equivalents

	Parent Actual 2018 $000	Parent Actual 2017 $000	Group Actual 2018 $000	Group Actual 2017 $000
Cash at bank and in hand	**2,651**	2,369	**5,263**	5,142
Total cash and cash equivalents	**2,651**	2,369	**5,263**	5,142

10. Debtors and other receivables – current

	Parent Actual 2018 $000	Parent Actual 2017 $000	Group Actual 2018 $000	Group Actual 2017 $000
Debtors	**12,336**	2,047	**12,336**	2,047
Less provision for doubtful debts	**-**	-	**-**	-
Net debtors	**12,336**	2,047	**12,336**	2,047
Accrued receivables *	**813**	884	**813**	884
Sundry receivables	**1**	2	**1**	2
Related party receivables	**23,081**	9,412	**23,081**	9,412
Goods and services tax	**-**	138	**-**	138
Prepayments *	**2,753**	2,595	**178**	156
Total debtors and other receivables - current	**38,984**	15,078	**36,409**	12,639
Receivables from exchange transactions	**16,681**	8,624	**14,106**	6,185
Receivables from non exchange transactions	**22,303**	6,454	**22,303**	6,454
Total debtors and other receivables - current	**38,984**	15,078	**36,409**	12,639

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

10. Debtors and other receivables – current (cont.)

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

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Current	**1,246**	805	**1,246**	805
Past due 1 - 60 days	**10,965**	1,191	**10,965**	1,191
Past due 61+ days	**125**	51	**125**	51
Balance at 30 June	**12,336**	2,047	**12,336**	2,047

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 2018 (2017: $0).

The increase in 1 - 60 days debtors in 2018 is due to one-off invoices issued in late May and June.
After balance date Panuku agreed to receive the payment for these invoices by the end of August 2018.

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Balance at 1 July	**-**	47	**-**	47
Additional provisions made during the year	**-**	-	**-**	-
Unused provisions reversed during the year	**-**	(5)	**-**	(5)
Receivables written off during the period	**-**	(42)	**-**	(42)
Balance at 30 June	**-**	-	**-**	-

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 33 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 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Accrued receivables	**2,024**	622	**2,024**	622
Prepayments	**1,063**	1,218	**1,063**	1,218
Total debtors and other receivables - non-current	**3,087**	1,840	**3,087**	1,840
Receivables from exchange transactions	**3,087**	1,840	**3,087**	1,840
Receivables from non-exchange transactions	**-**	-	**-**	-
Total debtors and other receivables - non-current	**3,087**	1,840	**3,087**	1,840

12. Other non-current assets

	Parent Actual 2018 $000	Parent Actual 2017 $000
Balance at 1 July	**1,774**	1,753
Purchased during the year	**-**	200
Amortisation expense	**(192)**	(179)
Balance at 30 June	**1,582**	1,774

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 (2017: 21).

13. Property, plant and equipment

Parent

	1 July 2017			Current year movements					30 June 2018		
	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	-	-	(17,500)	-	19,515	69,120	-	69,120
Buildings	18,303	(794)	17,509	-	-	(1,269)	(705)	978	16,513	-	16,513
Works of art	791	-	791	-	-	-	-	-	791	-	791
Plant and machinery	11,635	(5,230)	6,405	-	-	3,223	(562)	-	14,858	(5,792)	9,066
Computer equipment	2,092	(2,092)	-	-	-	-	-	-	2,092	(2,092)	-
Furniture, fittings and equipment	1,129	(983)	146	-	-	-	(41)	-	1,129	(1,024)	105
Wharves	66,376	(4,746)	61,630	-	-	3,335	(2,391)	6,789	69,363	-	69,363
Marinas	61,853	(1,916)	59,937	-	-	19,924	(1,958)	-	81,884	(3,981)	77,903
Drainage	3,083	(232)	2,851	-	-	-	(43)	-	3,083	(275)	2,808
Civil structures	56,206	(12,412)	43,794	-	-	81	(1,909)	-	56,295	(14,329)	41,966
Capital work in progress	6,126	-	6,126	12,274	(591)	(9,307)	-	-	8,502	-	8,502
Total Parent property, plant and equipment	**294,699**	**(28,405)**	**266,294**	**12,274**	**(591)**	**(1,513)**	**(7,609)**	**27,282**	**323,630**	**(27,493)**	**296,137**

	1 July 2016			Prior 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**

*Net transfers to / (from) property, plant and equipment 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.

