TĀMAKI REGENERATION

CREATING OPPORTUNITIES

TĀMAKI REDEVELOPMENT COMPANY
ANNUAL REPORT 2018

Things are changing in Tāmaki, and fast. We're creating opportunities for those already living here and for those looking at Tāmaki as the place to raise their family.

CONTENTS


Every day
we're creating
opportunities
for Tāmaki

SOCIAL TRANSFORMATION

GOING PLACES IN CONSTRUCTION

Vincent Elliott is stoked to have landed a job in construction through the Tāmaki Jobs and Skills Hub. He started working as a labourer and a machine operator for Cornerstone Construction in Glen Innes in February. The 28-year-old had previously worked in construction, but he knew he needed to upskill if he wanted to progress in the career. The Hub helped him gain a special machinery licence called a wheels, tracks and rollers licence.

JOBS AND SKILLS

The changing landscape of housing in Tāmaki is creating sustainable jobs in the construction sector. TRC is helping locals to be best placed to take up these job opportunities, as well as others in retail, hospitality and manufacturing, through the Tāmaki Jobs and Skills Hub.

"Getting that licence was one of my main goals," he says. "Without it I couldn't operate any of the machines used in civil construction. I'm really thankful to the staff at the hub. They made me feel more confident and helped me with things like interview preparation and writing my CV."

“It’s a business that attracts a loyal customer base. There are now fourth-generation customers coming from all over Auckland to get their soles fixed. Some send their shoes from as far afield as Kaitaia in the north and Christchurch in the south.”

ECONOMIC DEVELOPMENT

A STEP BACK IN TIME

The small cobbler’s shop in Mayfair Place, Glen Innes was opened back in 1965 by Reg, John Pearce’s father. Reg and his wife brought up their two children in a house on Taniwha Street.

John was 16 when he started a four-year cobbler’s apprenticeship alongside his parents, taking pride in learning the art of being a cobbler.

John took over the shoe repair shop when his father died. Like his father, he takes pride in the store’s history and old-fashioned business model. Among the Dutch clogs and other collectable shoes adorning the walls are Kiwi Rocker Larry Morris’ boots.

John is passionate about Tāmaki and supports the work done under the Tāmaki Regeneration Programme. “When I first came to Tāmaki as a kid, we loved the vibrant village atmosphere. It’s great that this part of Auckland has kept its unique sense of place.”Things were a bit tough then, but Dad said he could see a time of resurgence coming.” John sees some of it here already with more people attracted and coming to Tāmaki, which is benefiting his store.

With 7,500 mixed tenure houses to be built over the next 20 years, we are creating a masterplan for the Tāmaki area. This is to ensure new neighbourhoods adhere to best practice urban design principles and provide quality neighbourhoods in connected and safer streets. The way the housing development programme is delivered will enhance how our social and economic regeneration outcomes are achieved. Ultimately attracting new businesses to the area and contributing to a prospering New Zealand economy.

"I'm really proud of Tāmaki and the arts is as a way to connect our community and showcase the amazing place we have here."

PLACEMAKING

COMMUNITY FOR THE ARTS

Bradley Lane Illuminated was created to support the Auckland Arts Festival.

For the first time Tāmaki became a destination where visitors were treated to an immersive experience through the Glen Innes Town Centre at night with lights, live performance and street art.

Using the urban environment that the Bradley Lane Project street art murals occupy, elements of light and live performance are added to create a unique and dynamic community event.

Bradley Lane Illuminated is now a growing annual event, with more people turning out to enjoy the art, lights and live performances.

Bradley Lane Illuminated involves a wide range of local community groups working together well to make it happen. "I'm really proud of what we achieved," says Gary Silipa, organiser. "To be able to provide a stage for our performers to shine and our community to experience it is really special. I'm really proud of Tāmaki and the arts is as a way to connect our community and showcase the amazing place we have here."

> "My new place is a lot warmer and easier to clean. There's heaps of space and plenty of storage for all my things."

HOUSING RESOURCES

A BREATH OF FRESH AIR

Teremoana Teura couldn't wait to move into her new home in Glen Innes. When she first went to view her new Tāmaki Housing property she was struck by how light and airy it felt. "My new place is a lot warmer and easier to clean. There's heaps of space and plenty of storage for all my things."

The 54-year-old is originally from Aitutaki in the Cook Islands but has lived in New Zealand since she was a teenager. Pilkington Road in Panmure had been home for about the past 15 years, but her old place was well past its use-by-date.

Her late husband was very ill and his health issues were exacerbated by their house, she says. "At my old house I had to clean the mould off the walls every second day. It was so cold. The only warm room was the lounge so that's where we used to sleep."

Her daughter-in-law Tenga Schwalger-Teura says moving into a new house has had a big impact on Teremoana. "I can definitely see the difference in my mother-in-law. There's a spring in her step now. We feel very lucky that she's had this opportunity."

PERSONALISED TENANCY SERVICES

TRC's tenancy management service Tāmaki Housing is continuing to innovate in ways that put the needs of our tenants first. This includes strengthening relationships with our partners in the social services to get the best outcomes for our tenants.

2018 HIGHLIGHTS

DELIVERED THIS YEAR

154

new mixed tenure houses delivered with our development partners, including **19** market affordable homes. **605** houses in the construction pipeline as at 30 June 2018.

15

Tāmaki residents moved into affordable rental and market affordable homes through TRC initiatives.

154

Tāmaki residents supported into employment through Tāmaki Jobs and Skills Hub, with three taking up building apprentices with our construction partners.

41

local people gained a driver's licence, **18** completed professional training and **11** entered into further education through the Tāmaki Jobs and Skills Hub.

81%

of tenants satisfied with TRC's tenancy management services arm Tāmaki Housing.

Education Strategy for Tāmaki underway, in conjunction with the Ministry of Education, to encourage better education outcomes and ensure infrastructure meets the needs of future residents.

Tāmaki Destination Brand Strategy launched, and Glen Innes town centre development plan completed. These initiatives will enhance the awareness of Tāmaki and increase investment in the area over time.

OVER THE NEXT 12 MONTHS, TRC WILL:

- Continue to support Tāmaki residents into sustainable employment through Tāmaki Jobs and Skills Hub.
- Complete the Tāmaki Precinct Masterplan, which provides for the consistent and coherent urban design approach to the development of Tāmaki.
- Partner with HLC to deliver new mixed tenure houses with our development partners.
- Continue to support Tāmaki residents to progress along the housing continuum.
- Convert nineteen state properties bordering Maybury Reserve into green space for community use and to be vested in Auckland Council.
- Support the Auckland District Health Board to deliver a renal dialysis unit in Tāmaki, in conjunction with the Kidney Society and philanthropic partners.
- Continue to provide excellent tenancy management services through Tāmaki Housing Association.
- Sign a development agreement for an Early Years Hub in Panmure with additional space for use by community and social service providers.
- Partner with ATEED to produce a strategy to revitalise the Tāmaki industrial area, focusing on encouraging investment.
- Continue to provide opportunities for new and existing residents to come together through social activities like barbecues and neighbourhood fun days.
- Ramp up the delivery of placemaking initiatives, such as fun, family-friendly activities in town centres, neighbourhoods and reserves.
- Continue to provide a social enterprise mentoring programme for local groups who are operating a social enterprise, in partnership with Envision New Zealand.
- Continue to support the integration of deconstruction into the house removal programme and facilitate the start-up of a deconstruction social enterprise in Tāmaki.

MESSAGE FROM THE CHAIR

OPPORTUNITIES THROUGH CHANGE

Tāmaki Regeneration is an ambitious and transformational project, committed to creating thousands of warm and dry homes and revitalising an important area in Auckland.

The Tāmaki Regeneration Company (TRC) has made an encouraging start, working closely with the people of Tāmaki to create social and economic opportunities, along with the redevelopment of land and property.

While Tāmaki has a rich cultural history, a unique natural environment and an inclusive community, the area has significant challenges, 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 were cold and damp, and no longer serving families well.

The Government and Auckland Council are committed to a range of urban rejuvenation projects across the Auckland region, focusing on improving the standard of public housing and increasing the availability of more affordable housing.

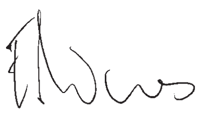
Tāmaki is one of those initiatives, and its rejuvenation has already begun.

Over the last year, TRC's Jobs and Skills Hub has placed more than 150 people into jobs, providing life-changing opportunities. TRC is also working with the Ministry of Education and local schools to transform the educational offerings in Tāmaki. New housing has also been delivered, and TRC aspires to pick up the pace in this regard, with a strong future programme of land and housing redevelopment.

The change in government has resulted in a new approach to moving the key objectives of TRC forward. This year we will partner with HLC, a subsidiary of Housing New Zealand. HLC will be responsible for the delivery of new housing in Tāmaki on behalf of TRC, while TRC itself continues to focus on lifting living standards through high-quality master planning, and strong programmes for social and economic change.

I joined the Board in August this year, and I'm pleased to present this Annual Report. I want to acknowledge the contribution that former Director, Matthew Harker has made to the Board, and I would particularly like to thank the previous chair, John Robertson, for his commitment to TRC and to the Tāmaki community.

I look forward to supporting the TRC team, as it continues to transform the lives of the people of Tāmaki.



EVAN DAVIES
CHAIR

"We are committed to improving living standards through high-quality master planning, and strong programmes for social and economic change."

MESSAGE FROM THE CEO

CHANGES BRING OPPORTUNITIES

The 2018 financial year has been one of many changes at Tāmaki Regeneration. Through change comes opportunity and we are excited to be enhancing and adding to the services that TRC provides.

At the same time, we are continually learning what it means to work in a complex urban regeneration environment. That means adapting to market conditions, dealing with infrastructure challenges and always pushing to deliver better outcomes for Tāmaki residents.

What we are sure of, is that Tāmaki is ready for change, our community wants change and the opportunities that come with it.

Despite the changing nature of the housing market, we led the delivery of 154 new state, affordable and private market homes this year. With an additional 605 houses in the construction pipeline we are poised nicely to accelerate the delivery of new warm dry housing. We will do that alongside HLC, our new development partner for Tāmaki.

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 are achieving this 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. This year we helped 154 Tāmaki residents into employment through the Tāmaki Jobs and Skills Hub, with three taking up building apprenticeships with our construction partners. This is a partnership with

"TRC is achieving a lot and we are fortunate to be working with some great people. People who are aligned to our values and want to see Tāmaki thrive."

Auckland Chamber of Commerce, Ministry of Social Development and Building and Construction Industry Training Organisation.

We are also providing shared ownership and affordable rental housing opportunities, and this year we supported 15 Tāmaki residents to move into affordable rental and market affordable homes through TRC initiatives.

We continued to utilise our incredible tenancy management services business, the Tāmaki Housing Association to connect with tenants and residents, taking a personalised approach, spending time getting to know state housing whānau, understanding their needs, and working with them to achieve their aspirations. This year we respectfully rehoused 87 families to make way for new developments and achieved an 81% tenant satisfaction rating. This is measured against international benchmarks.

This year, we established the Tāmaki Response, alongside 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.

We also collaborated with the Tāmaki community, Crown and 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. This year's priority was to create a long-term education strategy for Tāmaki. This strategy will ensure that Tāmaki schools become the preferred choice in the area and has been co-designed with over 400 students, parents, community members and experts. Next year we will focus on designing and implementing an intensive support services programme that will support families with complex needs and tackle factors that trap them in crisis and poverty.

TRC is achieving a lot and we are fortunate to be working with some great people. People who are aligned to our values and want to see Tāmaki thrive. I'd particularly like to acknowledge all the hard work undertaken by the Maungakiekie-Tāmaki Local Board, Auckland Council, Ruapotaka Marae, the Auckland Chamber of Commerce and the New Zealand Housing Foundation.

On behalf of the management team, I'd like to thank the TRC Board for their continued support and guidance. A special thanks to John Robertson who recently stepped down after two years as our Chair. I'd like to acknowledge how much he has contributed to the regeneration programme and thank him for the time he put into deeply understanding the Tāmaki community.

I would also like to extend a warm welcome to our new chair Evan Davies whose depth of experience will ensure the continuation of strong leadership at board level.

Lastly, to all the passionate and talented people that work at TRC, thank you so much for the extraordinary things you do. It's awesome working alongside you and I feel genuinely privileged every day I walk through the door.

JOHN HOLYOAKE
CHIEF EXECUTIVE OFFICER

Pasifika Blessing

The warmth and diversity of Pasifika culture was celebrated at a special event in Glen Innes. TRC's Pasifika staff and members of the community hosted a Pasifika blessing in June, a day which included a traditional Cook Island, Samoan and Māori welcome, as well as speeches and cultural performances.

The event continued to strengthen relationships between TRC and the Pasifika community in Tāmaki. Former All Black Saveatama Eroni Clarke was the emcee for the event which took place at Te Oro Music and Arts Centre.

