



STATEMENT OF PERFORMANCE EXPECTATIONS

2018-2019

Tāmaki is an awesome place
to live



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STATEMENT OF RESPONSIBILITY

In accordance with the Public Finance Act 1989 and the Crown Entities Act 2004, this Statement of Performance Expectations (SPE) publicly states the activities and intentions of Tāmaki Redevelopment Company Limited (referred to as either “the company” or “TRC” interchangeably) and its subsidiaries for the 2018-2019 financial year, and the objectives that those activities will contribute to.

This SPE has had shareholder input, allowing our responsible Ministers and Auckland Council to participate in setting the direction for the company for the 2018-2019 financial year, and includes performance measures and targets as the basis of organisational accountability.

The Board of TRC is responsible for the statements contained in this SPE and for the appropriateness of the assumptions as well as the relevant disclosures made in them.

The Board has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.



Evan Davies
Chair

27 November 2018
Date



Dr. Susan Macken
Deputy Chair

27 November 2018
Date

PURPOSE OF STATEMENT OF PERFORMANCE EXPECTATIONS

This document is TRC’s Statement of Performance Expectations 2018-2019 and should be read in conjunction with our Statement of Intent 2018-2022, which describes our organisation and strategic intent in more detail, outlining how our operating environment is changing and how we are planning to respond to those changes.

The SPE is our 12-month operational plan, setting out our expected financial performance during the 2018/19 financial year, along with appropriate output measures and enabling project milestones within each of our functional areas. These measures and milestones are designed to drive organisational performance and are linked to our strategic objectives and the long-term outcomes we contribute to.

In setting out these measures and milestones, our SPE provides a base against which our actual performance can be measured at year-end by our shareholders and by Parliament. We will also provide quarterly reports to our shareholders, which will provide an overview of our performance over the previous three months against SPE measures and milestones.

ABOUT TĀMAKI REDEVELOPMENT COMPANY

Tāmaki is an area which stands out for its wealth of potential; both of people and of place. It is made up of three East Auckland suburbs: Glen Innes, Point England and Panmure and is located only 12 kilometres from the central business district.

The area has a rich cultural history. It was an important settlement for many iwi in pre-European times and the Tāmaki River was used as a highway to travel between the east and west coast. These days, the area is characterised by an outstanding natural environment and a youthful and inclusive community where generations of Māori and Pasifika families live alongside more recent migrants. Tāmaki has two large town centres, Sylvia Park Shopping Centre on its doorstep, and safe swimming beaches nearby.

There are, however, significant challenges within the area, including many people seeking work and a high number of residents receiving support from the government. It is also home to a significant number of state houses, mostly built in the 1940s and 1950s, that are cold and damp and no longer serving our families well.

Tāmaki is ready for change and, through its shareholders, the New Zealand Government and Auckland Council, the Tāmaki Regeneration Company (“TRC”)¹, is mandated to lead a first-of-its-kind urban regeneration programme in Tāmaki.

As requested by the Crown this year, we will partner with a new master developer to deliver housing developments in Tāmaki. HLC (2017) Limited (“HLC”), a subsidiary company of Housing New Zealand Corporation, will now be responsible for the delivery of new warm and dry homes in Tāmaki. This redevelopment programme will see 2,500 of the existing state houses replaced with at least 7,500 state, affordable, KiwiBuild, and private market houses over the next 20 years. TRC and HLC’s shared objectives of delivering regeneration through high-quality urban design and placemaking will be strengthened through this partnership. It will also enable development expertise to be consolidated within the Crown.

Regeneration is, however, about more than just building new homes. We are building communities where the residents of Tāmaki will take opportunities to thrive, creating a platform to transform their lives now and for generations to come.

We will achieve this and support the housing delivery programme by:

- Working in partnership with the community, public agencies, and the private sector to create jobs for local people, reducing the need for Government support;
- Providing shared ownership and affordable rental housing models. These initiatives support the Government’s commitment to deliver innovative home ownership models within the state and broader community housing programmes;
- Supporting the Ministry of Education to develop the Tāmaki Education Strategy. This long-term plan will improve education outcomes in Tāmaki and attract new families to the area;
- Implementing our marketing strategy to attract investment, positioning Tāmaki as a location of choice and a thriving hub of enterprise, with two bustling town centres; and

¹ Tāmaki Regeneration Company is the brand or trading name of Tāmaki Redevelopment Company Limited.

- Utilising our tenancy management services arm, the Tāmaki Housing Association Limited Partnership², to connect with tenants and residents, taking a personalised approach and spending time getting to know state housing whānau, understanding their needs and working with them to achieve their aspirations.

It is important to acknowledge that this holistic approach to regeneration would not be the same as if undertaken by a private company, which would seek to maximise the financial return from housing developments. It is recognised that the commercial relationship with HLC and our mandate to maximise the economic and social returns for Tāmaki will require trading off some financial return for TRC.

This trade off will be identified and measured. We will use best practice insights to inform the strategic deliverables and measurements of outcomes, both fiscal and social. Through delivering effective social, economic, and environmental benefits for the Tāmaki community, TRC will become a world leader of regeneration: an organisation that will learn, grow, and share its knowledge.

That journey has already begun. TRC has collaborated with the Tāmaki community, Crown, and Auckland Council to produce a single set of outcomes for Tāmaki. Collectively, these outcomes provide a clear vision for the area, a vision that we will realise through partnership by agreeing priorities, working together, and aligning the delivery of social services to best meet the needs of Tāmaki families.

Last year, we established the Tāmaki Response, alongside the Auckland District Health Board and Oranga Tamariki. This collaborative initiative aims to create more effective and efficient decision-making about social services within Tāmaki and provides a platform for change across New Zealand.

By making the most of what's already great about Tāmaki and ensuring that families have the opportunities they need to thrive, Tāmaki's regeneration will create an awesome place to live.

² The Tāmaki Housing Association Limited Partnership is a registered community housing provider that is a wholly-owned subsidiary of Tāmaki Redevelopment Company Limited.

OUR OPERATING ENVIRONMENT

Setting our direction requires us to understand the key factors influencing our operating environment and how these will change the way we will operate into the future. The Government has set out an ambitious housing programme, focussed on addressing the housing crisis in Auckland and transforming the housing and urban development sector.

The delivery of affordable housing for first home buyers through the KiwiBuild programme will be complemented by significant boosts to state housing supply, the development of government-sponsored shared equity models, improvements to rental housing standards, and policies to reduce homelessness.

There is also strong alignment between the priorities and outcomes of the Tāmaki regeneration programme and the Government's policy agenda to improve living standards and wellbeing for New Zealanders. The Government is committed to major investments in housing, health, education, and infrastructure, all of which are critical to, and supported by, the regeneration programme in Tāmaki.

Contribution to the Government's Policy Programme

Our contribution to the Government's commitment to address Auckland's housing challenges is unique. Over the next 20 years, the Tāmaki regeneration programme will transform 170 hectares of suburban land to deliver 2,500 new state houses, alongside an additional 5,000 affordable, KiwiBuild, and private market houses, improved infrastructure, and enhanced community amenities. We will hold HLC to account for their delivery of quality new housing in Tāmaki, ensuring that the redeveloped homes and neighbourhoods enable the broader regeneration objectives of the Crown and our community.

The housing programme will be achieved via:

- **driving the supply of diverse housing stock to the Auckland market**, including state, affordable, KiwiBuild, and private market homes;
- **delivering new warm, dry, and healthy state houses** that will meet the new regulatory standards for rental properties in insulation, heating, ventilation, draught stopping, and drainage, ensuring a healthy living environment for state housing tenants;
- **delivering a range of bespoke affordable housing products**, such as shared ownership and affordable rental models, that respond to the challenge of delivering affordable housing to a diverse range of buyers in a city-fringe suburb; and
- **creating thriving mixed-tenure neighbourhoods**, where state housing tenants will live within a diverse community of private renters, new home owners (through affordable housing products), and more established families, leaving behind the stigma of living in a state house.

We will continue to hold overall responsibility for the regeneration of Tāmaki. In addition to the new, warm dry homes that will be delivered by HLC through the redevelopment programme, we are working with central and local government partners to ensure the provision of excellent social infrastructure, efficient transport connections, and quality neighbourhoods that will support Tāmaki's growing population.

The Government's priorities to raise living standards and wellbeing for families and significantly reduce child poverty are aligned with the integrated package of initiatives that we are facilitating or leading in Tāmaki. To improve outcomes for Tāmaki whānau, our programme draws on a strong network of relationships with central and local government agencies, NGOs, and in the community. This work aims to achieve a step change in the lives of Tāmaki whānau by:

- **creating system-wide change to ensure more efficient and effective collective decision-making about social services in Tāmaki** through the work of the Tāmaki Response, which we have established with our partners as an exemplar of cross-agency collaboration;
- **providing system stewardship through the Tāmaki Response** and working with the community and our partners to develop sustainable strategies in education, health, and social services, delivering for community and the Crown and feeding into regional and national planning;
- **ensuring that Tāmaki people have strong educational foundations, career skills, financial capability, knowledge, and employment opportunities**, to enable and empower them to progress their lives and achieve their aspirations; and
- **directly supporting Tāmaki people into employment, training, and business opportunities through our jobs and skills hub and social enterprise programme**, thereby increasing human and social capital in the area and creating a thriving local economy in Tāmaki.