13. Property, plant and equipment (cont.)

Group

	1 July 2017			Current year movements					30 June 2018		
	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	-	-	(17,500)	-	19,515	69,120	-	69,120
Buildings	18,303	(794)	17,509	-	-	(1,269)	(705)	978	16,513	-	16,513
Works of art	791	-	791	-	-	-	-	-	791	-	791
Plant and machinery	11,635	(5,230)	6,405	-	-	3,223	(562)	-	14,858	(5,792)	9,066
Computer equipment	2,092	(2,092)	-	-	-	-	-	-	2,092	(2,092)	-
Furniture, fittings and equipment	1,129	(983)	146	-	-	-	(41)	-	1,129	(1,024)	105
Wharves	66,376	(4,746)	61,630	-	-	3,335	(2,391)	6,789	69,363	-	69,363
Marinas	62,989	(2,246)	62,989	-	-	19,924	(2,288)	-	85,266	(4,641)	80,625
Drainage	3,083	(232)	2,851	-	-	-	(43)	-	3,083	(275)	2,808
Civil structures	56,206	(12,412)	43,794	-	-	81	(1,909)	-	56,295	(14,329)	41,966
Capital work in progress	6,126	-	6,126	12,274	(591)	(9,307)	-	-	8,502	-	8,502
Total Group property, plant and equipment	**295,835**	**(28,735)**	**269,346**	**12,274**	**(591)**	**(1,513)**	**(7,939)**	**27,282**	**327,012**	**(28,153)**	**298,859**

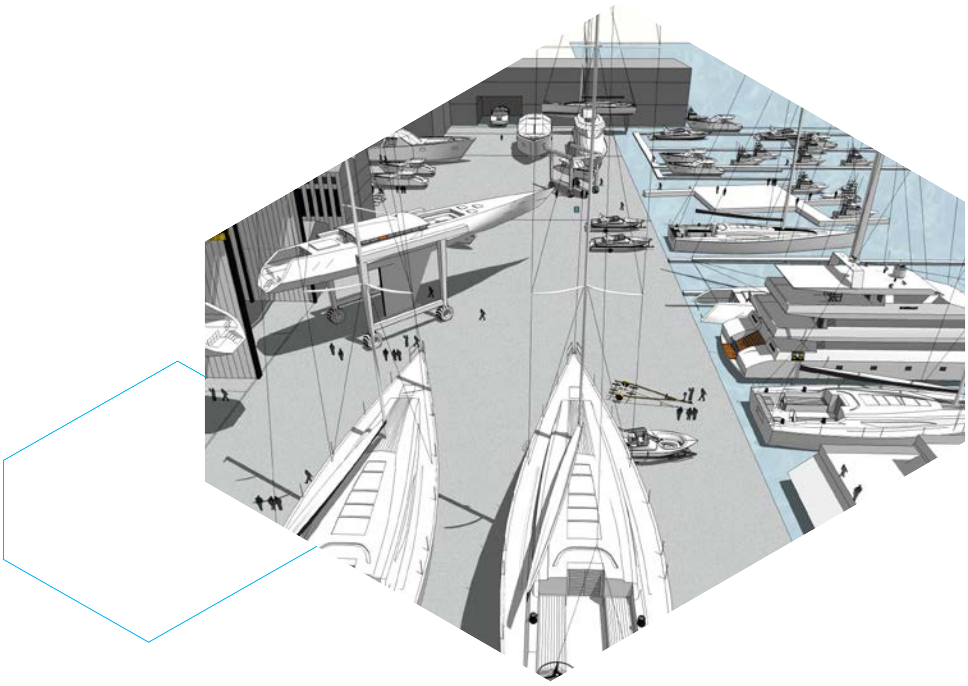
	1 July 2016			Prior year movements					30 June 2017		
	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount	Additions	Disposals	Transfers *	Depreciation	Revaluations	Cost / revaluation	Accumulated depreciation & impairment charges	Carrying amount
	$000	$000	$000	$000	$000	$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	65,088	-	65,088	-	-	-	(2,246)	147	62,989	(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**	**295,835**	**(28,735)**	**269,346**

*Net transfers to / (from) property, plant and equipment 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.