The event drew a crowd of more than 100 people, including members of TRC, Pacific community leaders, church ministers, representatives from Ruapotaka Marae and mana whenua, as well as from local and central government.

Tongan Pastor Richard Takapautolo blessed TRC staff and community on the day and TRC staff and whānau gave a lively music and dance performance representing Tongan, Samoan, Fijian, Cook Island and Niuean cultures. Another highlight was the sacred Samoan 'ava ceremony, which was performed by Pasifika community leaders and TRC senior leaders. This traditional practice involves sharing a ceremonial drink and marks two villages coming together as one.

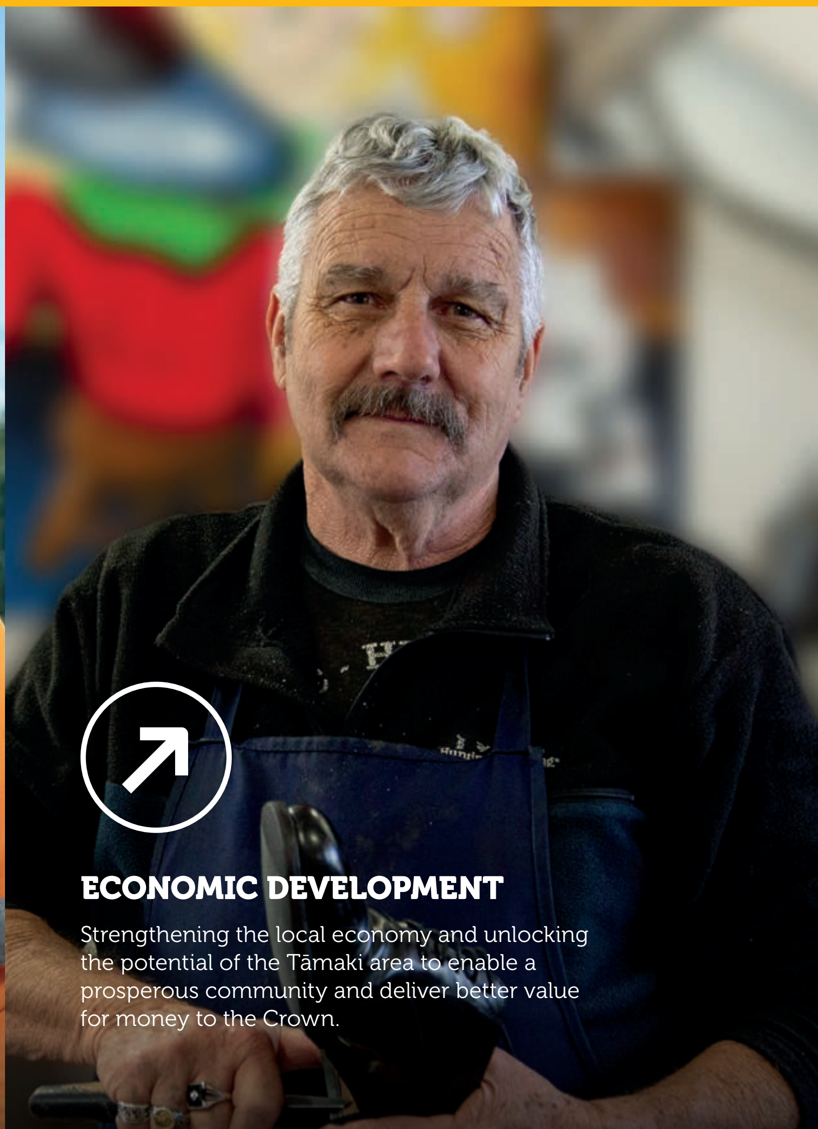
Niuean community leader Mali Erick spoke about the benefits that can come from regeneration. "TRC Pasifika staff have a great opportunity to build strong relationships with Pacific communities and make a difference. Thanks to TRC, one of our daughters bought an affordable house," Mali said. "We are very grateful, and we want more of that for our Pacific people in Tāmaki."

TĀMAKI REGENERATION STRATEGIC PRIORITIES

TRC has been mandated by its shareholders, the New Zealand Government and Auckland Council, to lead urban regeneration activity in Tāmaki to achieve four equally important objectives – social transformation, economic development, placemaking and housing resources.

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.

- Tāmaki Regeneration Company (TRC), which is jointly owned by the New Zealand Government and Auckland Council, was set up to lead a first-of-its-kind urban regeneration programme in the East Auckland suburbs of Glen Innes, Point England and Panmure.
- Over the next 20 years, the Tāmaki Regeneration Programme will replace about 2,500 of the state houses in the area with at least 7,500 state, affordable, KiwiBuild, and private market houses.
- TRC stands by the Tāmaki Commitment: Those who wish to stay in Tāmaki will have the opportunity to do so.
- The Tāmaki Regeneration Programme is the catalyst which will provide Tāmaki residents with opportunities to transform their lives. This is made possible by leveraging off our relationships with partners across the NZ Government, Auckland Council, the community and the private sector.
- This annual report takes TRC's 2017-2018 company objectives as set out in the Statement of Performance Expectations 2017-2018 and evaluates performance against its output measures.

PLACEMAKING

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

HOUSING RESOURCES

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

SOCIAL TRANSFORMATION

Our objective in this area is to support Tāmaki residents and whānau to gain the skills, knowledge and employment opportunities to progress their lives. To achieve this, we undertake research to deeply understand the needs, enablers, barriers, and drivers of change for Tāmaki whānau. We are focused on improving the system, and we work with government, local NGOs, experts and the Tāmaki community to ensure social services are holistic, evidence-based, and create positive long-term results for whānau.

A significant achievement for us this year was the establishment of the Tāmaki Response as a co-design hub that puts Tāmaki whānau and tamariki at the heart of social services. Organisations involved include Ministry of Social Development (MSD), Oranga Tamariki, New Zealand Police, Ministry of Justice, the Auckland District Health Board and the Ministry of Education (MoE). This year, we worked with the MoE, local Manaiakalani Community of Learning, and the community to develop a 15-Year Education Strategy for Tāmaki. We engaged with over 400 students, whānau, and experts to co-design an inclusive and forward-looking education strategy to help position Tāmaki schools as the schools of choice for whānau, now and in the future, and to ensure every student engaged in the system is supported to achieve their potential.

In September, we relaunched the Tāmaki Jobs and Skills Hub under new leadership and with a different model to drive significantly improved employment outcomes for Tāmaki residents. The Hub is delivered in partnership with the Auckland Chamber of Commerce and is supported by the MSD, the Building and Construction Industry Training Organisation, and the Ministry of Business, Innovation, and Employment. This year, we supported 154 Tāmaki residents into employment, significantly outperforming our target to support 30 residents into employment. At year-end we have supported 376 people into employment and assisted 218 people to gain a driver's license.

It is important to us that we understand the performance of TRC initiatives, and their contribution to TRC's headline outcomes, while they are underway and after they have been completed. We engaged the University of Otago Wellington (UOW) to produce a plan to evaluate the TRC programme's contribution to Tāmaki outcomes. UOW conducted a review of TRC strategy, processes, and programmes and developed evaluation methodology, questions, and measures. Implementing this evaluation framework will assist us, and our partners, to decide whether to continue, modify, or stop an initiative and provide recommendations for future work in this space.

Over the next year, we will continue to provide system stewardship through the Tāmaki Response. We are working with our partners and the community to shape key projects in education, health, and social services while equipping Tāmaki whānau with financial knowledge and tools to transition out of the need for state housing. We are enhancing education and employment opportunities for Tāmaki residents through our strategic influence and jobs and skills initiatives. We are working with our partners to ensure that whānau are supported by an integrated social services system, which enables them to achieve their aspirations.

DELIVERED:

154
people employed

COLLABORATIVE PARTNERSHIP LAUNCHES IN PANMURE

A new co-design hub designed to improve outcomes for the Tāmaki community has opened. Through the hub, Tāmaki families will have the opportunity to help shape how social and health services are designed and delivered in the community.

One of the first projects TRC is working on in partnership with the community, local schools and the Ministry of Education is an education strategy for Tāmaki children. The strategy aims to ensure there is sufficient schooling infrastructure and to improve education pathways for local tamariki.

The hub brings together representatives from TRC, Oranga Tamariki and the Auckland District Health Board. TRC strategy and performance general manager Shelley Katae says the success of the hub and the regeneration programme depends on TRC and partners working alongside the community to shape the future of Tāmaki.

"People are at the heart of everything we do so it means a lot to see all of these organisations working together. We will know we are making a difference when Tāmaki residents are receiving the support they need and the opportunities they deserve."

PERFORMANCE AGAINST 2017-2018 STATEMENT OF PERFORMANCE EXPECTATIONS

MEASURE/PROJECT	TARGET/MILESTONE		STATUS	COMMENTARY
OUTPUT MEASURE	**TARGET FY18**	**ACTUAL FY18**		
Percentage of Tāmaki residents who understand and support the regeneration programme as it affects them	65%	63%	**Partially Met**	Across three neighbourhood surveys during FY18, 71% of people reported they understood the regeneration programme, while 55% reported they supported the programme (as it affected them), for a combined average of 63%.
Number of Tāmaki residents employed through TRC employment initiatives	125	249	**Met**	By the end of FY18, 249 Tāmaki residents had been employed through TRC initiatives, exceeding the SPE target of 125. As both the target and figure are accumulative,against a baseline of 95, this represents 154 residents supported into employment against an isolated target of 30.
ENABLING PROJECT	**MILESTONE**			
Intensive Support Services (ISS)	Implement Intensive Support Services via rehousing process		**Not Met**	Due to the timing of the September 2017 election, the ISS business case was only partially signed off by the previous government. We will implement the ISS programme in the 2018/2019 financial year.
Tāmaki Evaluation Plan	Contribute to implementation of evaluation plan		**Met**	We engaged the University of Otago Wellington to provide expert advice to assist with measuring and reporting on TRC's contributions to the Tāmaki Evaluation Plan. One of the key pieces of evaluation work was starting to collect state housing temperature and humidity data that will quantify how warm and dry our new houses are, and over time will help researchers show the health benefits a new house has for Tāmaki whānau.
Tāmaki Response	Establish the Tāmaki Response; Set up TRC backbone capability		**Met**	The Tāmaki Response team was formally established in October 2017. The team aims to help empower Tāmaki whānau, tamariki and communities to make decisions which affect their lives. This involves co-designing solutions with the Tāmaki community and ensuring social service investments are holistic, evidence-based, and create positive long-term outcomes for whānau.
Tāmaki Education Strategy	Complete Strategy		**Partially Met**	Since November 2017, we have engaged with over 400 students, whānau, and experts to co-design the Tāmaki Education Strategy, which aims to ensure that Tāmaki schools become the school of choice for all learners now and into the future. We are in the process of compiling the range of ideas to help form the strategy (scheduled to be completed in October 2018), in line with the Auckland wide infrastructure development plan led by the Ministry of Education.
Tāmaki-wide Strategic Framework	Update Framework		**Not Met**	Due to the changes in TRC's strategic context and operating environment during FY18, and the timing of key strategic documents from our partners (e.g. the Auckland Plan 2050), the update of the Tāmaki Strategic Framework will now take place during the next Statement of Intent period.

REVENUE AND OUTPUT EXPENSES

	2017/18 ACTUAL $000'S	2017/18 BUDGET $000'S	DIFFERENCE $000'S
Revenue			
Crown	–	–	–
Other	2,168	781	1,387
Total revenue	**2,168**	**781**	**1,387**
Expenses	(3,713)	(4,272)	559
Net (deficit)/surplus	**(1,545)**	**(3,491)**	**1,946**

Commentary

The Social Transformation net deficit was $1.9m lower than budget which was primarily as a result of the Intensive Support Services business case not being approved, and the Tāmaki-wide Strategic Framework not being completed.

ECONOMIC DEVELOPMENT

Our objective in this area is to strengthen the local economy and unlock the potential of the Tāmaki area to enable a prosperous community and deliver better value for money to the Crown. To achieve this, we are working with our local government partners to develop vibrant town centres that meet the needs of our future population. We are also encouraging investment into Tāmaki by promoting the area as a global, innovative, and inclusive location that provides a range of investment opportunities.

We have worked with the Maungakiekie-Tāmaki Local Board, local businesses, and the Auckland Council family to begin implementing the first phase of the Glen Innes Town Centre Development Plan. This initial phase will see the realignment of existing public transport infrastructure, to create better pedestrian connectivity into the town centre, supporting local retailers by encouraging people to spend more time in the town centre.

During the year, we developed a destination brand strategy for Tāmaki, which will position Tāmaki as an attractive investment opportunity for individual, commercial, and institutional investors. To deliver on this strategy, we are rolling out a marketing and advertising programme that highlights the people, place, and potential of the area. We may also establish a marketing suite as a prominent display of Tāmaki's investment and liveability potential, providing a base of operations for marketing the project and the area.