Contribution to the Mayoral vision for Auckland to be a world class city where talent wants to live

Our work to regenerate Tāmaki and make it an awesome place to live complements the Mayoral vision for Auckland to be a world class city where talent wants to live. In contributing to the Mayoral vision for Auckland, the regeneration programme is delivering outcomes aligned to the six key outcomes areas in The Auckland Plan 2050, as set out below.

- **Belonging and participation:** We worked with community to develop a ‘neighbourhood approach’ to regeneration. The approach is underpinned by ongoing community involvement and participation and is committed to delivering outcomes based on community needs and aspirations.
- **Māori identity and wellbeing:** Over the past few years, we have deepened our relationships with mana whenua, establishing strategic partnerships with three local iwi. We continue to work closely with the Ruapotaka Marae, who sit at the heart of our Māori community, to enhance the well-being of whānau in Tāmaki.
- **Homes and places:** Over the next 20 years, the regeneration programme will see 2,500 existing state houses transformed into at least 7,500 new, warm, dry, and healthy state, affordable, KiwiBuild, and private market homes, as part of thriving mixed tenure communities in Tāmaki.
- **Transport and access:** We advocate for high-quality public transport infrastructure and services in Tāmaki, as the success of the transport linkages within Tāmaki, as well as between Tāmaki and other parts of the region, will contribute directly to the success of TRC’s broad regeneration programme.
- **Environment and cultural heritage:** We participate in the annual Omaru Creek Restorative Action Programme in conjunction with the community, bringing focus to the ways in which regeneration can improve environmental and biodiversity outcomes. We have also been working closely with Auckland Council to prepare a comprehensive Stormwater Management Plan for Tāmaki, with the aim of improving water quality and environmental outcomes.
- **Opportunity and prosperity:** Through our Jobs and Skills Hub, we are enabling Tāmaki people to enter the workforce, helping them gain driver licences, access education and training opportunities, and supporting them into sustainable employment. We are also supporting local social enterprises that trade goods and services to achieve social, environmental, economic, and cultural outcomes.

We work collaboratively with the Auckland Council family and Maungakiekie-Tāmaki Local Board on a range of issues relating to the regeneration programme, including infrastructure planning and delivery, town centre revitalisation projects for Glen Innes and Panmure, and urban activations and events throughout the area.

OUR STRATEGIC FRAMEWORK

Our long-term vision is that “Tāmaki is an awesome place to live”, and our work is guided by four long-term strategic priorities for the regeneration programme. This section defines those strategic priorities, with our objectives and work programme within each strategic priority area, and the results we are aiming for over the next four years, described in the following sections.

Our Strategic Priorities

TRC has been mandated by its shareholders, the Government and Auckland Council, to lead on urban regeneration activity in Tāmaki focused on four strategic priorities outlined in our Constitution:

HOUSING RESOURCES: Optimising the use of land and existing housing stock to effectively support and deliver social and economic results, including better public housing options for Tāmaki;

SOCIAL TRANSFORMATION: Supporting Tāmaki residents and families to gain the skills, knowledge and employment opportunities to progress their lives;

ECONOMIC DEVELOPMENT: Strengthening the local economy and unlocking the potential of the Tāmaki area to enable a prosperous community and deliver better value for money to the Crown (with a focus on increasing the return on investment and realising the potential value from state and council-owned housing); and

PLACEMAKING: Creating safe and connected neighbourhoods that support the social and economic development of Tāmaki and its community.

These four strategic priorities contribute to Crown and Auckland Council strategic goals, the wider social and economic objectives for the region, and the Tāmaki Outcomes Framework. The Tāmaki Outcomes Framework defines the long-term outcomes for Tāmaki that our work contributes to and was agreed with the Crown, Auckland Council, and the community in 2016.

STRATEGIC PRIORITY – HOUSING RESOURCES

Optimising the use of land and existing housing stock to effectively support and deliver social and economic results, including better public housing options for Tāmaki

Vision

Our vision is that Tāmaki provides an exemplar for the future of Auckland. Each year, the new houses that are built test and stretch thinking for how to deliver well-designed, affordable, sustainable homes that people love to live in. International study groups frequently walk the streets, identifying best practice examples of medium to high density housing, neighbourhood creation, and urban design to adapt for their own countries.

Our foundational work early in the programme to transform the education landscape in Tāmaki, develop programmes to enable and empower Tāmaki whānau to achieve their aspirations, and corral the public and private sector to revitalise town centres and create a thriving local economy has supported the delivery of housing by promoting Tāmaki as an awesome place to live in, work in, and invest in.

Tāmaki attracts people from all different worlds, from professionals and young families to empty nesters and retirees, but most describe being drawn to the appeal of living in one of Auckland's greenest communities, with 'eco' homes, fantastic public transport, cycle ways, and garden streets.

Tāmaki's focus on creating affordable homes means that, despite its massive growth in popularity, renting or owning a home here is not out of reach. People reach out, seeking strong ties with their neighbours, community, and schools, knowing that this is a place where you can lay down roots.

Asset Management

We are an efficient and effective manager of our significant asset base, with appropriate asset management and investment strategies in place to guide our operational activities. This strategic approach to asset management will ensure that we are maximising both financial and non-financial (social) dividends for the Crown and community over the long-term, while adhering to the overarching principles of the regeneration programme.

Our ability to successfully manage our tenancies is linked to our efficiency and effectiveness as an asset manager, ensuring that our tenants live in quality state housing. The overall quality of our portfolio will be significantly improved over time. This will be achieved via both the housing redevelopment programme and our planned and reactive maintenance of our properties.

During the 2018/19 financial year, we will:

- Manage our housing portfolio efficiently and effectively, within a complex regeneration environment;
- Continue to improve the overall quality of our portfolio by building new state houses and upgrading existing stock as required;
- Keep vacancy periods to a minimum and maximise the number of public housing places available, within the constraints of the redevelopment programme and rehousing schedule; and
- Ensure that state houses are suited to tenants' needs, as agreed with our Crown partners.

STRATEGIC FRAMEWORK	LINK	
Contributes to Tāmaki Outcomes Framework	<ul style="list-style-type: none"> • Tāmaki has quality housing • Tāmaki has great neighbourhoods 	
Our objectives What we are aiming to deliver	<ul style="list-style-type: none"> • Develop and own new quality state houses at an efficient build and whole-of-life cost • Ensure our state housing tenants live in houses that are fit for purpose 	
Outputs – Desired trends	MEASURE	TARGET 18/19
How will we know we're making progress	Portfolio average property condition	Baseline to be established
	Percentage of customers satisfied with repairs and maintenance	65%
	Percentage of lettable homes that are let	98%
	Average inter-tenancy void turnaround time (vacant to ready to let)	28 days

Tenancy Management

Our tenancy management services arm, the Tāmaki Housing Association Limited Partnership (THA), delivers an innovative tenancy management service to state housing whānau in Tāmaki. The THA's approach is based on supporting successful tenancies and being responsive to each state housing whānau's needs.

Our philosophy and service delivery are based on a deep understanding of the barriers, enablers, and drivers of change for each state housing whānau. By working with state housing whānau in a compassionate and flexible way, we help them to achieve their aspirations, while maintaining and enhancing our social licence with the Tāmaki community. This includes our work with state housing whānau through the rehousing process when we plan to redevelop the house they live in.

During the 2018/19 financial year, we will:

- Manage our tenancies efficiently and effectively, within a complex regeneration environment;
- Work closely with our tenants, particularly those with at risk tenancies, to ensure those tenancies are sustained;
- Respond to tenant requests quickly and resolve issues within agreed timeframes; and
- Adhere to the Tāmaki Commitment at all times.

STRATEGIC FRAMEWORK	LINK	
Contributes to Tāmaki Outcomes Framework	<ul style="list-style-type: none"> • Tāmaki has quality housing • Tāmaki has great neighbourhoods 	
Our objectives What we are aiming to deliver	<ul style="list-style-type: none"> • Ensure our state housing tenants live in houses that are fit for purpose • Ensure tenant-landlord relationships are managed professionally, with tenants being treated respectfully throughout rehousing 	
Outputs – Desired trends	MEASURE	TARGET 18/19
	Percentage of tenants who are affected by redevelopment and want to stay in Tāmaki who are rehoused within Tāmaki	100%

STRATEGIC FRAMEWORK	LINK	
How will we know we're making progress	STAR Customer Satisfaction Score	80%
	Rental debt older than 7 days as a percentage of monthly rental income	<5.0%
	Tenancy management cost per unit	<\$2,080pa
	Average number of days to let Tāmaki Housing Association property to applicants from the MSD register after it becomes available	15 days
	Percentage of urgent health and safety queries responded to within 4 hours	95%

Housing Supply

As requested by the Crown, we will partner with HLC to deliver housing developments in Tāmaki going forward. HLC is accountable for the delivery of new warm and dry homes in Tāmaki, which will see 2,500 of the existing state houses replaced with at least 7,500 state, affordable, KiwiBuild, and private market houses over the next 20 years.