13. 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
Land	30-Jun-18	69,120	Market value	Bayleys Valuations
Buildings	30-Jun-18	16,513	Depreciated replacement cost	Bayleys Valuations
Marinas	30-Jun-16	61,853	Discounted cash flow	Seagar and Partners
Wharves	30-Jun-18	69,363	Depreciated replacement cost	Beca Valuations



14. Investment properties

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Opening balance	**443,601**	401,254	**443,601**	401,254
Transfers (to) Property Plant and Equipment (land)	**(600)**	-	**(600)**	-
Transfers from Property Plant and Equipment (work in progress)	**2,113**	12,739	**2,113**	12,739
Book value prior to revaluation	**445,114**	413,993	**445,114**	413,993
Values per independent valuations	**401,424**	425,390	**401,424**	425,390
Prepaid and accrued rental income	**42,050**	18,211	**42,050**	18,211
Fair value as at 30 June	**443,474**	443,601	**443,474**	443,601
Fair value increase / (decrease)	**(1,640)**	29,608	**(1,640)**	29,608
Rental revenue	**13,075**	12,729	**13,075**	12,729
Expenses	**3,793**	3,489	**3,793**	3,489

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 by Tonkin and Taylor Limited.

The CBRE valuations include land which is the subject of development agreements and agreements to lease between Panuku 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 2018 $000**	Value 2017 $000
Seagar and Partners (Auckland) Limited	**305,224**	303,490
CBRE	**96,200**	121,900
Total valuation	**401,424**	425,390

15. 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 %	
	2018 %	2017 %
- 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 2018 $000	Parent Actual 2017 $000
Westhaven Marina Limited	**446**	446
Downtown Marinas Limited	**-**	-
Westhaven (Existing Marina) Trust	**-**	-
Westhaven (Marina Extension) Trust	**-**	-
Total investment in subsidiaries	**446**	446

Investments in subsidiaries have been tested for impairment. No adjustment was required.

16. Creditors and other payables – current

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Creditors	**2,759**	3,204	**2,755**	3,203
Accrued expenses	**2,006**	3,510	**2,052**	3,541
Deposits and bonds	**243**	240	**243**	240
Related party payables	**4,334**	4,974	**152**	777
Goods and services tax	**87**	-	**87**	-
Revenue in advance	**1,487**	1,947	**3,772**	4,106
Total creditors and other payables - current	**10,916**	13,875	**9,061**	11,867
Payables from exchange transactions	**10,916**	13,262	**9,061**	11,254
Payables from non exchange transactions	**-**	613	**-**	613
Total creditors and other payables - current	**10,916**	13,875	**9,061**	11,867

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.

17. Creditors and other payables - non-current

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Related party payables	**446**	446	**-**	-
Revenue in advance *	**42,279**	20,634	**42,279**	20,634
Total creditors and other payables - non-current	**42,725**	21,080	**42,279**	20,634
Payables from exchange transactions	**42,725**	21,080	**42,279**	20,634
Payables from non-exchange transactions	**-**	-	**-**	-
Total creditors and other payables - non-current	**42,725**	21,080	**42,279**	20,634

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 25 (c).

18. Employee entitlements

	Parent Actual 2018 $000	Parent Actual 2017 $000	Group Actual 2018 $000	Group Actual 2017 $000
Accrued salaries and wages	**1,434**	946	**1,434**	946
Annual leave	**1,183**	1,030	**1,183**	1,030
Total employee entitlements	**2,617**	1,976	**2,617**	1,976

19. Other current liabilities

	Group Actual 2018 $000	Group Actual 2017 $000
Balance at 1 July	**1,692**	1,327
Contributions during the year	**394**	365
Utilised during the year	**(590)**	-
Balance at 30 June	**1,496**	1,692

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.