One of our project milestones in this area was to deliver affordable rental and affordable ownership products in Tāmaki. We achieved this milestone with the successful delivery of affordable rental and market affordable properties, with 15 local whānau supported into these properties during the year, against a target of nine.

Working with the New Zealand Housing Foundation, we will be supporting whānau into these properties as they become available in the coming years. Enabling whānau to purchase affordable, secure housing will allow them to maintain employment, access preventative health and social services, and form relationships that grow connection within their community. Our belief is that healthy whānau with a strong community to support them are more likely to engage with and achieve in education and become economically independent over time.

Over the next year, we will work with our local government partners to progress the projects to revitalise commercial precincts in Tāmaki. This will include a study to determine the development potential of TRC-owned land in Glen Innes, to feed into development plans for the Glen Innes town centre. We will also work with our partners and local business and property owners on a strategy to develop underutilised industrial zones within Tāmaki to identify key moves to activate this area. All the while, we will continue to market Tāmaki as an awesome place to live, work, and do business in.

DELIVERED:

15
residents progressed along the housing continuum

A VISION FOR GI TOWN CENTRE

Planning is well underway on a project to revitalise Glen Innes town centre and make it more attractive and accessible for all.

TRC regeneration manager Joanna Brain says the aim is to create a hub which works for both the existing and the future communities of Glen Innes. "You'll have this diverse range of retail shops, as well as cafes and restaurants, and there will be a real buzz around it," she says.

Well established businesses will remain part of the mix, Joanna says. "People come into the town centre to go to places like Avon's Butchery, Marsic Brothers' fish shop and John Pearce Boot and Shoe Repairs. At the heart of our retail strategy is the plan to retain the shops that are so well regarded and to build on that support."

TRC is leading the town centre regeneration in partnership with Auckland Transport, Panuku, the Maungakiekie-Tāmaki Local Board and the Glen Innes Business Association.

Auckland Transport has plans to connect the train station to the town centre at Mayfair Place via an overbridge. In Mayfair Place there are plans to include a green space where people can sit and relax, eat their lunch and stay for a while.

Another big project involves upgrading the public space around the Glen Innes Library and Te Oro Music and Arts Centre. The idea is to create better links from there to Maybury Reserve, making the reserve more accessible.

"The plan is to retain the shops that are so well regarded and build on that."

PERFORMANCE AGAINST 2017-2018 STATEMENT OF PERFORMANCE EXPECTATIONS

MEASURE/PROJECT	TARGET/MILESTONE		STATUS	COMMENTARY
OUTPUT MEASURE	**TARGET FY18**	**ACTUAL FY18**		
Number of Tāmaki residents who progress along the housing continuum	15	21	**Met**	By the end of FY18, 21 local whānau (accumulative target) had moved into affordable rental, market affordable, shared home ownership and private home ownership through TRC initiatives, exceeding the SPE target of 15. As both the target and figure are accumulative (from a baseline of 6) this represents progression of 15 whānau across the housing continuum against an isolated target of 9.
ENABLING PROJECT	**MILESTONE**			
Affordable Housing	Affordable rental product delivery completed; Affordable ownership product delivered		**Met**	Housing Foundation in partnership with TRC are now delivering the affordable rental product to 11 whānau. A pipeline of 54 whānau are ready for affordable ownership (shared equity) in the next 12 months.
Industrial Area Development Strategy	Complete Strategy		**Not Met**	We will work with our partners at ATEED and Panuku to deliver the Industrial Area Development Strategy. The timeframes for delivery of the Strategy have been reforecast to align with and feed into delivery of the Tāmaki Precinct Masterplan. The Strategy will now be delivered in FY19.
Glen Innes Town Centre Development Plan	Collaborate with community, local businesses, and the Auckland Council family to begin implementation of Phase 1		**Met**	The Glen Innes Town Centre Development Plan has been endorsed by the TRC Board and Panuku's Board. The first phase deliverables include a pedestrian bridge at the railway station and relocation of the bus layover as well as development of the TRC owned land on Line Road. All of these have been initiated.

REVENUE AND OUTPUT EXPENSES

	2017/18 ACTUAL $000'S	2017/18 BUDGET $000'S	DIFFERENCE $000'S
Revenue			
Crown	–	–	–
Other	981	486	495
Total revenue	**981**	**486**	**495**
Expenses	(1,666)	(1,480)	(186)
Net (deficit)/surplus	**(685)**	**(994)**	**309**

Commentary

The Economic Development net deficit was $0.3m lower that budget due to lower staff time spent as a result of the Industrial Area Development Strategy not being completed.

PLACEMAKING

Our objective in this area is to create safer and more connected neighbourhoods to support the social and economic development of Tāmaki and its communities. The placemaking objective is the resin that holds together our other strategic priorities and we work with our partners, including HLC and the Auckland Council family, and the Tāmaki community to create the strong foundations that will allow current and future Tāmaki residents to flourish in a world-class environment.

It is important to us that regeneration in Tāmaki demonstrates best practice in urban design and efficiency, so that Tāmaki is an awesome place to live now and into the future. To ensure that residents can have confidence in the quality of regeneration being delivered, we set ourselves a target that all newly developed neighbourhoods this year would meet agreed minimum standards within a Quality Neighbourhood Framework. An independent assessment of the Castledine neighbourhood in Northern Glen Innes, the first fully completed regeneration neighbourhood in Tāmaki, confirmed that we had met that standard this year.

As we undertake regeneration activities across Tāmaki, we ensure that we are fostering belonging and participation through our approach to existing residents. To ensure this, we worked with the community to develop a 'neighbourhood approach' to regeneration. The approach is underpinned by ongoing community involvement and participation before, during, and after the redevelopment of a neighbourhood, and is committed to delivering outcomes based on community needs and aspirations.

We have taken that commitment to fostering belonging and participation in Tāmaki a step further by developing and implementing a Residents' Association Framework during the year. This is the first step in enhancing our mixed tenure and place management strategy. It will ensure our communities are strong, connected and resilient. This work is driven by our commitment to a mixed tenure model in Tāmaki, which remains absolute.

This year we have progressed the delivery of the integrated Tāmaki Early Years Hub, which will be an innovative centre for excellence with co-located health and mentoring services for whānau, located in the Derna-Tobruk regeneration neighbourhood in Panmure. During the year we undertook a two-stage procurement process to find a partner to develop, own and operate the Hub. We have now selected a partner and have commenced service design, with detailed building design to follow.

Over the next year, we will define key physical placemaking infrastructure through the Placemaking Strategy and signal our commitments to ensuring a quality open space network in Tāmaki by removing state housing bordering Maybury Reserve and converting it to green space, thereby creating a safer and more accessible space for community use. We will continue to collaborate with Auckland Council, the local board, and community to celebrate Tāmaki's unique culture by delivering events and activating spaces in Tāmaki for whānau and residents to form connections within their community.

RIVER TALKS

Set on the banks of the Omaru Creek in Glen Innes, the fantastic production of "The River Talks" by the Mad Ave Group, performed for groups of local school children. The story of saving the creek from pollution, started with a wero and finished with a strong message of taking care of the environment where we live.

Ko au te awa, ko te awa ko au is a whakatauki – 'I am the river and the river is me'

By Cree Ann, Year 8, Pt England School, Taiao o Tāmaki

My whole class and all Year 8's went down to the Omaru so we could see people performing about what we need to do to look after our lovely river.

A man called Tamati introduced us to everybody that was performing. He was wearing waders so the water didn't get on him.

We saw people talking about our river and what we could do to help keep it healthy. They sang a lovely song about the river. After that, we listened to Tamati talking about the fish and all the other stuff that lived in the river like ducks, but most importantly our kaimoana, because apparently they have been getting sick. That's why we need to look after our kaimoana and all the other stuff that lives there.

Before we left the creek, we watched drummers play about the river. They sounded awesome.

It was all so cool at the river that I want to go again!

"We are grateful for TRC's willingness to support this locally led work and look forward to growing what is an annual celebration and expression of identity and healing,"

Tamati Patuwai, Mad Ave Group.

PERFORMANCE AGAINST 2017-2018 STATEMENT OF PERFORMANCE EXPECTATIONS

MEASURE/PROJECT	TARGET/MILESTONE		STATUS	COMMENTARY
OUTPUT MEASURE	**TARGET FY18**	**ACTUAL FY18**		
Percentage of newly developed neighbourhoods that meet agreed minimum standards within the Quality Neighbourhood Framework	100%	100%	**Met**	We contracted Jasmax to conduct a post-development quality neighbourhood assessment of the Castledine neighbourhood in Northern Glen Innes. The overall assessment was "Good", meaning criteria were satisfied to current best practice.
ENABLING PROJECT	**MILESTONE**			
Transport Blueprint for Tāmaki	Complete Blueprint		**Not Met**	Following the completion of the Tāmaki Transport Strategy in January 2017, TRC has been working on the Transport Blueprint for Tāmaki, to provide a masterplan for transport initiatives in Tāmaki, identifying gaps and opportunities presented by the current state. Due to the need for more detailed transport modelling to be carried out by Auckland Transport to test various growth scenarios, the Blueprint will now be completed in FY19. This work will feed into the Tāmaki Precinct Masterplan.
Residents' Association Framework	Implement Framework		**Met**	Project deliverables identified in the Project Brief for completion in the first phase have been completed. These include development of a placement policy for higher density environments and agreeing our approach to involvement in body corporates.
Early Years Hub	Commence construction of Hub		**Not met**	During the year, we undertook a two-stage procurement process to find a partner to develop, own and operate the Early Years Hub. This involved EOI and RFP phases, involving a shortlisted group of respondents. The partner has now been identified and service design is commencing, with detailed building design to follow during the first half of FY19.

REVENUE AND OUTPUT EXPENSES

	2017/18 ACTUAL $000'S	2017/18 BUDGET $000'S	DIFFERENCE $000'S
Revenue			
Crown	–	–	–
Other	1,481	388	1,093
Total revenue	**1,481**	**388**	**1,093**
Expenses	(1,407)	(1,994)	587
Net (deficit)/surplus	**74**	**(1,606)**	**1,680**

Commentary

Placemaking had a minimal net surplus against a budget deficit of $1.6m This was due to work on the Transport Blueprint for Tāmaki and the Early Years Hub being delayed during the financial year. These enabling projects are due for completions in the 2019-2020 financial years respectively.

HOUSING RESOURCES

Our objective in this area is to optimise the use of land and existing houses to support and deliver improved social and economic outcomes, including progressing private housing development and better public housing options for Tāmaki. To achieve this, we have worked with private sector development partners to drive the supply of diverse housing stock to the Auckland market, including state, market affordable, and private market homes.

Through the Housing Redevelopment Programme, 154 new homes were delivered this year, a significant increase on delivery over the previous year. This included 37 new, warm, dry, and healthy state homes, and 19 market affordable homes. At year-end, 605 houses were in the development pipeline, where civils/earthworks had commenced, or house construction was underway. To that date, 359 new homes were delivered through the regeneration programme, including 129 state homes and 58 market affordable homes.

During the year, we concluded the Large-Scale Development procurement process. After a robust evaluation process, it was determined that the shortlisted parties had not met our requirements and, in late 2017, Ministers approved our recommendation not to proceed further with the procurement. At that time, it was also decided that the selection process for a partner to take over and add value to our tenancy management arm, the Tāmaki Housing Association (THA) would not proceed.

Going forward, we will work with HLC, Housing New Zealand's development arm, to deliver the housing redevelopment programme in Tāmaki, with HLC taking on the role of master developer for the area and being responsible for the delivery of houses. Our 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.

Throughout the year, the THA has continued to deliver an innovative service to customers within a complex regeneration environment, based on supporting successful tenancies and being responsive to each state housing whānau's needs. Eighty-one percent of state housing tenants surveyed during the year reported being satisfied with the service provided by the THA, against a target of 80%.

Rehousing is a key component of the regeneration programme in Tāmaki and we recognise that this can be a difficult time for whānau. When we require a state housing whānau's property for redevelopment purposes, we work with the whānau in a compassionate and flexible way, to ensure that we develop a rehousing plan that factors in their current needs as well as their aspirations for the future. Employing this model, our team successfully rehoused 87 state housing whānau during the year, adhering to the Tāmaki Commitment at all times.

Over the next year, we will manage our housing portfolio and tenancies efficiently and effectively, within a complex regeneration environment. We will continue to improve the overall quality of the portfolio through new state house purchases and planned and reactive maintenance of our existing stock. We will work closely with each state housing whānau to understand their barriers, enablers, and drivers of change, supporting them to achieve their aspirations.

We will adhere to the Tāmaki Commitment, that those who wish to remain in Tāmaki will have the opportunity to do so, at all times.