HLC share our objectives of delivering regeneration through high-quality urban design and placemaking. This is a long-term partnership and, over the next year, we will take time to align our organisations to deliver the best outcomes for the Crown and community. We will hold HLC to account for their delivery of quality new housing in Tāmaki, ensuring that the redeveloped homes and neighbourhoods enable the broader regeneration objectives of the Crown and our community.

It is important to note that increasing housing supply is not the only thing that will be delivered by neighbourhood redevelopment. Neighbourhoods that are well designed and built lead to other outcomes that TRC is accountable for, such as improved social cohesion, increased perceptions of safety, and greater provision and uptake of social and community services.

With this in mind, we will continue to work closely with HLC through the design process to ensure the quality of housing and regeneration neighbourhoods being delivered in Tāmaki is upheld through mechanisms such as the Tāmaki Design Framework, Tāmaki Design Review Panel, and Quality Neighbourhood Framework. We will also contribute to the delivery of new housing in Tāmaki by ensuring that we support state housing whānau through the rehousing process in alignment with the housing redevelopment schedule.

STRATEGIC FRAMEWORK	LINK	
Contributes to Tāmaki Outcomes Framework	<ul style="list-style-type: none"> • Tāmaki has quality housing • Tāmaki has great neighbourhoods 	
Our objectives	<ul style="list-style-type: none"> • Develop and own new quality state houses at an efficient build and whole-of-life cost • Provide a continued supply of quality houses across the housing continuum 	
Enabling projects	PROJECT	MILESTONE 18/19
What we need to do to support our objectives	<p>Tāmaki Precinct Masterplan</p> <p>The Tāmaki Precinct Masterplan will be the overarching framework, providing for the consistent and coherent urban</p>	Plan completed

STRATEGIC FRAMEWORK	LINK
	design approach to the development of Tāmaki. The Masterplan will build on the existing Tāmaki Reference Plan, Tāmaki's unique characteristics and determine spatial design that will continue to shape Tāmaki and enhance its community identity.

Housing Resources Revenue and Output Expenses

The Revenue and Output Expenses as presented below are for the output class Housing Resources, which includes the subclasses of Asset Management, Tenancy Management, and Housing Supply.

Revenue and Output Expenses	2018/19 PROSPECTIVE UNAUDITED
Revenue	(000s)
Crown	-
Other	66,234
Total revenue	66,234
Expenditure	(183,744)
Net (Deficit)	(117,510)

STRATEGIC PRIORITY – SOCIAL TRANSFORMATION

Tāmaki residents and families have the skills, knowledge and employment opportunities to progress their lives

Vision

Our vision is that Tāmaki prides itself as being a place of wellbeing and nurture. The Tāmaki values of being welcoming, inclusive, and supportive are well-known across Auckland and throughout New Zealand. There is an acceptance within the community that people come from all walks of life, and people take pleasure in reaching out to support others in small, practical ways whenever they can.

With their everyday needs met, those living in Tāmaki can invest in themselves. Tāmaki is a place of growth, where people can meet their potential. Skills training and education, along with active job placement and mentoring, has generated numerous success stories of people finding work, providing for their families, and regaining their pride.

Children thrive in Tāmaki. Playgrounds, swimming centres, libraries, and community halls are buzzing with parents singing, dancing, playing, and reading with their children, and making new friendships with other families. A diverse range of early child education centres cater to Tāmaki's mixed tenure, multicultural communities. Students at the local colleges see a future of unlimited opportunity.

This dynamic local education ecosystem is one of the area's most attractive features, with many young families settling in Tāmaki based on its educational reputation. A focus on excellence and a rich cultural life equip students to succeed, whatever their pursuits. With strong ties and pride in their community, former students regularly return to encourage, inspire, and mentor the next generation.

Social Transformation

We engage with the community and undertake research to deeply understand the needs of Tāmaki whānau. Based on this understanding, we galvanise and catalyse the efforts of public, private, and community partners to co-design transformational social and economic programmes for Tāmaki whānau. While these programmes are already delivering benefits for the community and the Crown, the social dividends that will be realised through these programmes will be significantly increased over time.

We have established the Tāmaki Response with our partners, which aims to create system-wide change to ensure more effective and efficient collective decision-making about social services within Tāmaki. This work will feed directly into strategic planning at a regional and national level by the Auckland District Health Board, Oranga Tamariki, and the Crown's Social Investment Board, to help ensure support services are designed based on a deep understanding of community needs and enablers.

During the 2018/19 financial year, we will:

- Provide system stewardship through the Tāmaki Response, undertaking deep research within the community to shape key projects in education, health, and social services;
- Enhance education and employment opportunities for Tāmaki residents through our strategic influence and jobs and skills initiatives; and
- Equip Tāmaki whānau with the financial knowledge and tools to be able to transition out of the need for state housing, over time.

- Work with our partners to ensure that whānau are supported by an integrated social services system, which enables them to achieve their aspirations

STRATEGIC FRAMEWORK	LINK	
Contributes to Tāmaki Outcomes Framework	<ul style="list-style-type: none"> • Tāmaki whānau are connected in their community • Tāmaki whānau have health and wellbeing • Tāmaki whānau are economically independent 	
Our objectives What we are aiming to deliver	<ul style="list-style-type: none"> • Support Tāmaki residents into education and employment opportunities • Provide affordable housing options for Tāmaki whānau • Support families with an integrated social service system, which enables them to achieve their aspirations 	
Outputs – Desired trends	MEASURE	TARGET 18/19
How will we know we're making progress	<p>Number of Tāmaki people who are employed through TRC initiatives</p> <p>Number of Tāmaki people who progress along the housing continuum</p>	<p>170</p> <p>15</p>
Enabling projects	PROJECT	MILESTONE 18/19
What we need to do to support our objectives	<p>Tāmaki Education Strategy TRC will support the development and delivery of the Tāmaki Education Strategy across the Manaikalani Community of Learning, Ministry of Education (MoE), and Auckland District Health Board (ADHB). The Strategy aims to develop a long-term plan for the collective delivery of better education outcomes in Tāmaki, factoring in future population growth.</p> <p>Early Years Hub TRC is working with the MoE, Tāmaki Primary School, the Tāmaki community, and an investment partner to deliver an Early Childhood Education centre with additional space for use by community and a range of social service providers. The milestone for this project in FY19 is receiving a letter of commitment from the MoE.</p> <p>Tāmaki Renal Dialysis Unit Working with the Auckland District Health Board (ADHB) and philanthropic partners, TRC has been facilitating the development of a temporary renal dialysis facility in Glen Innes to deliver renal dialysis services, due to high need locally. The milestone for this project in FY19 is to have an agreement to lease between TRC and the ADHB.</p> <p>Wellbeing Hub Vision Working with the Tāmaki community, the Auckland District Health Board, and other health providers, we will create a shared vision for a Wellbeing Hub in the Glen Innes town centre that provides health and wellness services for Tāmaki whānau.</p>	<p>Strategy completed</p> <p>Letter of Commitment from MoE received</p> <p>Agreement to lease</p> <p>Vision formulated with partners</p>

Revenue and Output Expenses

2018/19
PROSPECTIVE
UNAUDITED

Revenue	(000s)
Crown	-
Other	205
Total revenue	205
Expenditure	(7,170)
Net (Deficit)	(6,965)

STRATEGIC PRIORITY – ECONOMIC DEVELOPMENT

Strengthening the local economy and unlocking the potential of the Tāmaki area to enable a prosperous community and deliver better value for money to the Crown

Vision

In our vision, Tāmaki is a thriving hub of enterprise, with two bustling town centres. A strong ‘shop local’ culture, coupled with a pool of talented local entrepreneurs and food artisans, has resulted in a colourful collection of shops that draw people from all over Auckland.

The revitalisation of Glen Innes and Panmure was signalled early in the regeneration programme, allowing people to lay their roots down in Tāmaki confident in the knowledge that regeneration was well thought out and that the increasing population would be matched by quality retail and commercial offerings.

The industrial zone west of the rail line works in concert with the revitalised town centres, with a wide range of business activities taking place. It is known as a hub of innovation, where captains of industry and local entrepreneurs test new ideas and capitalise on the opportunities created through regeneration. There are now numerous employment opportunities in Tāmaki, beyond those in the thriving retail and hospitality sectors.

The redevelopment has grown an army of skilled tradespeople, technicians, and entrepreneurs, with many setting up their own businesses and passing their skills on to the next generation. With this growth, there is also a healthy local industry of support services in accountancy, information technology, and project management.

Economic Development

Economic development is an integral part of the regeneration programme. TRC’s role is to partner with central and local government organisations to facilitate the delivery of improved transport connectivity and community infrastructure, enabling local industry and the local economy to thrive. Early markers within this strategic priority area will be the projects to redevelop the Glen Innes and Panmure town centres, delivered in partnership with the Maungakiekie-Tāmaki Local Board and the Auckland Council family. We will work closely with Panuku Development Auckland to support their delivery of the Unlock Panmure project to revitalise the Panmure town centre.