20. Other non-current liabilities

	Group Actual 2018 $000	Group Actual 2017 $000
Redeemable preference shares in subsidiary	**124**	139
Balance at 30 June	**124**	139

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. Panuku owns 21 of the available 23 berth shares (2017: 21).

21. Contributed equity

(a) Share capital	**Parent Actual 2018 $000**	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Balance at 1 July	**483,489**	468,489	**485,722**	470,722
Shares issued during the year	**-**	15,000	**-**	15,000
Balance at 30 June	**483,489**	483,489	**485,722**	485,722

(b) Movements in ordinary shares:	**2018 Shares**	2017 Shares	**2018 Shares**	2017 Shares
Opening balance of ordinary shares issued	**1,101**	1,100	**1,101**	1,100
Share issue	**-**	1	**-**	1
Closing balance of ordinary shares issued	**1,101**	1,101	**1,101**	1,101

22. Accumulated funds

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Balance at 1 July	**151,937**	115,716	**149,995**	114,072
Surplus/(deficit) for the year	**10,552**	38,322	**10,178**	38,024
Net transfer (to) / from maintenance reserves	**(306)**	(301)	**(306)**	(301)
Dividends paid	**(1,500)**	(1,800)	**(1,500)**	(1,800)
Balance at 30 June	**160,683**	151,937	**158,367**	149,995
Dividend per share	**$1,362.40**	$1,636.36	**$1,362.40**	$1,636.36

23. Reserves

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Asset revaluation reserves	**78,697**	53,590	**80,211**	55,104
Maintenance reserves	**1,627**	1,321	**1,627**	1,321
Total Reserves	**80,324**	54,911	**81,838**	56,425

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

Asset revaluation reserves				
Balance at 1 July	**53,590**	53,590	**55,104**	54,998
Revaluation gains/(losses)	**27,282**	-	**27,282**	147
Deferred tax on revaluation	**(2,175)**	-	**(2,175)**	(41)
Balance at 30 June	**78,697**	53,590	**80,211**	55,104

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	**1,321**	1,020	**1,321**	1,020
Net transfer from / (to) accumulated funds	**306**	301	**306**	301
Balance at 30 June	**1,627**	1,321	**1,627**	1,321

Included in other income 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 section of the surplus / (deficit) within the Statement of Comprehensive Revenue and Expense and a transfer is recorded from the maintenance reserve to accumulated funds.

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

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Surplus / (deficit) after tax	**10,552**	38,322	**10,178**	38,024
Add / (less) non-cash items:				
Depreciation and amortisation expense	**7,609**	8,365	**7,939**	8,695
Amortisation of redeemable preference shares	**192**	179	**(15)**	300
Fair value (increase) / decrease on investment property	**1,640**	(29,608)	**1,640**	(29,608)
Movement in deferred tax through surplus	**(711)**	(277)	**(714)**	(342)
Add/(less) items classified as investing or financing activities				
Capital expenditure funding from Auckland Council recognised as revenue	**(8,003)**	(9,025)	**(8,003)**	(9,025)
Add / (less) movements in working capital items:				
Debtors and other receivables (excluding related party)	**(11,484)**	(263)	**(11,348)**	(175)
Investing activities included in debtors and other receivables	**-**	-	**-**	-
Creditors and other payables (excluding related party)	**19,326**	(14,218)	**19,464**	(14,175)
Investing activities included in creditors and other payables	**-**	2,000	**-**	2,000
Related party receivables and payables	**(14,309)**	22,438	**(14,294)**	22,169
Financing activities included in related party receivables and payables	**16,640**	(24,120)	**16,640**	(24,120)
Current tax	**9**	-	**9**	19
Other current liabilities	**-**	-	**(196)**	365
Employee entitlements	**641**	392	**641**	392
Net cash inflow / (outflow) from operating activities	**22,102**	(5,815)	**21,941**	(5,481)

25. 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 2018 $000**	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Investment property	**2,996**	5,533	**2,996**	5,533
Property, plant and equipment	**1,687**	2,645	**1,687**	2,645
Total capital commitments	**4,683**	8,178	**4,683**	8,178

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.