DELIVERED:

154
new mixed tenure houses including 19 market affordable homes

37
new, warm and dry state houses

605
houses in the construction pipeline as at 30 June 2018

98.5%
occupancy rate for available properties

NEW HOME HANDY TO EVERYWHERE

Long-time Glen Innes resident Judy Putohe just loves her new, warm modern home on Taniwha Street. "When I moved in, all my children came around. They were overwhelmed by how nice it was and so was I. I can't believe I have two bathrooms now."

Judy, 63, has a big whānau with six children, 21 grandchildren and one great grandchild, most of whom live nearby. She has mixed feelings about moving out of her previous house on nearby Farringdon Street. "I liked the old house because it had a big section where the kids could play. I also miss my old neighbours."

But the old house was very cold, Judy says. "It was like an icebox over winter. It wasn't insulated so mould was a problem. We used to sleep in the lounge because it was the only warm room in the house. My kids and I got the flu a lot and had problems with asthma. It also meant we had to go to the doctor's more often."

She thinks replacing the old state houses in Tāmaki with new homes is a good thing, but initially she wasn't sure. "At first I wasn't too keen, but I love my new house. Yes, the new houses are closer together, but that also means you know what's going on and you look out for each other a bit more."

"When I moved in, all my children came around. They were overwhelmed by how nice it was and so was I. I can't believe I have two bathrooms now.

PERFORMANCE AGAINST 2017-2018 STATEMENT OF PERFORMANCE EXPECTATIONS

MEASURE/PROJECT	TARGET/MILESTONE		STATUS	COMMENTARY
OUTPUT MEASURE	**TARGET FY18**	**ACTUAL FY18**		
Percentage of social housing tenants who are satisfied with our service	80%	81%	**Met**	During the year, TRC commissioned three tenant surveys, recording tenant satisfaction of 79%, 80%, and 84%, for an average of 81% across the year. The surveys were conducted with a maximum margin of error of +/- 7.33% at a 95% level of confidence.
Percentage of Tāmaki residents affected by the redevelopment within 6 months that have a rehousing plan	100%	100%	**Met**	During the year, the Neighbourhood Liaison Team successfully rehoused 87 state housing whānau, adhering to the Tāmaki Commitment at all times and ensuring that each whānau rehoused during the year had a rehousing plan within six months of their property being required for redevelopment purposes. Of these 87, 50 had been affected by redevelopment and rehoused during FY18, while the remaining 37 were affected by redevelopment in an earlier FY and rehoused during FY18.
Occupancy Rate for available properties	98%	98.5%	**Met**	The occupancy rate remained above 98% throughout FY18, averaging 98.5% across the year.
Annual provision of new houses to agreed typology and mix	320-400	154	**Not Met**	Housing delivery for FY18 has been impacted by: • softening conditions in the residential property market in Auckland, with resulting delays in project initiation and delivery; • infrastructure issues that required remediation before anticipated developments could proceed; and • standard construction delays affecting the delivery of specific projects (e.g. inclement weather).

MEASURE/PROJECT	TARGET/MILESTONE	STATUS	COMMENTARY
ENABLING PROJECT	**MILESTONE**		
Tenancy and property management CHP partners	Engagement of tenancy and property management CHP partners	**Met** (decision made not to progress)	In March 2017 TRC issued a public invitation for organisations with strong social housing credentials to invest in our tenancy management arm, the Tāmaki Housing Association (THA). Two strong candidates were shortlisted through this process, with the intention that they would provide further details on their approach to investing in THA in a second stage of the selection process. In late 2017, this process was terminated without selecting a preferred candidate, in conjunction with the end of the large-scale developer procurement process.
Large-Scale Development	Procurement for Large-Scale Development (Phase 1 completion)	**Met** (decision made not to progress)	In August 2016, TRC went to the market to select a large-scale developer to deliver a mix of 2,500 social, affordable and private houses and an investor to own and manage the new social houses. In July 2017, proposals were received from two shortlisted consortia. After a robust evaluation process, it was determined that the shortlisted parties had not met TRC's requirements. In late 2017, Ministers approved TRC's recommendation not to proceed further with the procurement.
Understand TRC's role as a UDA	Understand TRC's role as an Urban Development Authority and implement as agreed	**Met**	In February 2017, the Government published a discussion document on Urban Development Authorities (UDA), seeking feedback from relevant entities. TRC met with officials as part of this consultation process and made a formal submission in May 2017. In September 2017, MBIE contacted TRC upon publishing a summary of submissions, which referred to TRC's involvement in the process. As there was not legislative progression on UDAs during the financial year, no implementation occurred.

REVENUE AND OUTPUT EXPENSES

	2017/18 ACTUAL $000'S	2017/18 BUDGET $000'S	DIFFERENCE $000'S
Revenue			
Crown	–	–	–
Other	94,215	129,255	(35,040)
Total revenue	**94,215**	**129,255**	**(35,040)**
Expenses	(166,669)	(233,221)	66,552
Net (deficit)/surplus	**(72,454)**	**(103,966)**	**31,512**

Commentary

A large factor in the housing resources positive variance of $31.5m is the timing of development projects, which were delayed primarily due to the slowdown in the Auckland housing market; and due to underlying infrastructures constraints.

COMPANY DISCLOSURES

The below disclosures are required under the Crown Entities Act 2004 and the Companies Act 1993 and are for the Tāmaki Redevelopment Company Limited Legal Group (TRC Legal Group), unless (and where specified) disclosures are required by one of the individual entities that make up TRC Legal Group.

TRC Legal Group consists of Tāmaki Regeneration Limited (TRL) and Tāmaki Redevelopment Company Limited Group (TRC Group). TRC Group further comprises Tāmaki Redevelopment Company Limited (TRC Parent) and its two subsidiaries Tāmaki Housing Association Limited Partnership (THALP) and THA GP Limited (THAGP).

TRC Parent owns 100% of the ordinary shares of TRL. However, Crown controls TRL due to the conditions imposed by the preference shares it has been issued with by TRL. TRC Parent's brand or trading name is Tāmaki Regeneration Company.

In May 2018, the Minister of Housing and Urban Development directed that TRC Legal Group partner with HLC (2017) Ltd ('HLC') to deliver the housing redevelopment programme in Tāmaki. HLC will take on the master developer role in Tāmaki and will be accountable for the delivery of the houses. This was a significant change in business structure, which required further work for TRC Legal Group to operationalise. The work programme and resultant budgets were also required to be reworked and therefore, the final Statement of Performance Expectations (SPE) for the year ending 30 June 2019, which was due to be published on 30 June 2018, was delayed. This constitutes a breach of the Crown Entities Act 2004. The final SPE is now expected to be finalised in November 2018.

Changes to the composition of the Board during the period

COMPANY	TRC PARENT		THAGP		TRL	
DIRECTOR	**APPOINTED**	**CEASED**	**APPOINTED**	**CEASED**	**APPOINTED**	**CEASED**
John Robertson (Chair)	Continuing	Continuing	Continuing	Continuing	Continuing	Continuing
Dr. Susan Macken (Deputy Chair)	Continuing	Continuing	Continuing	Continuing	Continuing	Continuing
Diana Puketapu	Continuing	Continuing	Continuing	Continuing	Continuing	Continuing
Martin Udale	Continuing	Continuing	Continuing	Continuing	Continuing	Continuing
Kerry Hitchcock	Continuing	Continuing	Continuing	Continuing	Continuing	Continuing
John Sax	Continuing	Continuing	Continuing	Continuing	Continuing	Continuing
Matthew Harker	Continuing	25/05/18	Continuing	25/05/18	Continuing	25/05/18

* John Robertson ceased his role as chair on 19 August 2018
* Evan Davies commenced as chair on 20 August 2018

Schedule of Board meeting attendance

The governance for TRC Legal Group is conducted by the Board of TRC Parent. The total number of TRC Parent Board meetings held in the last financial year was 11.

Director	No. of Meetings
John Robertson (Chair)	9
Dr. Susan Macken (Deputy Chair)	9
Diana Puketapu	8
Martin Udale	8
Kerry Hitchcock	8
John Sax	8
Matthew Harker	8

Board and committee remuneration

The Boards of TRL and THAGP received no remuneration during the year. The Board of TRC Parent received a total of $288k remuneration during the year, the breakdown of which can be found in TRC Group's financial statements on page 61.

There have been no payments made to committee members appointed by the Boards of the entities that constitute TRC Legal Group who were not Board members during the financial year.

Company secretary

Simpson Grierson, 88 Shortland St, Auckland Central.

Principal activities

The principal activities of TRC Legal Group during the period were:

- Tenancy and property management (THALP)
- Completed the procurement process for large scale redevelopment (TRL)
- Development of new social and private housing (TRL)
- Development of the Tāmaki Response in conjunction with community, shareholders and other stakeholders (TRC Parent)
- Social and economic regeneration activities (TRC Parent)

Significant changes in the state of affairs

In the Government Budget 2018, it was announced that TRL would receive $300m equity from the Crown over the next four years in order to progress the regeneration of the Tāmaki area. The funding is intended for state housing buybacks, the Healthy Homes Legislation impact on the housing stock and will also be used to repay the loan from Crown in TRC Parent's books. TRL is currently working on a subscription agreement which outlines how the funds will be drawn from Crown. TRL will issue the equivalent number of redeemable convertible preference shares ($1 per share) for every tranche that it draws down from the Crown.

In May 2018, the Minister for Housing and Urban Development made a decision to transfer TRL's development activity to HLC (2017) Ltd. The Minister advised TRL and HLC to work on the detailed arrangements and advise of progress. TRL are still working through these detailed arrangements at the time of the signing of these financial statements. However, on the basis of the discussions to date with HLC, there will be a value transfer from TRL to HLC in future financial statements for the transfer of non-state housing development land to HLC to progress development activity at the scale and pace required by the Minister.

Directors' interest in transactions and interests register changes

No directors' interests in transactions declared in any entity of TRC Legal Group. The full interest register of the Board of TRC Parent, TRL and THAGP can be found on pages 36 to 38. Note, the members of all three Boards are the same at year-end.

Indemnification and insurance of directors and officers

During the period TRC Parent purchased insurance to cover all directors, officers and employees of all entities in the TRC Legal Group. They are indemnified for wrongful acts committed, attempted or allegedly committed or attempted during the policy period. The limit of the indemnity for any one act is $20 million. The indemnity period runs from 1 October 2017 to 30 September 2018.

The total amount of insurance premium paid was $26k.

Employee salary band information

There are 27 employees of TRC Legal Group who earn a salary of more than $100,000. The breakdown of these 27 employees into bands of $10,000 each is provided in the financial statements of TRC Group on page 62.

Good employer compliance

TRC Legal Parent and its constituent entities have met its obligations to be a good employer and have adhered to the equal employment opportunities programme.

Donations

TRC Legal Group made donations worth $13k during the year which were paid out by TRC Parent. No other entities in the TRC Legal Group paid any donations during the year.

Audit fees

TRC Legal Group paid to Audit New Zealand the following amounts during the year:

- fees for the audit of financial statements of $218k;
- fees for assurance services of $27k

The breakdown of these audit fees by entities that make up the TRC Legal Group can be found in the entities' respective financial statements contained within this Annual Report.