These projects will create thriving, attractive, and sustainable town centres that encourage investment in retail and commercial space, making Glen Innes and Panmure destinations of choice in Auckland’s eastern suburbs. This will include a study to determine the development potential of TRC-owned land on Line Road in Glen Innes. The physical transformation of the town centres will be complemented by a destination brand project, positioning Tāmaki as an attractive investment opportunity for individual, commercial, and institutional investors.

We are also partnering with Auckland Tourism, Events and Economic Development (ATEED) to deliver an Employment Precinct Strategy, which will involve an in-depth current state analysis of Tāmaki’s employment precinct and significant engagement with business and property owners in the area. The objective of this project is to encourage investment into the employment precinct and capture the economic opportunity that the regeneration programme provides for businesses. In doing this, our aim is to create a thriving local economy with better and more diverse employment opportunities for residents, over time.

During the 2018/19 financial year, we will:

- Partner with ATEED and work with key stakeholders on a strategy to encourage investment and development in the Tāmaki employment precinct;

- Promote Tāmaki as a global, innovative, and inclusive location that provides a range of investment opportunities; and
- Work with the Auckland Council family on the revitalisation of commercial precincts in Tāmaki (acknowledging that these are long-term projects).

STRATEGIC FRAMEWORK	LINK								
Contributes to Tāmaki Outcomes Framework	<ul style="list-style-type: none"> • Tāmaki whānau are economically independent • Tāmaki has a thriving economy 								
Our objectives	<ul style="list-style-type: none"> • Develop vibrant town centres that meet the needs of our future population, while maintaining the Tāmaki culture • Encourage investment in Tāmaki 								
Enabling projects	<table border="1"> <thead> <tr> <th>PROJECT</th> <th>MILESTONE 18/19</th> </tr> </thead> <tbody> <tr> <td>Employment Precinct Strategy Partnering with ATEED, we will produce a strategy that provides key moves for encouraging investment and development in Tāmaki's employment precinct³.</td> <td>Strategy completed</td> </tr> <tr> <td>Tāmaki Destination Brand Project The Tāmaki Destination Brand Project delivers the Tāmaki Destination Brand Strategy, positioning Tāmaki to attract investment. The Brand Strategy Roll Out Plan is a 12-month programme taking the Brand Strategy to market.</td> <td>Brand Strategy Roll Out Plan for FY19 executed</td> </tr> <tr> <td>Line Road Feasibility Study Working with potential development partners, we will carry out a feasibility study to determine options to develop TRC-owned land on Line Road. This work will feed into the Glen Innes Town Centre Development Plan.</td> <td>Study completed</td> </tr> </tbody> </table>	PROJECT	MILESTONE 18/19	Employment Precinct Strategy Partnering with ATEED, we will produce a strategy that provides key moves for encouraging investment and development in Tāmaki's employment precinct ³ .	Strategy completed	Tāmaki Destination Brand Project The Tāmaki Destination Brand Project delivers the Tāmaki Destination Brand Strategy, positioning Tāmaki to attract investment. The Brand Strategy Roll Out Plan is a 12-month programme taking the Brand Strategy to market.	Brand Strategy Roll Out Plan for FY19 executed	Line Road Feasibility Study Working with potential development partners, we will carry out a feasibility study to determine options to develop TRC-owned land on Line Road. This work will feed into the Glen Innes Town Centre Development Plan.	Study completed
PROJECT	MILESTONE 18/19								
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Revenue and Output Expenses	2018/19 PROSPECTIVE UNAUDITED
Revenue	(000s)
Crown	-
Other	-
Total revenue	-
Expenditure	(1,317)
Net (Deficit)	(1,317)

³ The employment precinct has been defined as the industrial and mixed-use(business) zoned land west of the railway line in Tāmaki, excluding the Glen Innes and Panmure town centres where revitalisation projects are already underway.

STRATEGIC PRIORITY – PLACEMAKING

Creating safe and connected neighbourhoods that support the social and economic development of Tāmaki and its community

Vision

Our vision is that the Omara Creek courses through Tāmaki with health and vitality before flowing out to the Tāmaki River at Point England Reserve. Its banks are crowded with people every weekend, walking, cycling, and enjoying one of Auckland's best inner-city nature reserves.

With playgrounds, communal gardens, and beautiful parks dotted throughout its well-laid out collection of streets, Tāmaki is a place of people, not cars. Tāmaki has great neighbourhoods that are connected by a quality open space network, which supports healthy lifestyles.

Energy and wellbeing are evident throughout the community and regularly showcased by the large number of young people living here. Tāmaki is the cultural hub for young, upcoming talent in dance and music, with Te Oro's festival programme one of the highlights of the Auckland arts calendar.

Through these events and the quality of the built environment in Tāmaki, whānau are connected in their community and have a sense of belonging that is the envy of other parts of the Auckland isthmus. New residents often remark about how the community spirit in Tāmaki quickly fosters in them a strength of loyalty and pride in the area.

Placemaking

Regeneration neighbourhoods in Tāmaki will demonstrate best practice in urban design and efficiency, creating cohesive communities that are linked through a quality open space network, supported by social infrastructure that meets the needs of Tāmaki's changing population. TRC will work with HLC, Auckland Council and the Tāmaki community to ensure Tāmaki is connected; both physically through great transport infrastructure, and socially through friendly, welcoming neighbourhoods and community facilities. We will also work with our partners to make sure that our developments enhance Tāmaki's natural environment.

The Tāmaki Precinct Masterplan will define the key moves to make Tāmaki a safe, sustainable, and connected community through creating or upgrading parks, reserves, street networks and walkways. The Placemaking Strategy complements these physical moves by setting out how TRC and partners will deliver activations, events, and activities to bring these spaces to life to create a vibrant and socially cohesive community. Delivery of the Placemaking Strategy will commence in 2019 with a full programme of events and activations focussed on key locations across Tāmaki.

During the 2018/19 financial year, we will:

- Define key physical placemaking infrastructure through the Tāmaki Precinct Masterplan;
- Set out how we will use placemaking to market Tāmaki as a destination of choice, strengthen community resilience, and create social cohesion through the delivery of our Placemaking Strategy
- Remove housing from TRC land bordering Maybury Reserve and convert it to green space, creating a safer and more accessible space for community use; and
- Deliver events and activate spaces in Tāmaki for families and residents to form connections with their community.

STRATEGIC FRAMEWORK		LINK
Contributes to Tāmaki Outcomes Framework		<ul style="list-style-type: none"> • Tāmaki has great neighbourhoods • Tāmaki whānau are connected in their community
Our objectives What we are aiming to deliver		<ul style="list-style-type: none"> • Create sustainable neighbourhoods that enhance Tāmaki's natural environment • Ensure quality transport connections that allow easy movement within Tāmaki and to and from other regional destinations • Provide Tāmaki residents a chance to shape Tāmaki and take advantage of its opportunities • Develop safe and welcoming neighbourhoods that support social cohesion and connectivity
Outputs – Desired trends	MEASURE	TARGET 18/19
How will we know we're making progress	Percentage of neighbourhood designs that meet the agreed minimum standard under the Quality Neighbourhood Framework	100%
Enabling projects	PROJECT	MILESTONE 18/19
What we need to do to support our objectives	<p>Placemaking Strategy The Placemaking Strategy will provide guidance for TRC's approach to using events and activation to promote and galvanise community interaction.</p> <p>Maybury Green Project During FY19, we will remove housing from TRC land on Taniwha Street that borders Maybury Reserve, ultimately vesting this land in Auckland Council as park land and extending the existing reserve. This move will open the reserve up to Taniwha Street, thereby creating a safer, more accessible open space for Tāmaki residents to enjoy.</p>	<p>Strategy completed</p> <p>Taniwha Street state houses bordering Maybury Reserve converted to green space</p>

Revenue and Output Expenses	2018/19 PROSPECTIVE UNAUDITED
Revenue	(000s)
Crown	-
Other	-
Total revenue	-
Expenditure	(4,698)
Net (Deficit)	(4,698)

CAPITAL APPROPRIATIONS

TRC is delivering regeneration in Tāmaki on behalf of the Crown and Auckland Council. The Crown has provided capital appropriations for 2018/19 in addition to the revenues identified within each strategic priority/functional area above. These are outlined below. Drawdown of Crown capital will also include state housing buy-back and strategic land purchases.