25. Capital commitments and operating leases (cont.)

b) Operating leases as lessee

The Group leases two properties and 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 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Less than one year	**2,283**	2,135	**2,283**	2,135
Between one and five years	**9,052**	9,086	**9,052**	9,086
More than five years	**3,285**	5,544	**3,285**	5,544
Total non-cancellable operating leases as lessee	**14,620**	16,765	**14,620**	16,765

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 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Less than one year	**8,125**	7,919	**8,125**	7,919
Between one and five years	**27,056**	30,199	**27,056**	30,199
More than five years	**30,260**	35,638	**30,260**	35,638
Total non-cancellable operating leases as lessor	**65,441**	73,756	**65,441**	73,756

No contingent rents have been recognised in the Statement 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 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Less than one year	**552**	513	**552**	513
Between one and five years	**2,234**	2,051	**2,234**	2,051
More than five years	**40,045**	18,583	**40,045**	18,583
Total non-cancellable operating leases as lessor (prepaid)	**42,831**	21,147	**42,831**	21,147

There is an increase in prepaid operating lease income as Panuku completed two long-term prepaid leases for land sites within the Wynyard Quarter during the year.

26. Related party transactions

The group contains subsidiaries as set out in note 15. 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.

27. Contingencies

There are no contingent liabilities or contingent assets.

28. Events occurring after balance date

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

29. Remuneration

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

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
Key management personnel remuneration				
Executive Leadership Team (8 FTE)	**2,729**	2,788	**2,729**	2,788
Board of Directors - Panuku (1.75 FTE) *	**489**	453	**489**	453
Board of Directors - Westhaven Marina Limited	**23**	21	**23**	21
Board of Directors - Downtown Marinas Limited	**-**	-	**3**	-
Total key management personnel remuneration	**3,241**	3,262	**3,244**	3,262

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

29. Remuneration (cont.)

	Parent Actual 2018 $000	Parent Actual 2017 $000	**Group Actual 2018 $000**	Group Actual 2017 $000
a) Executive Leadership Team Remuneration				
Salary and other short-term employee benefits	**2,729**	2,788	**2,729**	2,788
Total Executive Leadership Team remuneration	**2,729**	2,788	**2,729**	2,788
b) Board of Directors Remuneration - Panuku				
Current directors				
Richard Aitken (Chair)	**108**	107	**108**	107
Susan Macken (Deputy Chair)	**67**	57	**67**	57
David Kennedy (appointed 01 Nov 2017)	**36**	-	**36**	-
Richard Leggat	**62**	61	**62**	61
Paul Majurey	**57**	62	**57**	62
Mike Pohio	**62**	62	**62**	62
Martin Udale	**57**	53	**57**	53
Directors now retired				
Anne Blackburn (retired 31 Oct 2017)	**20**	61	**20**	61
Evan Davies (retired 31 Oct 2017)	**20**	61	**20**	61
Sir John Wells (retired 30 Nov 2016)	**-**	28	**-**	28
Total Board remuneration - Panuku	**489**	552	**489**	552
b) Board of Directors Remuneration - Westhaven Marina Limited				
Stephen Mills	**15**	15	**15**	15
Terry Kayes	**8**	8	**8**	8
Richard Leggat	**-**	-	**-**	-
Total Board remuneration - Westhaven Marina Limited	**23**	**23**	**23**	23
Remuneration for directors of Westhaven Marina Limited is paid by Panuku.				
c) Board of Directors Remuneration - Downtown Marinas Limited				
Terry Kayes	**-**	**-**	**3**	3
Richard Leggat	**-**	**-**	**-**	-
Total Board remuneration - Downtown Marinas Limited	**-**	**-**	**3**	3

29. 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.