COMPANY DIRECTORIES FOR THE BOARD

Directors Name	Name of Organisation	Shareholder/Director/Partner/ Trustee/Other
Evan Davies	Capital Investment Committee	Chair
	Hospital Redevelopment Partnership Group	Chair
	Melanesian Mission Trust Board	Trustee
	Anglican Trust for Women and Children	Trustee
	Todd Property Group Ltd (and all subsidiaries)	Director
	ATEED, an Auckland Council Company	Director
	Flinders Mines	Director
	BBIG Group	Director
	Auckland Arts Festival	Trustee
	Auckland City Mission	Trustee
	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director
Dr. Susan Macken	STG Ltd	Director/Sole Shareholder
	Blossom Bear Ltd	Director/Sole Shareholder
	Panuku Development Auckland Ltd	Deputy Chair
	Private Accounting Trustee Ltd	Director
	Kiwibank Ltd	Chair
	Station Mews Apartments Ltd	Director
	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Ltd	Director
	THA GP Limited	Director
Diana Puketapu	New Zealand Olympic Committee	Member
	Ngati Porou Holding Company Ltd	Director
	Amanti Tourism Ltd	Director
	Pohewa Design Ltd	Director
	Ngati Porou Seafoods Ltd	Director
	Ngati Porou Fisheries Ltd	Director
	Real Fresh Ltd	Director
	Ngati Porou Miere GP Ltd	Director
	Manawanui In Charge Ltd	Chair
	Ngati Porou Berries Ltd	Director
	NZ Cricket	Director
	Napier Port	Director
	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director
Martin Udale	Tall Wood Ltd	Director
	Tallwood Assembly Ltd	Director
	Tallwood Holdings	Director
	Tallwood Design	Director
	Tallwood Projects	Director
	Forest Group Ltd	Director
	Panuku Development Auckland Ltd	Director
	New Ground Living (Hobsonville Point) Ltd	Director
	Hobsonville Development GP Ltd	Director
	TW Twenty Twenty Ltd	Director

COMPANY DIRECTORIES FOR THE BOARD (CONT)

Directors Name	Name of Organisation	Shareholder/Director/Partner/ Trustee/Other
Martin Udale (cont)	Essentia Consulting Group Limited	Director
	Fleming Urban Ltd	Director/Shareholder
	Cardinal Trustees Ltd	Director/Shareholder
	Kiwi Rail Property Committee	Member
	Accessible Properties NZ Ltd	Director
	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Ltd	Director
	THA GP Limited	Director
Kerry Hitchcock	Charta Ltd	Director/Shareholder
	Charta Funds Management Ltd	Director/Shareholder
	Charta Management Holdings Ltd	Director/Shareholder
	Kerry D Hitchcock Ltd	Director/Shareholder
	Fidelta Group Ltd	Director/Shareholder
	Northcote Rd 1 Holdings Ltd (Smales Farm)	Director/Shareholder
	KH Family Trust	Trustee/Beneficiary
	J & K Family Trust	Trustee/Beneficiary
	Haumaru Auckland Ltd	Director
	Haven Funds Ltd	Shareholder/Director
	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director
John Sax	For the Sake of our Children Trust	Chairman
	Aspiring Leaders (NZ Leadership Trust) Beehive hosted	Director
	Treetops Aviation Limited	Director
	Kensington Park Holdings Limited	Director
	Como Holdings Limited	Director
	Te Arai Point Properties Limited	Director
	Parent Partner Limited	Director
	Market Cover Limited	Director
	Islington Park Limited	Director
	Islington Property Investments Ltd	Director
	Waterloo Park Limited	Director
	Kinloch Golf Limited	Director
	Kinloch Lodge Holdings Limited	Director
	Kinloch Club Limited	Director
	Kinloch Farms Holdings Limited	Director
	Kearoa (1999) Limited	Director
	NZ Agricultural Processors Ltd	Director
	Southpark Property Investments Ltd	Director
	Southpark Property Holdings Ltd	Director
	Marsden City Development	Director
	Taitokerau Fibre Networks Ltd	Director/Shareholder
	New Market Holdings Ltd	Director/Shareholder
	Industrial Park Coolstores Limited	Director/Shareholder
	Autumn Park Limited	Director/Shareholder
	Fisk Holdings N.Z Limited	Director/Shareholder
	Fisk Investments (NZ) Limited	Director/Shareholder

COMPANY DIRECTORIES FOR THE BOARD (CONT)

Directors Name	Name of Organisation	Shareholder/Director/Partner/ Trustee/Other
	Kempton Holdings Limited	Director/Shareholder
	Mirza Nominees Limited	Director/Shareholder
John Sax (cont)	Southpark Corporation Limited	Director/Shareholder
	Global Procurement Supplies Limited	Director/Shareholder
	Southpark Developments Limited	Director/Shareholder
	Ronyx Holdings Limited	Director/Shareholder
	Living Spaces Design Limited	Director/Shareholder
	Southpark Utilities Limited	Director/Shareholder
	Waterloo Holdings Limited	Director/Shareholder
	Zirma Developments Limited	Director/Shareholder
	Karpall Properties Limited	Director/Shareholder
	Weddings and Honeymoons Of New Zealand Limited	Director/Shareholder
	William David Limited	Director/Shareholder
	Industrial Park Holdings Ltd	Director/Shareholder
	Onethree Chesire General Partner Ltd	Founder, Chairman and Director
	Baldah Investments Limited	Shareholder
	Kensington Park Services Limited	Shareholder
	Challenge Communications Foundation Ltd	Shareholder
	Domain Trustee Services No.2 Ltd	Trustee
	Trustee of Rotorua Museum Trust	Member
	Independent Hearings Panel, Christchurch Replacement District Plan	Member
	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Ltd	Director
	THA GP Limited	Director
Matthew Harker	The Royal NZ Plunket Society Inc	Steering Group Member
	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director
	HLC (2017) Limited	Committee Member
	Harker Consulting Ltd	Director/Shareholder
	Haumaru Auckland Ltd	Director
	Chitogel Ltd	CEO
John Robertson	Fishpond Limited	Chair
	Fishpond World Limited (UK)	Chair
	Fishpond.com Incorporated (USA)	Chair
	Struan Farm Limited	Director
	Worldfront Incorporated (USA)	Director
	Medbase Limited	Director
	Strategic Projects Limited	Director
	Otorohanga District Council, Audit Committee	Independent Chair
	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director

FINANCIAL REPORT

This financial report provides an analysis of the financial results for the year and includes summary tables showing profit and loss, balance sheet and cash flows and additional commentary around the key drivers for the numbers in these tables.

Reporting Structure

TRC Legal Group consists of Tāmaki Regeneration Limited (TRL) and Tāmaki Redevelopment Company Limited Group (TRC Group). TRC Group further comprises Tāmaki Redevelopment Company Limited (TRC Parent) and its two subsidiaries Tāmaki Housing Association Limited Partnership (THALP) and THA GP Limited (THAGP).

TRC Parent owns 100% of the ordinary shares of TRL. However, Crown controls TRL due to the conditions imposed by the preference shares it has been issued with by TRL. As a result of this, the financial statements of TRC Group and TRL have been presented separately from page 45. However, an aggregated non-GAAP set of financial statements have been prepared by TRC Legal Group in order to provide a clearer view of the financial results of the entire Legal Group including TRL given the Legal Group's operations are conducted as if it was one entity. The following tables summarise the TRC Group, TRL and TRC Legal Group financial statements.

PROFIT AND LOSS (UNAUDITED)

Total comprehensive expense for the TRC Legal Group for the year ended 30 June 2018 was $22.8m driven largely by the deficit for the year of $74.6m offset by revaluation gains below the line. Total revaluation gain through other comprehensive income of $51.8m reflected localised gains in Tāmaki property values which were slightly more bullish than average Auckland movements due to relative lower prices in Tāmaki compared with the proximity to Auckland's CBD. Deficit for the year was largely caused by losses on development land sales as a result of write-downs in inventory and through cost of goods sold which reflects residual values of land as a result of development risk potential and taking into account cost of capital. This is forecasted through developer feasibilities which includes market prices, yields, typologies and construction costs. Depreciation for the year of $43.6m also contributed a large share to the deficit for the year.

Notwithstanding the anticipated losses incurred, development activity slowed considerably in the financial year as a result of the previously heated Auckland housing market slowing down with banks and developers unwilling to take risks to the same extent as before due to uncertain market returns. Significant infrastructure constraints exist within Tāmaki with current infrastructure insufficient for the required ramp up in density. Demolition of state housing for development projects continued full steam ahead with expectation that procurement activities and civil and earth works would progress as expected. The state housing portfolio was still able to deliver a solid year with revenue of $61.3m of the back of CPI increases in market rent despite the lower available pool of state housing for the year.

Personnel costs, consultants and professional fees cover both business-as-usual costs as well as costs incurred in the completion of the large scale procurement, in which the decision was made not to proceed. This decision resulted in further consultant and professional fees to adapt to the new development operating model.

Profit & loss summary for the year ended 30 June 2018

(000'S)	TRC GROUP	TRL	ELIMINATIONS	TRC LEGAL GROUP
Rent revenue	0	61,319	0	61,319
Land sales revenue	0	13,708	0	13,708
Other revenue	11,160	181	(10,419)	922
Total revenue	**11,160**	**75,208**	**(10,419)**	**75,949**
Personnel costs, consultants and legal expenses	12,737	6,116	0	18,853
COGS and inventory writedown expenses	0	67,771	0	67,771
Repairs and maintenance expenses	25	15,946	0	15,971
Other expenses	3,753	20,843	(10,419)	14,177
Total expenses	**16,515**	**110,676**	**(10,419)**	**116,772**
EBTDA	**(5,355)**	**(35,468)**	**0**	**(40,823)**
Depreciation expense	346	43,285	0	43,631
Building revaluation gain	0	(9,844)	0	(9,844)
Tax expense	0	0	0	0
(Deficit) for the year	**(5,701)**	**(68,909)**	**0**	**(74,610)**
Land revaluation gain	0	11,522	0	11,522
Building revaluation gain	0	40,298	0	40,298
Total comprehensive revenue and expense	**(5,701)**	**(17,089)**	**0**	**(22,790)**

BALANCE SHEET (UNAUDITED)

Net assets for the TRC Legal Group as at 30 June 2018 were $1,920.7m made up primarily of the property, plant and equipment and inventory balances. Property, plant and equipment remained materially similar for the year despite the revaluation gains totalling $61.7m for the year ($9.8m of gains were above the line to reverse previous losses). State housing buybacks for the year were $36.8m whilst vacant land worth $57.8m via demolished state housing properties, were moved from property, plant and equipment to inventory. Depreciation for the year of $43.6m is based on the useful lives of state housing properties projecting development to occur over the next 15 to 25 years on a staged basis.

Total liabilities of $35.7m was largely made up of $26.5m loan under the existing $200m loan facility with The Treasury. $15m of this facility was drawn this year.

Balance sheet summary as at 30 June 2018

(000'S)	TRC GROUP	TRL	ELIMINATIONS	TRC LEGAL GROUP
Cash	3,511	180	0	3,691
Receivables	14,016	6,469	(16,214)	4,271
Inventory	0	72,412	0	72,412
Property, plant and equipment and intangible assets	356	1,875,706	0	1,876,062
Deferred tax	0	0	0	0
Total assets	**17,883**	**1,954,767**	**(16,214)**	**1,956,436**
Payables and provisions	4,392	8,014	(3,214)	9,192
Crown loan	26,500	13,000	(13,000)	26,500
Deferred tax liability	0	0	0	0
Total liabilities	**30,892**	**21,014**	**(16,214)**	**35,692**
Net assets	**(13,009)**	**1,933,753**	**0**	**1,920,744**
Ordinary shares	8,500	0	0	8,500
Preference shares	0	1,631,161	0	1,631,161
Revaluation reserve	0	468,672	0	468,672
Retained earnings	(21,509)	(166,080)	0	(187,589)
Total equity	**(13,009)**	**1,933,753**	**0**	**1,920,744**

CASH FLOW (UNAUDITED)

TRC Legal Groups' net cash movements for the year ended 30 June 2018 was $1.6m primarily driven by the purchase of new state housing properties of $29.9m financed through $15m draw down of the $200m loan facility with The Treasury and a $16.5m net cash inflow from operating activities. This was brought about from positive cashflows from the state housing portfolio as the significant development expenses in the Profit and Loss such as inventory write-down and cost of goods sold are non-cash. Inter-entity cash flow within the TRC Legal Group is managed through current accounts.

Cash flow summary for the year ended 30 June 2018

(000'S)	TRC GROUP	TRL	ELIMINATIONS	TRC LEGAL GROUP
Rent revenue	0	61,444	0	61,444
Land sales revenue	0	16,983	0	16,983
Crown funding income	0	0	0	0
Other revenue	16,783	174	(15,960)	997
Personnel costs	(8,559)	0	0	(8,559)
Supplier payments including Net GST payments	(10,186)	(60,162)	15,960	(54,388)
Total operating cash flows	**(1,962)**	**18,439**	**0**	**16,477**
Purchase of PPE and intangibles and loans provided	(10,206)	(29,665)	10,000	(29,871)
Total investing cash flows	**(10,206)**	**(29,665)**	**10,000**	**(29,871)**
Loans drawn	15,000	10,000	(10,000)	15,000
Total financing cash flows	**15,000**	**10,000**	**(10,000)**	**15,000**
Net cash flow	**2,832**	**(1,226)**	**0**	**1,606**
Opening cash balance	679	1,406	0	2,085
Closing cash balance	**3,511**	**180**	**0**	**3,691**



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

STATEMENT OF RESPONSIBILITY

We are responsible for the preparation of Tāmaki Redevelopment Company Limited Group's financial statements and non-financial performance reporting and for the judgements made in them. Tāmaki Redevelopment Company Limited Group's non-financial performance has been reported on in Tāmaki Redevelopment Company Limited Legal Group's statement of performance which is found on pages 16 to 33 of this Annual Report.

We are responsible for any end-of-year performance information provided by Tāmaki Redevelopment Company Limited Group under section 19A of the Public Finance Act 1989.

We have 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.

In our opinion, these financial statements and non-financial performance reporting fairly reflect the financial position and operations of the Tāmaki Redevelopment Company Limited Group for the year ended 30 June 2018.