	2018/19 Prospective Unaudited \$000's
Capital Appropriation	73,692

PROSPECTIVE FINANCIAL INFORMATION

Tāmaki Redevelopment Company Limited Group
 Statement of Prospective Comprehensive Revenue and Expense (Unaudited)
 For the year ending 30 June 2019

	2019
	Prospective
	Unaudited
	\$000's
Revenue	
Management fee income	15,396
Dividend received	13,000
Other income	205
Total revenue	28,601
Expenditure	
Personnel costs	9,365
Consultants and professional fees	10,305
Contractors and temporary staff	79
Directors fees	385
Management fee expense	1,828
Other expenses	4,430
Total expenditure	26,392
EBITDAF	2,209
Depreciation and amortisation expense	389
EBIT	1,820
Interest income	330
Interest costs	1,351
Net interest income	(1,021)
(Deficit) for the year	799
Total comprehensive revenue and expense	799
(Deficit) for the year attributable to:	
Crown	471
Minority interest (Auckland Council)	328
Total comprehensive revenue and expense attributable to:	799
Crown	471
Minority interest (Auckland Council)	328
Total comprehensive revenue and expense attributable to:	799

Tāmaki Redevelopment Company Limited Group
Statement of Prospective Financial Position (Unaudited)
As at 30 June 2019

	2019
	Prospective
	Unaudited
	\$'000's
Assets	
Current assets	
Cash and cash equivalents	3,511
Trade and other receivables	190
Total current assets	3,701
Non-current assets	
Property, plant and equipment	0
Intangible assets	127
Total non-current assets	127
Total assets	3,828
Liabilities	
Current liabilities	
Creditors and other payables	15,528
Annual leave liability	510
Total current liabilities	16,038
Total liabilities	16,038
Net assets	(12,210)
Equity	
Ordinary shares - Crown	5,000
Ordinary shares - Auckland Council	3,500
Accumulated (deficit)	(20,710)
Total equity	(12,210)

For and on behalf of the Board who authorise the issue of the financial statements on 27 November 2018.



Evan Davies, Chair
27 November 2018



Dr. Susan Macken, Deputy Chair
27 November 2018

Tāmaki Redevelopment Company Limited Group
Statement of Prospective Changes in Equity (Unaudited)
For the year ending 30 June 2019

	2019
	Prospective
	Unaudited
	\$000's
Balance at 1 July	(13,009)
Total comprehensive revenue and expense	799
(Deficit) for the year	799
Total comprehensive income	799
 Owners' transactions	
Capital contribution	0
Repayment of capital	0
Total contributions and distributions	0
 Balance at 30 June	(12,208)

Tāmaki Redevelopment Company Limited Group
Statement of Prospective Cash Flows (Unaudited)
For the year ending 30 June 2019

	2019
	Budget
	\$000's
Cash flows from operating activities	
Receipts from other revenue	125
Management fee income	39,040
Payments to suppliers	(15,118)
Payments to employees	(9,365)
Net cash flow from operating activities	14,682
Cash flow from investing activities	
Purchase of property, plant and equipment	0
Purchase of intangible assets	(161)
Net cash flow from investing activities	(161)
Cash flow from financing activities	
Interest received	330
Interest paid	(1,351)
Dividend Received	13,000
Loan repayment	(26,500)
Net cash flow from financing activities	(14,521)
Net increase in cash and cash equivalents	0
Cash and cash equivalents at the beginning of the year	3,511
Cash and cash equivalents at the end of the year	3,511

**Tāmaki Redevelopment Company Limited Group
Notes to the Prospective Financial Statements (Unaudited)
For the year ending 30 June 2019**

Statement of Accounting Policies

REPORTING ENTITY

These prospective financial statements are for the Tāmaki Redevelopment Company Limited Group (TRC Group) which comprises the parent entity Tāmaki Redevelopment Company Limited (TRC Parent) and its two subsidiaries Tāmaki Housing Association Limited Partnership (THALP) and THA GP Limited (THAGP). TRC Group has determined that it is a public benefit entity (PBE) for financial reporting purposes.

These prospective financial statements do not include Tāmaki Regeneration Limited (TRL) due to Crown (rather than TRC Parent) controlling TRL. TRL's prospective financial statements are presented separately on pages 35 to 45 of this Statement of Performance Expectations. This document also presents an aggregated set of prospective financial statements of the Tāmaki Redevelopment Company Limited Legal Group (which comprises of TRC Group and TRL) that do not comply with generally accepted accounting practice in New Zealand (NZ GAAP). Such an aggregation has to be treated as a non-GAAP set of prospective financial statements as it is not acceptable under PBE IPSAS 6 Consolidated and Separate Financial Statements to consolidate TRL into TRC Group.

TRC Group is a Crown entity and is therefore principally governed by the Crown Entities Act 2004. TRC Group is a Schedule 4A entity under the Public Finance Act 1989 and is incorporated in New Zealand under the Companies Act 1993.

These prospective financial statements for the year ending 30 June 2019 were approved by the Board on 27 November 2018.

PROSPECTIVE FINANCIAL STATEMENTS

These prospective financial statements have been prepared for the express purpose of meeting legislative requirements set out under the Crown Entities Act 2004 and the use of these statements for any other purpose may not be appropriate. The description of the principal activities and current operations of TRC Group including those activities and operations expected to be undertaken during the period covered by these prospective financial statements are outlined in the strategic priorities section of this document. The actual financial results achieved for the year ending 30 June 2019 are likely to vary from these prospective financial statements and the variations could be material.

BASIS OF PREPARATION

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

Statement of Compliance

The prospective financial statements of TRC Group have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with NZ GAAP. TRC Group is a non-publicly accountable and non-large public benefit entity as defined by the External Reporting Board. For that reason, TRC Group is allowed and has elected to prepare its financial statements in accordance with Tier 2 PBE accounting standards, which allows reduced disclosures.

These prospective financial statements comply with PBE accounting standards; Prospective Financial Statements (PBE FRS 42).

Tāmaki Redevelopment Company Limited Group
Notes to the Prospective Financial Statements (Unaudited) (Cont'd)
For the year ending 30 June 2019

Functional and presentation currency

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

SIGNIFICANT ACCOUNTING POLICIES

Control and consolidation

Subsidiaries

Subsidiaries are entities controlled by the TRC Parent. The TRC Parent controls an entity when it has the power to govern the financial and operating policies of the entity to benefit from its activities. The prospective financial statements from the date on which control commences until the date on which control ceases are consolidated into the TRC Parent's prospective financial statements. The TRC Parent controls two subsidiaries being THALP and THAGP.

Loss of control

When the TRC Parent loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related minority interests and other components of equity. Any resulting gain or loss is recognised in surplus or deficit. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Revenue from exchange transactions:

Exchange revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to TRC Group and the revenue can be reliably measured, regardless of when the payment is being made. The specific accounting policies for significant revenue items are explained below:

Management fee income

The TRC Parent received management fees from Tāmaki Regeneration Limited each month in return for supplying day to day management services. THALP received management fees from TRL, each month in return for provision of tenancy and property management services.

Dividend income from TRL

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

Tāmaki Redevelopment Company Limited Group
Notes to the Prospective Financial Statements (Unaudited) (Cont'd)
For the year ending 30 June 2019

Receivables

Short-term receivables are recorded at their face value, less any provision for impairment. Collectability of debtors are reviewed on an ongoing basis. Impairment of a receivable is established when there is objective evidence that TRC Group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor and default in payments are considered indicators that the debt 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. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Property, plant, and equipment

Property, plant, and equipment consist of the following asset classes: leasehold improvements, office equipment and computer equipment. All assets classes are measured at cost less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to TRC Group and the cost of the item can be measured reliably. In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains and losses on disposals 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.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to TRC Group and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

Tāmaki Redevelopment Company Limited Group
Notes to the Prospective Financial Statements (Unaudited) (Cont'd)
For the year ending 30 June 2019

Leasehold improvements	The shorter of the period of the lease or estimated useful life	
Office equipment	3 years	33.3%
Computer equipment	5 years	20%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with development and maintenance of TRC Group's website are recognised as an expense when incurred.

Website development

Costs that are directly associated with the structural development of the website are recognised as an intangible asset. These costs include application and infrastructure development and testing. Website content development and operating costs are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in surplus or deficit.

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

Acquired computer software	3 years	33.3%
Developed computer software	4 years	25%

Impairment of property, plant, and equipment, intangible assets and inventories

TRC Group does not hold any cash-generating property, plant and equipment. Property, plant, and equipment are considered cash-generating where their primary objective is to generate a commercial return through the provision of goods and/or services to external parties. TRC Group's primary objective from its non-financial assets is to achieve the regeneration objectives set out in its Statement of Intent and not to generate commercial returns.

Tāmaki Redevelopment Company Limited Group
Notes to the Prospective Financial Statements (Unaudited) (Cont'd)
For the year ending 30 June 2019

Non-cash-generating assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where TRC Group would, if deprived of the asset, replace its remaining future economic benefit or service potential. 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 assets not carried at a revalued amount, the total impairment loss is recognised in surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

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

Creditors and other payables

Short-term creditors and other payables are recorded at their face value.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in finance costs.

Financial instruments

Non-derivative financial assets and financial liabilities - recognition and derecognition

TRC Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through surplus or deficit) are recognised initially on the trade date at which TRC Group becomes a party to the contractual provisions of the instrument.

Tāmaki Redevelopment Company Limited Group
Notes to the Prospective Financial Statements (Unaudited) (Cont'd)
For the year ending 30 June 2019

TRC Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by TRC Group is recognised as a separate asset or liability.

TRC Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, TRC Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets - measurement

Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised costs using the effective interest method.

Non-derivative financial liabilities – measurement

A financial liability is classified as at fair value through surplus or deficit if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in surplus or deficit as incurred. Financial liabilities at fair value through surplus or deficit are measured at fair value and changes therein, including any interest expense, are recognised in surplus or deficit. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in surplus or deficit.