	Number of Employees	
	2018	2017
$100,000-$109,999	**10**	7
$110,000-$119,999	**8**	5
$120,000-$129,999	**7**	9
$130,000-$139,999	**7**	9
$140,000-$149,999	**6**	4
$150,000-$159,999	**7**	2
$160,000-$169,999	**1**	4
$170,000-$179,999	**1**	1
$180,000-$189,999	**2**	1
$190,000-$199,999	**-**	1
$200,000-$209,999	**3**	3
$210,000-$219,999	**-**	1
$220,000-$229,999	**3**	2
$230,000-$239,999	**1**	2
$240,000-$249,999	**1**	-
$250,000-$259,999	**1**	-
$260,000-$269,999	**-**	2
$270,000-$279,999	**1**	1
$280,000-$289,999	**-**	-
$290,000-$299,999	**1**	2
$300,000-$309,999	**1**	1
$310,000-$319,999	**-**	-
$320,000-$329,999	**1**	1
$340,000-$349,999	**1**	-
$380,000-$389,999	**-**	1
$390,000-$399,999	**1**	-
$420,000-$429,999	**-**	1
$440,000-$449,999	**1**	-
$540,000-$549,999	**-**	1
$560,000-$569,999	**1**	-
Total employees who received $100,000 or more	**66**	61

30. Financial risk management

Panuku 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. Panuku'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	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Financial assets				
Cash and cash equivalents	**2,651**	2,369	**2,651**	2,369
Loans and receivables				
Debtors and other receivables	**38,255**	12,967	**38,255**	12,967
Total financial assets	**40,906**	15,336	**40,906**	15,336
Financial liabilities				
Financial liabilities at amortised cost				
Creditors and other payables	**9,788**	12,374	**9,788**	12,374
Total financial liabilities	**9,788**	12,374	**9,788**	12,374
	31,118	2,962	**31,118**	2,962
Net financial assets / (liabilities)				

ii) Carrying amount and fair value of financial assets and liabilities of the Group	Carrying Amount		Fair Value	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Financial assets				
Cash and cash equivalents	**5,263**	5,142	**5,263**	5,142
Loans and receivables				
Debtors and other receivables	**38,255**	12,967	**38,255**	12,967
Total financial assets	**43,518**	18,109	**43,518**	18,109
Financial liabilities				
Financial liabilities at amortised cost				
Creditors and other payables	**5,202**	7,761	**5,202**	7,761
Total financial liabilities	**5,202**	7,761	**5,202**	7,761
Net financial assets / (liabilities)	**38,316**	10,348	**38,316**	10,348

30. 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 2018								
Financial assets								
Cash and cash equivalents	2,651	-	-	-	-	-	**2,651**	**2,651**
Debtors and other receivables	36,127	62	37	1,549	366	114	**38,255**	**38,255**
Total financial assets	**38,778**	**62**	**37**	**1,549**	**366**	**114**	**40,906**	**40,906**
Financial liabilities								
Creditors and other payables	7,174	2,614	-	-	-	-	**9,788**	**9,788**
Total financial liabilities	**7,174**	**2,614**	**-**	**-**	**-**	**-**	**9,788**	**9,788**
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. 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 2018								
Financial assets								
Cash and cash equivalents	5,263	-	-	-	-	-	**5,263**	**5,263**
Debtors and other receivables	36,127	62	37	1,549	366	114	**38,255**	**38,255**
Total financial assets	**41,390**	**62**	**37**	**1,549**	**366**	**114**	**43,518**	**43,518**
Financial liabilities								
Creditors and other payables	2,546	2,656	-	-	-	-	**5,202**	**5,202**
Total financial liabilities	**2,546**	**2,656**	**-**	**-**	**-**	**-**	**5,202**	**5,202**
30 June 2017								
Financial assets								
Bank deposits	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**

31. Prior period adjustment

During the financial year, Panuku reviewed its tax fixed asset register. In doing so it was identified that deferred tax for assets financed through local government grants was incorrectly calculated. Due to the magnitude of the change this has necessitated adjustments to the prior year comparatives as shown below.