Signed on behalf of the Board:

Evan Davies
Chair

31 October 2018

Dr. Susan Macken
Deputy Chair

31 October 2018

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	2018 ACTUAL $000'S	2018 BUDGET $000'S	2017 ACTUAL $000'S
Revenue				
Crown funding		0	0	3,190
Management fee income	2	10,419	3,855	9,423
Other income		726	5,514	36
Total revenue		**11,145**	**9,369**	**12,649**
Expenditure				
Personnel costs		8,791	8,181	7,648
Consultants and professional fees		2,794	4,911	2,360
Contractors and temporary staff		773	1,805	1,552
Directors fees	15	288	433	209
Management fee expense		464	333	293
Utilities and insurance		102	121	58
GST provision expense		0	0	(2,562)
Other expenses	3	2,822	3,461	2,905
Total expenditure		**16,034**	**19,245**	**12,463**
EBITDAF		**(4,889)**	**(9,876)**	**186**
Depreciation and amortisation expense	6, 7	346	547	368
EBIT		**(5,235)**	**(10,423)**	**(182)**
Interest income		15	35	27
Interest expense		481	311	307
Net interest income		**(466)**	**(276)**	**(280)**
(Deficit) for the year		**(5,701)**	**(10,699)**	**(462)**
Total comprehensive revenue and expense		**(5,701)**	**(10,699)**	**(462)**
(Deficit) for the year attributable to:				
Crown		(3,364)	(6,312)	(273)
Minority interest (Auckland Council)		(2,337)	(4,387)	(189)
(Deficit) for the year		**(5,701)**	**(10,699)**	**(462)**
Total comprehensive revenue and expense attributable to:				
Crown		(3,364)	(6,312)	(273)
Minority interest (Auckland Council)		(2,337)	(4,387)	(189)
Total comprehensive revenue and expense		**(5,701)**	**(10,699)**	**(462)**

Explanations of major variances against budget are provided in note 20.

The accompanying notes form part of these financial statements.

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	NOTES	2018 ACTUAL $000'S	2018 BUDGET $000'S	2017 ACTUAL $000'S
ASSETS				
Current assets				
Cash and cash equivalents	4	3,511	684	679
Trade and other receivables	5	14,016	403	9,396
Total current assets		**17,527**	**1,087**	**10,075**
Non-current assets				
Property, plant and equipment	6	260	182	464
Intangible assets	7	96	452	32
Total non-current assets		**356**	**634**	**496**
Total assets		**17,883**	**1,721**	**10,571**
LIABILITIES				
Current liabilities				
Creditors and other payables	8	3,882	326	5,943
GST provision		0	2,562	0
Annual leave liability		510	245	436
Loan	9	3,000	0	3,000
Total current liabilities		**7,392**	**3,133**	**9,379**
Non-current liabilities				
Loan	9	23,500	19,000	8,500
Total non-current liabilities		**23,500**	**19,000**	**8,500**
Total liabilities		**30,892**	**22,133**	**17,879**
Net assets		**(13,009)**	**(20,412)**	**(7,308)**
EQUITY				
Ordinary shares – Crown		5,000	5,000	5,000
Ordinary shares – Auckland Council		3,500	3,500	3,500
Accumulated (deficit)		(21,509)	(28,912)	(15,808)
Total equity	10	**(13,009)**	**(20,412)**	**(7,308)**

Explanations of major variances against budget are provided in note 20.

For and on behalf of the Board who authorise the issue of the financial statements on 31 October 2018.

Evan Davies
Chair

31 October 2018

Dr. Susan Macken
Deputy Chair

31 October 2018

The accompanying notes form part of these financial statements.

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	2018 ACTUAL $000'S	2018 BUDGET $000'S	2017 ACTUAL $000'S
Balance at 1 July		**(7,308)**	**(9,713)**	**(6,846)**
Total comprehensive revenue and expense				
(Deficit) for the year		(5,701)	(10,699)	(462)
Total comprehensive revenue and expense		**(5,701)**	**(10,699)**	**(462)**
Owners' transactions				
Capital contribution		0	0	0
Repayment of capital		0	0	0
Total contributions and distributions		**0**	**0**	**0**
Balance at 30 June	10	**(13,009)**	**(20,412)**	**(7,308)**

Explanations of major variances against budget are provided in note 20.

The accompanying notes form part of these financial statements.

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	2018 ACTUAL $000'S	2018 BUDGET $000'S	2017 ACTUAL $000'S
Cash flows from operating activities				
Receipts from Crown		0	0	3,190
Receipts from other revenue		807	5,679	36
Interest received		16	24	27
Management fee income		15,960	6,322	8,080
Payments to suppliers		(9,779)	(21,985)	(8,938)
Payments to employees		(8,559)	(7,970)	(7,444)
Goods and services tax (net)		25	573	16
Interest paid		(432)	(311)	(305)
Net cash flow from operating activities		**(1,962)**	**(17,668)**	**(5,338)**
Cash flow from investing activities				
Purchase of property, plant and equipment		(55)	(11)	(147)
Purchase of intangible assets		(151)	(253)	(38)
Loan provided to TRL		(10,000)	(7,318)	(3,000)
Net cash flow from investing activities		**(10,206)**	**(7,582)**	**(3,185)**
Cash flow from financing activities				
Cash from loan facility		15,000	22,000	3,000
Loan repayment		0	(3,000)	0
Net cash flow from financing activities		**15,000**	**19,000**	**3,000**
Net increase/(decrease) in cash and cash equivalents		**2,832**	**(6,250)**	**(5,523)**
Cash and cash equivalents at the beginning of the year		679	6,934	6,202
Cash and cash equivalents at the end of the year	4	**3,511**	**684**	**679**

Explanations of major variances against budget are provided in note 20.

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

These 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. TRC Group's primary objective is the social and economic regeneration of the Tāmaki area.

These financial statements do not include Tāmaki Regeneration Limited (TRL) due to Crown (rather than TRC Parent) controlling TRL. TRL's financial statements are presented separately on pages 69 to 91 of this Annual Report. This Annual Report also presents, on pages 97 to 101, an aggregated set of financial statements of the Tāmaki Redevelopment Company Limited Legal Group (TRC 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.

The financial statements for TRC Group are for the year ended 30 June 2018. They were approved by the Board on 31 October 2018.

TRC Parent is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is a schedule 4A entity of the Public Finance Act 1989.

BASIS OF PREPARATION

The 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 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 PBE 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.

FUNCTIONAL AND PRESENTATIONAL CURRENCY

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

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 so as to benefit from its activities. The financial statements from the date on which control commences until the date on which control ceases are consolidated into the TRC Parent's 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

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 TRL 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.

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.

REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions is recognised only when TRC Group 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.

Crown funding

Crown funding is restricted in its use for the purpose of TRC Group meeting its objectives as specified in the Statement of Intent. Crown funding is recognised as revenue when earned and is reported in the financial period to which it relates. The fair value of Crown funding has been determined to be equivalent to the amounts due in the funding agreement.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

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:

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%
Developed computer software	4 years	25%

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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 it's Statement of Intent and not to generate commercial returns.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

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 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 the surplus or deficit.

CREDITORS AND OTHER PAYABLES

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

EMPLOYEE ENTITLEMENTS

Short-term employee entitlements

Employee benefits expected to be settled within 12 months of reporting date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to reporting date and annual leave earned to but not yet taken at balance date. A liability and an expense are recognised for bonuses where TRC Group has a contractual obligation or where there is a past practice that has created a constructive obligation.

Presentation of employee entitlements

Annual leave expected to be settled within 12 months of reporting date is classified as a current liability. All other employee entitlements are classified as non-current liabilities.

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.

TRC Group 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 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 settlement them on a net basis or to realise the asset and settle the liability simultaneously.

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

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

On 28 June 2018, a new tax bill was released which proposes to give certain Crown-controlled companies listed in schedule 4A of the Public Finance Act 1989 their own income tax exemption. The qualifying public purpose Crown-controlled companies will be listed in a new schedule to the Income Tax Act 2007, and an Order in Council mechanism is included in the Act to facilitate amendments to this schedule. All entities within the TRC Legal Group are currently included in the schedule within the tax bill. The proposed changes will only come into force on the date of assent rather than being applied retrospectively. However, TRC Legal Group has assessed the retrospective tax position based on indication from IRD's operations team that an IRD challenge on this front is unlikely. Further, at the time of signing these financial statements, the bill is more likely than not to pass with tax exemption for the TRC Legal Group. Accordingly, these financial statements have been prepared on the basis that all entities in the TRC Legal Group are tax exempt for the 2018 and all previous income years.

GOODS AND SERVICES TAX

All items in the 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 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 (deficit); and

> capital.

BUDGET FIGURES

The budget figures are derived from the statement of performance expectations as approved by the Board at the beginning of the financial year. The budget figures were prepared in accordance with NZ GAAP. The budget was prepared applying the critical judgement that THALP is a principal in its tenancy and property management activities. These financial statements have been prepared applying the critical accounting judgement that THALP is acting as an agent on behalf of TRL in its tenancy and property management activities. This occurred because the budget was finalised prior to the change in accounting policy which was made in the 2017 financial statements. As a result, the budget has been restated in order to use accounting policies that are consistent with those adopted by the Board in preparing these financial statements. A comparison of the budget as it was approved by the Board to include in the statement of performance expectations and the budget as it is presented in these financial statements has been included in note 11 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

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.

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 Social 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.

COMPARATIVES

Certain prior year comparatives have been reclassified to achieve fair presentation.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

2. MANAGEMENT FEE INCOME

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Management services provided by THALP to TRL	5,227	4,942
Management services provided by TRC Parent to TRL	5,192	4,481
Total management fee income	**10,419**	**9,423**

Management services provided by THALP to TRL

THALP act as an agent on behalf of TRL in providing its tenancy and property management services to state housing tenants. The management fee income that THALP recognises from TRL is based on a per property per week number. This is a change in basis partway through the financial year whereby in December 2017 a new deed of lease was signed. Under the old deed of lease, the management fee income that THALP recognised from TRL was based on the revenue required to ensure THALP does not record a surplus or deficit for the year.

3. OTHER EXPENSES

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Fees to Audit New Zealand for audit of 2017/18 financial statements	95	0
Fees to Audit New Zealand for audit of 2016/17 financial statements	23	94
Fees to Audit New Zealand for audit of 2015/16 financial statements	0	26
Fees to Audit New Zealand for assurance services	1	0
IT support and licence fees	547	522
Printing and stationery	169	61
Telephones and mobiles	164	174
Marketing and collateral	230	459
Rent	248	250
Motor vehicle expenses	157	128
Recruitment fees	233	258
Staff training	90	52
Legal expense	91	351
Travel expenses	81	67
Other	693	463
Total other expenses	**2,822**	**2,905**

4. CASH AND CASH EQUIVALENTS

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Cash at bank and on hand	3,511	679
Total cash and cash equivalents	**3,511**	**679**

BNZ holds a letter of credit of $550k per fortnight in order for the outsourced payroll provider to make wage payments to staff.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

5. TRADE AND OTHER RECEIVABLES

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Trade receivables	9	0
Receivable from TRL	826	6,005
Loan provided to TRL	13,000	3,000
Prepayments	181	366
GST receivable	0	25
Total trade and other receivables	**14,016**	**9,396**

Loan provided to TRL

TRC Parent provided a loan facility to TRL. The loan is provided to TRL when operating cash flows from the tenancy and property management function are insufficient to fund the capital commitments for buyback of state housing and capital development works. The loan is unsecured and provided at nil interest. Repayment of the loan is on request from TRC Parent.

6. PROPERTY, PLANT AND EQUIPMENT

	OFFICE EQUIPMENT ACTUAL $000'S	COMPUTER EQUIPMENT ACTUAL $000'S	LEASEHOLD IMPROVEMENTS ACTUAL $000'S	TOTAL ACTUAL $000'S
Cost				
Balance at 1 July 2016	295	218	614	1,127
Balance at 30 June 2017 and 1 July 2017	298	280	726	1,304
Additions during the year	24	24	7	55
Disposals during the year	0	0	0	0
Balance at 30 June 2018	**322**	**304**	**733**	**1,359**
Accumulated depreciation				
Balance at 1 July 2016	90	85	315	490
Balance at 30 June 2017 and 1 July 2017	186	133	521	840
Depreciation charge for the year	70	45	144	259
Disposals during the year	0	0	0	0
Balance at 30 June 2018	**256**	**178**	**665**	**1,099**
Carrying Amounts				
Balance at 1 July 2016	205	133	299	637
Balance at 30 June 2017 and 1 July 2017	112	147	205	464
Balance at 30 June 2018	**66**	**126**	**68**	**260**

There are no restrictions over the title of TRC Group's property, plant and equipment, nor are there any property, plant and equipment pledged as security for liabilities. (2017: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

7. INTANGIBLE ASSETS

	ACQUIRED SOFTWARE ACTUAL $000'S	DEVELOPED SOFTWARE ACTUAL $000'S	TOTAL ACTUAL $000'S
Cost			
Balance at 1 July 2016	92	0	92
Balance at 30 June 2017 and 1 July 2017	100	0	100
Additions during the year	151	0	151
Balance at 30 June 2018	**251**	**0**	**251**
Accumulated amortisation			
Balance at 1 July 2016	50	0	50
Balance at 30 June 2017 and 1 July 2017	68	0	68
Amortisation charge for the year	87	0	87
Balance at 30 June 2018	**155**	**0**	**155**
Carrying Amounts			
Balance at 1 July 2016	42	0	42
Balance at 30 June 2017 and 1 July 2017	32	0	32
Balance at 30 June 2018	**96**	**0**	**96**

There are no restrictions over the title of TRC Group's intangible assets, nor are any intangible assets pledged as security for liabilities. (2017: nil).