Income tax

A taxation amendment bill is currently before Parliament which will make all majority crown-owned entities public authorities for tax purposes and therefore exempt from income tax. The IRD has indicated that they will allow retrospective application and hence no income tax expense or tax balances have been recognised in the preparation of these financial statements.

Goods and services tax

All items in the prospective financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the prospective statement of financial position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the prospective statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Tāmaki Redevelopment Company Limited Group
Notes to the Prospective Financial Statements (Unaudited) (Cont'd)
For the year ending 30 June 2019

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- accumulated surplus/(deficit); and
- capital.

Critical accounting estimates and assumptions

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

Estimating useful lives and residual values of property, plant, and equipment

At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed.

Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by TRC Group, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit and carrying amount of the asset in the statement of financial position. TRC minimises the risk of this estimation uncertainty by:

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

TRC has not made significant changes to past assumptions concerning useful lives and residual values.

Estimating collectability of receivables and providing for doubtful debts

TRC Group reviews the collectability of rental income on an ongoing basis. Significant financial difficulties of the debtor and default in payments are considered indicators that the receivable is impaired, and a provision is raised. Should the receivable continue to deteriorate, impairment is established when there is objective evidence that TRC Group will not be able to collect amounts due according to the original terms of the receivable.

Critical accounting judgements

A critical accounting judgement made in the preparation of these prospective financial statements is that THALP is acting as an agent (tenancy and property manager) for TRL. A 'deed of lease and appointment of property manager' agreement sets out the roles and responsibilities between THALP and TRL. THALP is essentially providing a tenancy and property management service to TRL in return for a management fee. In December 2017, TRL and THALP signed a new deed of lease which sets out that THALP will receive a per property per week management fee. Under the old deed of lease, THALP's management fee was limited to that which would make it return no surplus or deficit for the year. TRL under both the old and the new deed of lease is entitled to the full rental income collected by THALP and must pay for the full property maintenance costs.

Tāmaki Redevelopment Company Limited Group
Notes to the Prospective Financial Statements (Unaudited) (Cont'd)
For the year ending 30 June 2019

Critical accounting judgements (cont'd)

Factors that indicate THALP is acting as a principal

THALP is a Community Housing Provider (CHP) and is registered as a social housing landlord per CHP regulations. THALP therefore has the relationship with the Ministry of Housing and Urban Development with regards to charging and collecting the IRRS subsidy and letting of tenants through the MSD application and vacancy process. Any obligations arising under the CHP regulations are the responsibility of THALP. THALP is also party to the tenancy agreement with the social housing tenants and THALP makes the decisions regarding who to accept as a tenant.

Factors that indicate THALP is acting as an agent

TRL is the asset owner and is responsible for funding and making the decisions regarding the maintaining of the properties, a significant portion of which is outsourced to a separate facilities management company. TRL has influence over the tenancy term with its ability to give notice to remove a property from the deed of lease. TRL also bears both the credit risk and tenant occupancy risk from the subleasing arrangement although under the new deed of lease, THALP's management fee income is impacted by its collection performance.

Management have determined that on balance, THALP is acting as an agent for TRL and is carrying out its aforementioned duties on behalf and for TRL.

Tāmaki Redevelopment Company Limited Group
Notes to the Prospective Financial Statements (Unaudited) (Cont'd)
For the year ending 30 June 2019

Assumptions, risks and uncertainties underlying the prospective financial statements

The prospective financial statements are unaudited. The main assumptions underlying the prospective figures are as follows:

- Operating costs are based on historical experience adjusted for any changes from the development function moving across to HLC (2017) Limited in the second quarter of the 2019 financial year.
- The following economic assumptions will eventuate:

Assumption (source: Treasury)	Level of uncertainty	Risk	Financial impact
Average change in CPI: +1.6%	Moderate	That actual inflation is higher than forecast inflation	Movements in market prices will impact the Company's operating and transition costs as well as interest revenue.

The actual results achieved for the period covered by the prospective figures are likely to vary from actual results for the year 2018/19, and these variances could be material.

Factors that could lead to material differences between the prospective financial statements and the 2018/19 actual financial statements, in addition to the sources of uncertainty mentioned above, include decisions being made that alter the assumptions made above.

Tāmaki Regeneration Limited

Statement of Prospective Comprehensive Revenue and Expense (Unaudited)

For the year ending 30 June 2019

	2019
	Prospective
	Unaudited
	\$000's
Revenue	
Development sales	5,895
Income-related rent subsidies	42,327
Rental income from tenants	18,013
Total revenue	<u>66,235</u>
Expenditure	
Consultants and professional fees	1,358
Contractors and temporary staff	605
Legal expense	306
Management fee expense	14,375
Inventory costs	37,818
Repairs and maintenance	69,587
Utilities and insurance	10,156
Other expenses	3,617
Total expenditure	<u>137,822</u>
EBITDAF*	<u>(71,587)</u>
Depreciation	42,936
(Gain)/loss on revaluation of rental properties	0
EBIT	<u>(114,523)</u>
Interest income	0
Interest expense	(3,767)
Net interest income	<u>(3,767)</u>
Tax expense	
(Deficit) for the year	<u>(118,290)</u>
Total comprehensive revenue and expense	<u>(118,290)</u>

Tāmaki Regeneration Limited
Statement of Prospective Financial Position (Unaudited)
As at 30 June 2019

	2019
	Prospective
	Unaudited
	\$000's
Assets	
Current assets	
Cash and cash equivalents	49,040
Trade and other receivables	20,950
Inventories	8,831
Total current assets	78,821
 /Non-current assets	
Property, plant and equipment	1,851,837
Total non-current assets	1,851,837
 Total assets	1,930,658
 Liabilities	
Current liabilities	
Creditors and other payables	54,496
Current tax liability	7
Total current liabilities	54,047
 Total liabilities	54,047
 Net assets	1,876,155
 Equity	
Ordinary shares - TRC Parent	0
Preference shares - Crown	1,704,853
Revaluation reserve	468,672
Accumulated (deficit)	(297,370)
Total equity	1,876,155

For and on behalf of the Board who authorise the issue of the financial statements on 27 November 2018.



Evan Davies, Chair
27 November 2018



Dr. Susan Macken, Deputy Chair
27 November 2018

Tāmaki Regeneration Limited

Statement of Prospective Changes in Equity (Unaudited)

For the year ending 30 June 2019

	Contributed capital	Revaluation reserve	Accumulated (deficit)	Total
	Prospective Unaudited \$000's	Prospective Unaudited \$000's	Prospective Unaudited \$000's	Prospective Unaudited \$000's
Balance at 1 July 2018	1,631,161	468,672	(166,080)	1,933,753
Total comprehensive revenue and expense (Deficit) for the year	0	0	(118,290)	(118,290)
Other comprehensive revenue and expense	0	0	0	0
Total comprehensive income	0	0	(118,290)	(118,290)
Owners' transactions				
Capital contribution	73,692	0	0	73,692
Dividends paid	0	0	(13,000)	(13,000)
Repayment of capital	0	0	0	0
Total contributions and distributions	73,692	0	(13,000)	60,692
Balance at 30 June 2019	1,704,853	468,672	(297,370)	1,876,155

Tāmaki Regeneration Limited
Statement of Prospective Cash Flows (Unaudited)
For the year ending 30 June 2019

	2019
	Prospective
	Unaudited
	\$000's
Cash flows from operating activities	
Receipts from development sales	5,895
Rental income from tenants	18,013
Income-related rent subsidies	42,327
Goods and services tax (net)	(2,829)
Receipt for transfer of WIP to HLC	46,275
Payments to suppliers	(72,129)
Net cash flow from operating activities	37,552
Cash flow from investing activities	
Purchase of freehold land and rental properties	(45,617)
Net cash flow from investing activities	(45,617)
Cash flow from financing activities	
Interest paid and other funding costs	(3,767)
Dividend paid to TRC	(13,000)
Equity contribution	73,692
Net cash flow from financing activities	56,925
Net increase in cash and cash equivalents	48,860
Cash and cash equivalents at the beginning of the year	180
Cash and cash equivalents at the end of the year	49,040

Tāmaki Regeneration Limited
Reconciliation of Prospective Deficit to Net Prospective Cash Flows from Operating Activities (Unaudited)
For the year ending 30 June 2019

	2019
	Prospective
	Unaudited
	\$000's
(Deficit) for the year	(118,290)
Adjustments for:	
Depreciation	42,936
Healthy Homes provision	48,508
Inventory costs	4,846
Changes in:	
Inventories	63,581
Trade and other receivables	(2,829)
Creditors and other payables	(1,200)
Net cash flow from operating activities	37,552

Tāmaki Regeneration Limited
Notes to the Prospective Financial Statements (Unaudited)
For the year ending 30 June 2019

Statement of Accounting Policies

REPORTING ENTITY

These prospective financial statements are for Tāmaki Regeneration Limited (TRL). TRL has determined that it is a public benefit entity (PBE) for financial reporting purposes. TRL is domiciled and operates in New Zealand. These prospective financial statements were approved by the Board on 27 November 2018.