	Parent - 30 June 2017 ($000)			Group - 30 June 2017 ($000)		
	As reported	Adjustment	**Revised**	As reported	Adjustment	**Revised**
Statement of Comprehensive Revenue and Expense						
Surplus / (deficit) before tax	38,045	-	**38,045**	37,682	-	**37,682**
Income tax (benefit) / expense	(1,430)	1,153	**(277)**	(1,495)	1,153	**(342)**
Surplus after tax	39,475	(1,153)	**38,322**	39,177	(1,153)	**38,024**
Statement of Changes in Equity						
Equity at the beginning of the year	640,595	(1,780)	**638,815**	642,592	(1,780)	**640,812**
Total comprehensive revenue and expense						
Surplus / (deficit) for the year	39,475	(1,153)	**38,322**	39,177	(1,153)	**38,024**
Other comprehensive revenue and expense	-	-	**-**	106	-	**106**
Total comprehensive revenue and expense	39,475	(1,153)	**38,322**	39,283	(1,153)	**38,130**
Transactions with owners						
Share issue	15,000	-	**15,000**	15,000	-	**15,000**
Dividend expense	(1,800)	-	**(1,800)**	(1,800)	-	**(1,800)**
Total transactions with owners	13,200	-	**13,200**	13,200	-	**13,200**
Equity at the end of the year	693,270	(2,933)	**690,337**	695,075	(2,933)	**692,142**
Statement of Financial Position						
Current assets	17,456	-	**17,456**	17,790	-	**17,790**
Non-current assets	713,955	-	**713,955**	714,787	-	**714,787**
Total assets	731,411	-	**731,411**	732,577	-	**732,577**
Current liabilities	15,851	-	**15,851**	15,535	-	**15,535**
Non-current liabilities						
Creditors and other payables	21,080	-	**21,080**	20,634	-	**20,634**
Other non-current liabilities	-	-	**-**	139	-	**139**
Deferred tax liabilities	1,210	2,933	**4,143**	1,194	2,933	**4,127**
Total non-current liabilities	22,290	2,933	**25,223**	21,967	2,933	**24,900**
Total liabilities	38,141	2,933	**41,074**	37,502	2,933	**40,435**
Net assets	693,270	(2,933)	**690,337**	695,075	(2,933)	**692,142**
Contributed equity	483,489	-	**483,489**	485,722	-	**485,722**
Accumulated funds	154,870	(2,933)	**151,937**	152,928	(2,933)	**149,995**
Reserves	54,911	-	**54,911**	56,425	-	**56,425**
Total equity	693,270	(2,933)	**690,337**	695,075	(2,933)	**692,142**

32. 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 2018 $000	Parent 2017 $000
Equity	**724,496**	693,270
Total assets	**786,361**	731,411
Equity to total assets	**92%**	95%

33. 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 2018 $000	Group Budget 2018 $000	Favourable / (unfavourable) Variance $000	Note
Revenue				
Rental and other revenue	**63,417**	94,568	**(31,151)**	1
Interest income	**697**	671	**26**	
Other gains / (losses)	**(1,639)**	-	**(1,639)**	2
Total income	**62,475**	95,239	**(32,764)**	
Expenses				
Personnel	**22,096**	22,660	**564**	
Depreciation and amortisation	**7,939**	11,149	**3,210**	3
Interest expense	**-**	3,629	**3,629**	4
Other operating expenses	**22,976**	25,720	**2,744**	5
Total expenditure	**53,011**	63,158	**10,147**	
Surplus / (deficit) before tax	**9,464**	32,081	**(22,617)**	
Income tax (benefit) / expense	**(714)**	-	**714**	2
Surplus / (deficit) after tax	**10,178**	32,081	**(21,903)**	
Other comprehensive revenue and expense				
Gains on revaluation of property, plant and equipment	**27,282**	-	**27,282**	2
Tax on revaluation gains	**(2,175)**	-	**(2,175)**	2
Total other comprehensive income	**25,107**	-	**25,107**	
Total comprehensive income	**35,285**	32,081	**3,204**	

Notes

1. Capital expenditure funding from Auckland Council was budgeted at $37.4m for the year. The actual revenue recognised was $8.2m 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. Capital expenditure in the previous year was lower than expected which has affected deprecation.
4. The budget had interest for loans and capital expenditure funding from Auckland Council for certain projects. The loans were repaid to Auckland Council in June 2017 after the budget was agreed for this financial year. The capital expenditure funding was not required as Panuku had sufficient funds to finance the projects.
5. Panuku transferred one of its business activities to another Auckland Council CCO from 1 July 2017. The budget included $1.4m of expenditure for this activity which was not incurred by Panuku. Travel was under budget by $400k as less overseas travel was required.


WYNYARD
QUARTER
RELATE


ASB
30 MADDEN
SANFORD


ASB