8. CREDITORS AND OTHER PAYABLES

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Creditors	1,074	681
Accrued expenses	257	416
Payable to TRL	2,387	4,846
GST Payable	164	0
Total creditors and other payables	**3,882**	**5,943**

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

9. LOAN

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Loan facility from New Zealand Debt Management Office (NZDMO)	3,000	3,000
Loan (current portion)	**3,000**	**3,000**
Loan facility from New Zealand Debt Management Office (NZDMO)	23,500	8,500
Loan (non-current portion)	**23,500**	**8,500**
Total loan	**26,500**	**11,500**

TRC Parent has a loan facility from the NZDMO of $200m out of which the net draw down at balance date was $26.5m. Each tranche drawn down must be repaid within a maximum of 5 years from draw down. TRC Parent has drawn down 8 tranches at balance date, one of which is due to repaid on or before 30 June 2019. The tranches have varied interest rates which are based on the 90 day bank bill at the time of the draw down plus a margin of between 25 and 75 basis points.

10. EQUITY

	ORDINARY SHARES	
	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Contributed capital		
Balance at 1 July	8,500	8,500
Balance at 30 June	**8,500**	**8,500**
Accumulated (deficit)		
Balance at 1 July	(15,808)	(15,346)
Total comprehensive revenue and expense	(5,701)	(462)
Balance at 30 June	**(21,509)**	**(15,808)**
Total equity	**(13,009)**	**(7,308)**

All ordinary shares of TRC Parent are held by the Crown (59%) and Auckland Council (41%). There are 1,000 ordinary shares issued, all of which are unpaid and have no par value. All the Crown shares and Council shares have the same rights and privileges and are subject to the same restrictions.

TRC Group has negative equity as at 30 June 2018. TRC Group's purpose is not to create profit but is urban regeneration of the Tāmaki area. The constitution of TRC Parent and its other foundation and accountability documents such as the Statement of Intent are aligned with this purpose. As such, the benefits of the regeneration programme are likely to accrue to and through other entities owned by the Crown and Auckland Council.

11. BUDGET COMPARATIVES

As explained in the statement of accounting policies, the budget that was approved by the Board and contained in the statement of performance expectations (SPE) has been restated in order to be consistent with the accounting policies applied in the preparation of these financial statements. A comparison is provided below to show the effect of the restatement.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	BUDGET VALUES PER:		
	2018 FINANCIAL STATEMENTS $000'S	2018 SPE $000'S	DIFFERENCE $000'S
Revenue			
Rental income from tenants	0	17,168	(17,168)
Income-related rental subsidies	0	40,059	(40,059)
Total revenue	**0**	**57,227**	**(57,227)**
Expenditure			
Consultants and professional fees	4,911	5,127	(216)
Variable lease expense	0	57,227	(57,227)
Utilities and insurance	121	0	121
Other expenses	3,461	3,366	95
Total expenditure	**8,493**	**65,720**	**(57,227)**
(Deficit)/surplus for the year	**(8,493)**	**(8,493)**	**0**

STATEMENT OF FINANCIAL POSITION

The statement of financial position was not restated.

STATEMENT OF CASH FLOWS

	BUDGET VALUES PER:		
	2018 FINANCIAL STATEMENTS $000'S	2018 SPE $000'S	DIFFERENCE $000'S
Cash flows from operating activities			
Rental income from tenants	0	17,168	(17,168)
Income-related rental subsidies	0	39,980	(39,980)
Payments to suppliers	(21,985)	(79,133)	57,148
Net cash flows from operating activities	**(21,985)**	**(21,985)**	**0**

Net cash flows from investing and financing activities were not restated.

12. PRIOR YEAR COMPARATIVES

Prior year comparatives have been reclassified to achieve consistent presentation against the current year numbers. This consists of reclassifying $351k from consultants and professional fees into utilities and insurance ($58k) and other expenses ($293k).

13. COMMITMENTS

There are no capital commitments as at 30 June 2018. However, as TRC Parent has a loan agreement with NZDMO, it may be required to draw down on this loan as a result of TRL's capital commitments for state housing buybacks and capital works (2017: nil).

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Not later than one year	274	227
Later than one year not later than five years	212	118
Later than five years	110	0
Total non-cancellable operating leases	**596**	**345**

14. CONTINGENCIES

There are no contingent assets or contingent liabilities as at 30 June 2018. (2017: nil).

15. RELATED PARTY TRANSACTIONS

TRC Parent's ordinary shares are 59% held by the Crown and 41% by Auckland Council.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect TRC Group would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

TRC Parent provides unsecured loans to TRL at nil interest to fund its capital commitments where there is insufficient operating cash flows from TRL's tenancy and property management function. TRC Parent has a $200m loan facility where it sources these funds from. The amount of loans provided to TRL during the financial year was $10m and the amount outstanding at balance date is $13m. This transaction and balance is not at arms' length. This is due to TRC Parent managing the credit risk through joint governance as the Board of TRC Parent is also the Board of TRL. The underlying risk is market and development risk in TRL, the management of which is disclosed in TRL's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

15. RELATED PARTY TRANSACTIONS (CONT)

Key management personnel compensation

	2018 ACTUAL	2017 ACTUAL
Board members		
Remuneration ($000's)	288	209
Full-time equivalent members	0.87	1.03
Leadership team		
Remuneration ($000's)	1,806	1,835
Full-time equivalent members	6.36	6.79
Total key management personnel remuneration ($000's)	**2,094**	**2,044**
Total full time equivalent personnel	**7.23**	**7.82**

The full time equivalent for Board members has been determined based on the frequency and length of Board meetings and the estimated time for Board members to prepare for meetings. No close family members of TRC Group's key management personnel are employed by TRC Group. There are no loans made to key management personnel of TRC Group or their close family members.

Given TRL has no employees and the activities of TRL are conducted by employees of TRC Parent, the above key management personnel remuneration and full-time equivalent numbers also represent the disclosure for the TRC Legal Group.

16. BOARD MEMBER REMUNERATION

The total value of remuneration paid or payable to each Board member during the year was:

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
John Robertson (Chair)	73	42
Dr. Susan Macken (Deputy Chair)	43	29
Diana Puketapu	35	21
Martin Udale	35	23
Kerry Hitchcock	35	23
John Sax	35	23
Matthew Harker	32	21
Soana Pamaka	0	23
Brian Donnelly	0	4
Total Board member remuneration	**288**	**209**

There have been no payments made to committee members appointed by the Board who are not Board members during the financial year. TRC Group has not provided a deed of indemnity to its Directors during the financial year. TRC Group has taken out Directors' and Officers' Liability and Professional Indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees. No Board members received compensation or other benefits in relation to cessation. (2017: nil).

Given the governance of TRL and THAGP are conducted by the Board of TRC Parent, the above Board remuneration also represents the Board remuneration of the full TRC Legal Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

17. EMPLOYEE REMUNERATION

	2018 ACTUAL	2017 ACTUAL
Total remuneration paid or payable:		
$360,000 - $369,999	1	0
$320,000 - $329,999	1	0
$310,000 - $319,999	1	0
$290,000 - $299,999	0	1
$280,000 - $289,999	0	1
$230,000 - $239,999	2	1
$220,000 - $229,999	0	1
$210,000 - $219,999	0	2
$200,000 - $209,999	0	1
$190,000 - $199,999	2	0
$180,000 - $189,999	1	0
$160,000 - $169,999	2	1
$150,000 - $159,999	3	4
$140,000 - $149,999	2	2
$130,000 - $139,999	2	1
$120,000 - $129,999	3	3
$110,000 - $119,999	4	2
$100,000 - $109,999	4	3
Total employees with remuneration above $100,000	**28**	**23**

Given TRL has no employees and the activities of TRL are conducted by employees of TRC Parent, the above employee remuneration and cessation disclosure also represent the disclosure for the TRC Legal Group.

18. EVENTS AFTER THE BALANCE DATE

In May 2018, the Minister for Housing and Urban Development made a decision to transfer TRL's development activity to HLC (2017) Ltd. The Minister advised TRL and HLC to work on the detailed arrangements and advise of progress. There are no employees of TRL as TRC Parent provides management services to TRL. As a result, some staff of TRC Parent were directly impacted by the transfer of the development activity to TRL. All impacted employees were provided an opportunity to join HLC in August 2018. In addition to this, TRL signed a services agreement with HLC, whereby HLC would contract these employees back to TRL for a short period of time in order for a smooth transition of the development activity to take place. HLC and TRL are still working on the details of the official transfer agreement as at the signing of these financial statements. This significant event does not give rise to any adjustment in the current 2018 financial statements. There were no other significant events after the balance date. (2017: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

19. FINANCIAL INSTRUMENTS

Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Financial assets – loans and receivables		
Cash and cash equivalents	3,511	679
Trade and other debtors	13,835	9,005
Total loans and receivables	**17,347**	**9,684**
Financial liabilities measured at amortised cost		
Creditors and other payables	3,882	5,943
Loan	26,500	11,500
Total financial liabilities measured at amortised cost	**30,382**	**17,443**

20. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Statement of comprehensive revenue and expense

Total comprehensive expense and deficit for the year were both $5.0m better than budget due to revenues $1.8m higher and expenses $3.2m lower than budget. Total revenues are higher than budget due to additional expenses incurred by TRC on behalf TRL, especially in rehousing of tenants and professional fees related to the large scale development. Total expenses are lower than budget due to significantly lower social and economic regeneration expenses as a result of the delayed implementation of the intensive support services and Tāmaki response projects. These projects required TRC Parent to liaise with other government entities in order to align service delivery in Tāmaki and to specifically focus service delivery for those Tāmaki residents who have the highest need for those services.

Statement of financial position

Total equity was $7.4m lower than budget as at balance date due to the lower deficit for the year and a lower opening retained earnings (by $2.4m) budgeted in the previous year. This was represented by variances in total assets, which were higher than budget by $16.2m and total liabilities, which were higher than budget by $8.8m.

Total assets were higher than budget primarily due to higher receivables as a result of $13.0m of unsecured loans provided to TRL as at balance date and $2.8m of higher cash and cash equivalents.

Total liabilities were higher than budget due to higher loans drawn from Crown than budgeted. TRC Group manages its liquidity on a legal group basis (i.e. including consideration of TRL's liquidity) and TRC Group's debt facility with Crown is not revolving. Accordingly, loan draw downs during the year can be a result of timing of cash flows rather than overall cash requirements from commitments.

Statement of cash flows

Net cash increase was $2.8m compared to a budgeted net cash decrease for the year of $6.3m. This was due to a combination of lower operating cash outflows offset by higher loans drawn from the New Zealand Debt Management Office (Crown) and a higher opening cash balance budgeted. Operating cash outflows are lower than budgeted due to lower payments to suppliers as a result of lower consultants and professional fees and some favourable working capital movements compared to budget.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

The Auditor-General is the auditor of Tāmaki Redevelopment Company Limited Group (the Group). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, of the Group consisting of Tāmaki Redevelopment Company Limited and its subsidiary and other controlled entities on his behalf.

Opinion

We have audited:

> the financial statements of the Group on pages 45 to 63, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
> the performance information of the Group on pages 16 to 33.

In our opinion:

> the financial statements of the Group on pages 45 to 63:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
> the performance information on pages 16 to 33:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2018, including:
    - for each class of reportable outputs:
      » its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      » its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 October 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw your attention to the Group's failure to complete the statement of performance expectations for the reporting period beginning 1 July 2018. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Failure to complete the statement of performance expectations for the reporting period beginning 1 July 2018

We draw your attention to the disclosures made on page 34 about the departure from section 149C of the Crown Entities Act 2004, which requires the Group to complete its statement of performance expectations before the start of the financial year. We consider the disclosures to be appropriate and our opinion is not modified in respect of this matter.

Basis for our opinion

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

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

INDEPENDENT AUDITOR’S REPORT (CONT)

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board of Director is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group’s ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

The Board of Director’s responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

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

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General’s Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group’s statement of performance expectations.

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

As part of an audit in accordance with the Auditor-General’s Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

> We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

> We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

> We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

> We evaluate the appropriateness of the reported performance information within the Group’s framework for reporting its performance.