TRL has prepared separate prospective financial statements as it is not part of the Tāmaki Redevelopment Company Limited Group (TRC Group). TRC Group's prospective financial statements are presented separately on pages 22 to 34 of this document. TRC Group comprises the parent entity Tāmaki Redevelopment Company Limited (TRC Parent) and its two subsidiaries Tāmaki Housing Association Limited Partnership (THALP) and THA GP Limited (THAGP). TRL cannot be included in the TRC Group's financial statements due to Crown (rather than TRC Parent) controlling TRL. This document also presents separately an aggregated set of prospective financial statements of the Tāmaki Redevelopment Company Limited Legal Group (which comprises of TRC Group and TRL) that do not comply with generally accepted accounting practice in New Zealand (NZ GAAP). Such an aggregation has to be treated as a non-GAAP set of financial statements as it is not acceptable under PBE IPSAS 6 *Consolidated and Separate Financial Statements* to consolidate TRL into TRC Group.

PROSPECTIVE FINANCIAL STATEMENTS

These prospective financial statements have been prepared for the express purpose of meeting legislative requirements set out under the Crown Entities Act 2004 and the use of these statements for any other purpose may not be appropriate. The description of the principal activities and current operations of TRL including those activities and operations expected to be undertaken during the period covered by these prospective financial statements are outlined in the strategic priorities section of this document. The actual financial results achieved for the year ending 30 June 2019 are likely to vary from these prospective financial statements and the variations could be material.

BASIS OF PREPARATION

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

Statement of Compliance

The prospective financial statements of TRL have been prepared in accordance with the requirements of the Public Finance Act 1989 and the Crown Entities Act 2004, which includes the requirement to comply with NZ GAAP. TRL is a large PBE as defined by the External Reporting Board. For that reason, TRL has prepared its financial statements in accordance with Tier 1 PBE accounting standards.

Functional and presentation currency

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

Tāmaki Regeneration Limited

Notes to the Prospective Financial Statements (Unaudited) (Cont'd)

For the year ending 30 June 2019

SIGNIFICANT ACCOUNTING POLICIES

Revenue from exchange transactions:

Exchange revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to TRL and the revenue can be reliably measured, regardless of when the payment is being made. The specific accounting policies for significant revenue items are explained below:

Development sales

TRL receives revenue from the sale of land to developers, which forms part of the Government and Council plan to redevelop the Tāmaki area of Auckland. Revenue is recognised when risks and rewards are transferred to the Developer.

Rental income from tenants

Income from tenants on market rent is recognised on a straight-line basis over the rental term.

Revenue from non-exchange transactions

Revenue from non-exchange transactions is recognised only when TRL obtains control of the transferred asset (cash) and the transfer is free from conditions to refund or return the asset if the conditions are not fulfilled.

Rental income from tenants and income-related rent subsidies

Rental income from tenants who are not on market rent and income-related rent subsidies are recognised on a straight-line basis over the rental term.

Receivables

Short-term receivables are recorded at face value, less any provision for impairment. Collectability of debtors is reviewed on an ongoing basis. Impairment of a receivable is established when there is objective evidence that TRL will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor and default in payments are considered indicators that the debt 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. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Inventories

Inventories are measured at cost upon initial recognition or carrying amount at the time of transfer to inventories for items previously classified as plant, property and equipment. To the extent that inventories were received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventories are its fair value at the date of acquisition. After initial recognition, inventories are measured at the lower of cost and net realisable value.

Property, plant, and equipment

Property, plant, and equipment consist of the following asset classes: freehold land, rental properties and capital work in progress. All assets classes are measured at cost, less accumulated depreciation and impairment losses, with the exception of the land and buildings transferred from Housing New Zealand which are measured at fair value.

Tāmaki Regeneration Limited

Notes to the Prospective Financial Statements (Unaudited) (Cont'd)

For the year ending 30 June 2019

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to TRL and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains and losses on disposals 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.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to TRL and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives of rental property are determined by the date the rental properties are scheduled to be demolished for redevelopment based on internal forecasting. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Subsequent measurement

Freehold land and rental properties are valued, on a class basis, to fair value. Fair value is determined by reference to market-based evidence and is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Independent valuations are performed annually to ensure that the carrying amount does not differ materially from the asset's fair value at the balance date.

Any revaluation surplus is recognised in the asset revaluation reserve in other comprehensive revenue and expense, except to the extent that it offsets a previous revaluation deficit for the same asset class, that was recognised in surplus or deficit for the year. Therefore, the surplus is recognised in surplus or deficit for the year. On revaluation, accumulated depreciation is eliminated against the gross carrying amount of the asset.

An item of property is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of this asset. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Any gain or loss arising on derecognition of an asset is included in surplus or deficit for the year, in the year the item is derecognised. The gain or loss on derecognition is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

Tāmaki Regeneration Limited

Notes to the Prospective Financial Statements (Unaudited) (Cont'd)

For the year ending 30 June 2019

Impairment of property, plant, and equipment, intangible assets and inventories

TRL does not hold any cash-generating property, plant and equipment. Property, plant and equipment are considered cash-generating where their primary objective is to generate a commercial return through the provision of goods and/or services to external parties. TRL's primary objective from its non-financial assets is to provide state housing and not to generate commercial returns.

Non-cash-generating assets

Property, plant and equipment that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where TRL would, if deprived of the asset, replace its remaining future economic benefit or service potential. If an assets carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount. For assets not carried at a revalued amount, the total impairment loss is recognised in surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in surplus or deficit.

Creditors and other payables

Short-term creditors and other payables are recorded at their face value.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in finance costs.

Financial instruments

TRL classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through surplus and deficit and other financial liabilities category.

Non-derivative financial assets and financial liabilities - recognition and derecognition

TRL initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through surplus or deficit) are recognised initially on the trade date at which TRL becomes a party to the contractual provisions of the instrument.

TRL derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfer the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by TRL is recognised as a separate asset or liability.

Tāmaki Regeneration Limited

Notes to the Prospective Financial Statements (Unaudited) (Cont'd)

For the year ending 30 June 2019

TRL derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, TRL currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets - measurement

Financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities – measurement

A financial liability is classified as at fair value through surplus or deficit if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in surplus or deficit as incurred. Financial liabilities at fair value through surplus or deficit are measured at fair value and changes therein, including any interest expense, are recognised in surplus or deficit. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in surplus or deficit.

Income tax

A taxation amendment bill is currently before Parliament which will make all majority crown-owned entities public authorities for tax purposes and therefore exempt from income tax. The IRD has indicated that they will allow retrospective application and hence no income tax expense or tax balances have been recognised in the preparation of these financial statements.

Goods and services tax

All items in the prospective financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the prospective statement of financial position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the prospective statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- accumulated surplus/(deficit); and
- revaluation reserve; and
- capital.

Critical accounting estimates and assumptions

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

Tāmaki Regeneration Limited

Notes to the Prospective Financial Statements (Unaudited) (Cont'd)

For the year ending 30 June 2019

Estimating fair value, useful lives and residual values of property, plant, and equipment

At each balance date, the fair values, useful lives and residual values of property, plant, and equipment are reviewed. The most recent valuation of freehold land and rental properties was performed by an independent registered valuer, Quotable Value Limited. The valuation was effective as at 30 June 2018. Fair value, using market-based evidence is based on the highest and best use of the freehold land and rental properties which would impair its value. Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by TRL, and expected disposal proceeds from the future sale of the asset.

When freehold land and rental properties are committed to a development project, that portion of the freehold land which will continue to be used for state housing post-development is kept in property, plant and equipment and revalued annually. The remaining portion, which will eventually be sold off in the private sector is moved into inventories which are valued at cost or transfer value on initial recognition. Inventories are then valued at the lower of cost or net realisable value. Net realisable value is estimated to be the residual land value (RLV) which a concept based on development feasibilities. RLV is the residual amount forecasted for the land after making assumptions which are based on recent market information, on factors such as construction costs, sale value of redeveloped properties and developer margins.

Critical accounting judgements

A critical accounting judgement made in the preparation of these accounts is that THALP is acting as an agent (tenancy and property manager) for TRL. A 'deed of lease and appointment of property manager' agreement sets out the roles and responsibilities between THALP and TRL. THALP is essentially providing a tenancy and property management service to TRL in return for a management fee. In December 2017, TRL and THALP signed a new deed of lease which sets out that THALP will receive a per property per week management fee. Under the old deed of lease, THALP's management fee was limited to that which would make it return no surplus or deficit for the year. TRL under both the old and the new deed of lease is entitled to the full rental income collected by THALP and must pay for the full property maintenance costs.

Factors that indicate THALP is acting as a principal

THALP is a Community Housing Provider (CHP) and is registered as a social housing landlord per CHP regulations. THALP therefore has the relationship with the Ministry of Housing and Urban Development with regards to charging and collecting the IRRS subsidy and letting of tenants through the MSD application and vacancy process. Any obligations arising under the CHP regulations are the responsibility of THALP. THALP is also party to the tenancy agreement with the social housing tenants and THALP makes the decisions regarding who to accept as a tenant.

Factors that indicate THALP is acting as an agent

TRL is the asset owner and is responsible for funding and making the decisions regarding the maintaining of the properties, a significant portion of which is outsourced to a separate facilities management company. TRL has influence over the tenancy term with its ability to give notice to remove a property from the deed of lease. TRL also bears both the credit risk and tenant occupancy risk from the subleasing arrangement although under the new deed of lease, THALP's management fee income is impacted by its collection performance.

Management have determined that on balance, THALP is acting as an agent for TRL and is carrying out its aforementioned duties on behalf and for TRL.

Tāmaki Regeneration Limited

Notes to the Prospective Financial Statements (Unaudited) (Cont'd)

For the year ending 30 June 2019

Assumptions, risks and uncertainties underlying the prospective financial statements

The prospective financial statements are unaudited. The main assumptions underlying the prospective figures are as follows:

- The transfer of the development function to HLC (2017) Ltd will be carried out to plan.
- Arrangements to draw on equity from Crown will be in place as required.
- Operating costs are based on historical experience adjusted for any changes from the development function moving across to HLC (2017) Ltd in the second quarter of the 2019 financial year.
- The following economic assumptions will eventuate:

Assumption (source: Treasury)	Level of uncertainty	Risk	Financial impact
Average change in CPI: +1.6%	Moderate	That actual inflation is higher than forecast inflation	Movements in market prices will impact the Company's operating and transition costs as well as interest revenue.

The actual results achieved for the period covered by the prospective figures are likely to vary from actual results for the year 2018/19, and these variances could be material.

Factors that could lead to material differences between the prospective financial statements and the 2018/19 actual financial statements, in addition to the sources of uncertainty mentioned above, include decisions being made that alter the assumptions made above.

Tāmaki Redevelopment Company Limited Legal Group
Statement of Prospective Comprehensive Revenue and Expense
For the year ending 30 June 2019

	2019
	Prospective
	Unaudited
	\$000's
Revenue	
Development sales	5,895
Other income	205
Rental income from tenants	18,013
Income-related rent subsidies	42,327
Total revenue	66,440
Expenditure	
Personnel costs	10,172
Inventory costs	41,349
Contractors and temporary staff	684
Directors fees	385
Legal expense	2,020
Repairs and maintenance	69,600
Consultants and professional fees	9,949
Utilities and insurance	10,276
Other expenses	4,382
Total expenditure	148,817
EBITDAF	(82,377)
Depreciation and amortisation	43,325
(Gain)/loss on revaluation of rental properties	0
Total depreciation, amortisation and fair value adjustments	43,325
EBIT	(125,702)
Interest income	330
Interest costs	5,118
Net interest income	(4,788)
(Deficit) for the year	(130,490)
Total comprehensive revenue and expense	(130,490)

Tāmaki Redevelopment Company Limited Legal Group

Statement of Prospective Financial Position

As at 30 June 2019

	2019 Budget \$000's
Assets	
Current assets	
Cash and cash equivalents	52,551
Trade and other receivables	6,487
Inventories	8,831
Total current assets	67,869
Non-current assets	
Property, plant and equipment	1,851,837
Intangible assets	127
Total non-current assets	1,851,964
Total assets	1,919,833
Liabilities	
Current liabilities	
Creditors and other payables	55,377
Annual leave liability	510
Total current liabilities	55,887
Total liabilities	55,887
Net assets	1,863,946
Equity	
Ordinary shares - Crown	5,000
Ordinary shares - Auckland Council	3,500
Preference shares - Crown	1,704,853
Revaluation reserve	468,672
Accumulated (deficit)	(318,079)
Total equity	1,863,946

For and on behalf of the Board who authorise the issue of the financial statements on 27 November 2018.



Evan Davies, Chair
27 November 2018



Dr. Susan Macken, Deputy Chair
27 November 2018

Tāmaki Redevelopment Company Limited Legal Group
Statement of Prospective Changes in Equity
For the year ending 30 June 2019

	Contributed Capital	Revaluation Reserve	Accumulated (deficit)	Total
	Prospective Unaudited	Prospective Unaudited	Prospective Unaudited	Prospective Unaudited
	\$000's	\$000's	\$000's	\$000's
Balance at 1 July 2018	1,639,661	468,672	(187,589)	1,920,744
Total comprehensive revenue and expense				
(Deficit) for the year	0	0	(130,490)	(130,490)
Other comprehensive revenue and expense	0	0	0	0
Total comprehensive income	0	0	(130,490)	(130,490)
Owners' transactions				
Capital contribution	73,692	0	0	73,692
Repayment of capital	0	0	0	0
Total contributions and distributions	73,692	0	0	73,692
Balance at 30 June 2019	1,713,353	468,672	(318,079)	1,863,946

Tāmaki Redevelopment Company Limited Legal Group
Statement of Prospective Cash Flows
For the year ending 30 June 2019

	2019
	Prospective
	Unaudited
	\$000's
Cash flows from operating activities	
Receipts from development sales	5,895
Rental income from tenants	17,933
Income-related rental subsidy	42,327
Other revenue received	205
Receipt for transfer of WIP to HLC	46,275
Payments to suppliers	(47,398)
Payments to employees	(10,172)
Goods and services tax (net)	(2,829)
Net cash flow from operating activities	52,236
Cash flow from investing activities	
Purchase of property, plant and equipment	(45,779)
Purchase of intangible assets	0
Net cash flow from investing activities	(45,779)
Cash flow from financing activities	
Interest received	330
Interest paid and other funding costs	(5,118)
Loan repayment	(26,500)
Equity contribution	73,692
Net cash flow from financing activities	42,404
Net increase in cash and cash equivalents	48,861
Cash and cash equivalents at the beginning of the year	3,690
Cash and cash equivalents at the end of the year	52,551

**Tāmaki Redevelopment Company Limited Legal Group
Notes to the Prospective Financial Statements (Unaudited)
For the year ending 30 June 2019**

REPORTING ENTITY

These prospective financial statements are for the Tāmaki Redevelopment Company Legal Group (TRC Legal Group) which comprises of:

- Tāmaki Regeneration Limited (TRL); and
- Tāmaki Redevelopment Company Limited Group (TRC Group) which further comprises of the parent Tāmaki Redevelopment Company Limited (TRC Parent) and its two subsidiaries Tāmaki Housing Association Limited Partnership (THALP) and THA GP Limited (THAGP).

The prospective financial statements for the TRC Legal Group are the aggregated prospective financial statements of TRC Group & TRL, each of which have been included separately as part of this document.

BASIS OF PREPARATION

The prospective financial statements of the TRC Legal Group are a non-GAAP aggregated set of prospective financial statements. TRC Group consists of TRC Parent, THALP and THAGP. As TRC Parent controls THALP and THAGP it is required by NZ GAAP to consolidate THALP and THAGP into the TRC Group. The Directors of TRC Parent note that while TRC Parent holds 100% of the ordinary shares of TRL, the Crown holds 100% of the preference shares in TRL. The rights and obligations attached to the preference shares result in the Crown having control of TRL, meaning that it is inconsistent with NZ GAAP to consolidate TRL into TRC Group. The Directors of TRC Parent wish to present a view of the forecast financial position of TRC Legal Group and its prospective results for the year ended 30 June 2019 in one set of prospective financial statements. Such a presentation has to be treated as a non-GAAP set of prospective financial statements as it is not acceptable under PBE IPSAS 6 Consolidated and Separate Financial Statements to consolidate TRL into TRC Group.

The most appropriate way to describe and present such a set of prospective financial statements is as a non-GAAP aggregation. These prospective financial statements have been clearly marked as a non-GAAP aggregation. They have been prepared on a going concern basis. These prospective financial statements have applied the same accounting policies that TRC Group and TRL have applied as set out in their own prospective financial statements within this document. The accounting policies have been applied consistently throughout the period.

The notes to these financial statements are limited to the Statement of Accounting Policies. Aggregated TRC Group & TRL note disclosures are not included in these financial statements and are instead individually set out in the notes to the financial statements of TRC Group and TRL included within this document.

Statement of compliance

The prospective financial statements of TRC Legal Group have not been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). This is because NZ GAAP, specifically PBE IPSAS 6 Consolidated and Separate Financial Statements does not allow the consolidation of TRL into TRC Group, as the Crown rather than the TRC Parent controls TRL. All other PBE Accounting Standards have been complied with.

The TRC Legal Group's aggregate of TRC Group & TRL's prospective financial statements (non-GAAP) have been prepared in accordance with Tier 2 PBE accounting standards, which allows reduced disclosures.

**Tāmaki Redevelopment Company Limited Legal Group
Notes to the Prospective Financial Statements (Unaudited)
For the year ending 30 June 2019**

Functional and presentation currency

The aggregate TRC Group & TRL prospective financial statements (non-GAAP) are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of TRC Legal Group is New Zealand dollars (NZ\$).

Significant accounting policies

The significant accounting policies of TRC Legal Group are materially the same as the accounting policies used in the preparation of the prospective financial statements of TRC Group and TRL.