> We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR’S REPORT (CONT)

> We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
> We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information
This annual report of Tāmaki Redevelopment Company Limited contains the audited financial statements of Tāmaki Redevelopment Company Limited Group, the audited financial statements of Tāmaki Regeneration Limited, combined performance information for the whole group and two independent auditor’s reports, one for each set of audited financial statements (and the combined performance information).

The annual report also includes other information. The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 15, 34 to 44 and 95 to 102, but does not include the financial statements and the performance information, and our auditor report thereon.

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

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

In addition, we have considered whether each of the two sets of audited financial statements are materially inconsistent with each other or our knowledge obtained in the audit of either of the two companies. We have nothing to report in this regard.

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

In addition to the audit we have provided assurance services in relation to procurement processes and tenancy management undertaken by the Group, which is compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Group.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

TĀMAKI REGENERATION LIMITED

TĀMAKI REGENERATION LIMITED

STATEMENT OF RESPONSIBILITY

We are responsible for the preparation of Tāmaki Regeneration Limited's financial statements and non-financial performance reporting and for the judgements made in them. Tāmaki Regeneration Limited's non-financial performance has been reported on in Tāmaki Redevelopment Company Limited Legal Group's statement of performance which is found on pagess 16 to 33 of this Annual Report.

We are responsible for any end-of-year performance information provided by Tāmaki Regeneration Limited under section 19A of the Public Finance Act 1989.

We have 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.

In our opinion, these financial statements and non-financial performance reporting fairly reflect the financial position and operations of the Tāmaki Regeneration Limited for the year ended 30 June 2018.

Signed on behalf of the Board:

Evan Davies
Chair

31 October 2018

Dr. Susan Macken
Deputy Chair

31 October 2018

TĀMAKI REGENERATION LIMITED

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	2018 ACTUAL $000'S	2018 BUDGET $000'S	2017 ACTUAL $000'S
Revenue				
Development sales		13,708	63,173	14,498
Income-related rent subsidies		43,322	43,672	43,508
Rental income from tenants		17,997	18,717	17,966
Recoveries from property damage		115	0	213
Other income		59	112	1,036
Total revenue		**75,201**	**125,674**	**77,221**
Expenditure				
Consultants and professional fees		4,335	3,580	3,873
Contractors and temporary staff		1,247	210	305
Legal expense		534	1,445	1,507
Management fee expense		10,419	9,513	9,131
Inventory costs	2	67,771	143,912	49,756
Loss on revaluation of social land		0	7,605	0
Impairment loss on rental properties		0	300	0
Repairs and maintenance		15,946	15,713	12,949
Utilities and insurance		9,517	10,452	9,360
Other expenses	3	907	544	1,127
Total expenditure		**110,676**	**193,274**	**88,008**
EBITDAF*		**(35,475)**	**(67,600)**	**(10,787)**
Depreciation	7	43,285	31,062	35,271
(Gain)/loss on revaluation of rental properties		(9,844)	0	(95,602)
EBIT		**(68,916)**	**(98,662)**	**49,544**
Interest income		7	2	9
Interest expense		0	(698)	0
Net interest income		**7**	**(696)**	**9**
Tax expense		0	0	41,083
(Deficit)/surplus for the year	10	**(68,909)**	**(99,358)**	**8,470**
Other comprehensive revenue and expense				
Gain on revaluation of freehold land		11,522	70,820	225,574
Gain on revaluation of rental properties		40,298	0	0
Total other comprehensive revenue and expense	10	**51,820**	**70,820**	**225,574**
Total comprehensive revenue and expense	10	**(17,089)**	**(28,538)**	**234,044**

Explanations of major variances against budget are provided in note 20.

* Earnings before interest, taxation, depreciation and fair value adjustments.

The accompanying notes form part of these financial statements.

TĀMAKI REGENERATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	NOTES	2018 ACTUAL $000'S	2018 BUDGET $000'S	2017 ACTUAL $000'S
ASSETS				
Current assets				
Cash and cash equivalents	4	180	10,936	1,406
Trade and other receivables	5	6,469	44,138	4,867
Inventories	6	72,412	73,646	73,853
Current tax asset		0	7	8
Deferred tax asset		0	6,941	0
Total current assets		**79,061**	**135,668**	**80,134**
Non-current assets				
Property, plant and equipment	7	1,875,706	1,665,932	1,878,480
Total non-current assets		**1,875,706**	**1,665,932**	**1,878,480**
Total assets		**1,954,767**	**1,801,600**	**1,958,614**
LIABILITIES				
Current liabilities				
Creditors and other payables	8	8,014	24,165	4,772
Current tax liability		0	986	0
Loan	9	13,000	0	3,000
Total current liabilities		**21,014**	**25,151**	**7,772**
Non-current liabilities				
Deferred tax liability		0	39,259	0
Loan	9	0	11,500	0
Total non-current liabilities		**0**	**50,759**	**0**
Total liabilities		**21,014**	**75,910**	**7,772**
Net assets		**1,933,753**	**1,725,690**	**1,950,842**
EQUITY				
Ordinary shares – TRC Parent		0	0	0
Preference shares – Crown		1,631,161	1,631,161	1,631,161
Revaluation reserve		468,672	332,309	416,852
Accumulated (deficit)		(166,080)	(237,780)	(97,171)
Total equity	10	**1,933,753**	**1,725,690**	**1,950,842**

Explanations of major variances against budget are provided in note 20.

For and on behalf of the Board who authorise the issue of the financial statements on 31 October 2018.

Evan Davies
Chair

31 October 2018

Dr. Susan Macken
Deputy Chair

31 October 2018

The accompanying notes form part of these financial statements.

TĀMAKI REGENERATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	CONTRIBUTED CAPITAL ACTUAL $000'S	REVALUATION RESERVE ACTUAL $000'S	ACCUMULATED (DEFICIT) ACTUAL $000'S	TOTAL ACTUAL $000'S
Balance at 1 July 2017		**1,631,161**	**416,852**	**(97,171)**	**1,950,842**
Total comprehensive revenue and expense					
(Deficit) for the year		0	0	(68,909)	(68,909)
Other comprehensive revenue and expense		0	51,820	0	51,820
Total comprehensive revenue and expense	10	**0**	**51,820**	**(68,909)**	**(17,089)**
Owners' transactions					
Capital contribution		0	0	0	0
Repayment of capital		0	0	0	0
Total contributions and distributions		**0**	**0**	**0**	**0**
Balance at 30 June 2018	10	**1,631,161**	**468,672**	**(166,080)**	**1,933,753**

	BUDGET $000'S	BUDGET $000'S	BUDGET $000'S	BUDGET $000'S
Balance at 1 July 2017	**1,631,161**	**261,489**	**(138,422)**	**1,754,228**
Total comprehensive revenue and expense				
(Deficit) for the year	0	0	(99,358)	(99,358)
Other comprehensive revenue and expense	0	70,820	0	70,820
Total comprehensive revenue and expense	**0**	**70,820**	**(99,358)**	**(28,538)**
Owners' transactions				
Capital contribution	0	0	0	0
Repayment of capital	0	0	0	0
Total contributions and distributions	**0**	**0**	**0**	**0**
Balance at 30 June 2018	**1,631,161**	**332,309**	**(237,780)**	**1,725,690**

	ACTUAL $000'S	ACTUAL $000'S	ACTUAL $000'S	ACTUAL $000'S
Balance at 1 July 2016	**1,631,161**	**191,278**	**(105,641)**	**1,716,798**
Total comprehensive revenue and expense				
Surplus for the year	0	0	8,470	8,470
Other comprehensive revenue and expense	0	225,574	0	225,574
Total comprehensive revenue and expense	**0**	**225,574**	**8,470**	**234,044**
Owners' transactions				
Capital contribution	0	0	0	0
Repayment of capital	0	0	0	0
Total contributions and distributions	**0**	**0**	**0**	**0**
Balance at 30 June 2017	**1,631,161**	**416,852**	**(97,171)**	**1,950,842**

Explanations of major variances against budget are provided in note 20.

The accompanying notes form part of these financial statements.

TĀMAKI REGENERATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	2018 ACTUAL $000'S	2018 BUDGET $000'S	2017 ACTUAL $000'S
Cash flows from operating activities				
Receipts from development sales		16,983	50,244	14,498
Rental income from tenants		17,997	18,487	18,002
Income-related rent subsidies		43,447	43,137	43,268
Other revenue received		174	250	1,440
Payments to suppliers		(58,192)	(68,163)	(48,367)
Goods and services tax (net)		(1,970)	(4,008)	798
Interest paid		0	(699)	0
Net cash flow from operating activities		**18,439**	**39,248**	**29,639**
Cash flow from investing activities				
Purchase of freehold land and rental properties		(29,665)	(101,079)	(31,685)
Sale of freehold land and rental properties		0	51,270	0
Net cash flow from investing activities		**(29,665)**	**(49,809)**	**(31,685)**
Cash flow from financing activities				
Loan drawn from TRC Parent		10,000	8,868	3,000
Loan repayments to THALP		0	(1,550)	0
Net cash flow from financing activities		**10,000**	**7,318**	**3,000**
Net (decrease)/increase in cash and cash equivalents		**(1,226)**	**(3,243)**	**954**
Cash and cash equivalents at the beginning of the year		1,406	14,179	452
Cash and cash equivalents at the end of the year	4	**180**	**10,936**	**1,406**

Explanations of major variances against budget are provided in note 20.

The accompanying notes form part of these financial statements.

TĀMAKI REGENERATION LIMITED

RECONCILIATION OF (DEFICIT)/SURPLUS WITH NET OPERATING CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	2018 ACTUAL $000'S	2018 BUDGET $000'S	2017 ACTUAL $000'S
(Deficit)/surplus for the year	**(68,909)**	**(99,358)**	**8,470**
Adjustments for:			
Depreciation	43,285	31,062	35,271
Deferred tax recognised	0	0	42,068
Loss on revaluation of social land	0	7,605	0
Impairment loss on rental properties	0	300	0
Gain on revaluation of rental properties and freehold land	(9,844)	0	(95,602)
Inventory costs	50,826	119,724	19,386
Changes in:			
Inventories	1,441	(207)	19,863
Trade and other receivables	(1,602)	(39,271)	478
Creditors and other payables	3,242	19,393	698
Tax liabilities	0	0	(993)
Net cash flow from operating activities	**18,439**	**39,248**	**29,639**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Tāmaki Regeneration Limited (TRL) is a public benefit entity (PBE) for financial reporting purposes. TRL was incorporated on 11 November 2015 and these financial statements are for the year ended 30 June 2018. They were approved by the Board on 31 October 2018.

The operations of TRL began upon transfer of the state housing stock from Housing New Zealand to TRL on 31 March 2016.

TRL is a limited company incorporated in New Zealand under the Companies Act 1993 and is a schedule 4A entity of the Public Finance Act 1989.

The preparation of these financial statements by TRL is separate to Tāmaki Redevelopment Company Limited Group (TRC Group) as it is not part of the TRC Group.

The 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). TRC Group's financial statements are presented on pages 45 to 63 of this Annual Report.

TRL cannot be included in the TRC Group's financial statements due to Crown (rather than TRC Parent) controlling TRL. This Annual Report also presents, on pages 97 to 101, an aggregated set of 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.

BASIS OF PREPARATION

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

STATEMENT OF COMPLIANCE

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

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.

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

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.

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. Capital 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 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 by TRL. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

PROPERTY, PLANT, AND EQUIPMENT (CONT)

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.

IMPAIRMENT OF PROPERTY, PLANT, AND EQUIPMENT

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

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 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 are 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.

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 settlement them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets - measurement

Financial assets 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

On 28 June 2018, a new tax bill was released which proposes to give certain Crown-controlled companies listed in schedule 4A of the Public Finance Act 1989 their own income tax exemption. The qualifying public purpose Crown-controlled companies will be listed in a new schedule to the Income Tax Act 2007, and an Order in Council mechanism is included in the Act to facilitate amendments to this schedule. All entities within the TRC Legal Group are currently included in the schedule within the tax bill. The proposed changes will only come into force on the date of assent rather than being applied retrospectively. However, TRC Legal Group has assessed the retrospective tax position based on indication from IRD's operations team that an IRD challenge on this front is unlikely. Further, at the time of signing these financial statements, the bill is more likely than not to pass with tax exemption for the TRC Legal Group. Accordingly, these financial statements have been prepared on the basis that all entities in the TRC Legal Group are tax exempt for the 2018 and all previous income years.

GOODS AND SERVICES TAX

All items in the 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

EQUITY

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

> accumulated (deficit); and
> revaluation reserve; and
> capital.

BUDGET FIGURES

The budget figures are derived from the statement of performance expectations as approved by the Board at the beginning of the financial year. The budget figures were prepared in accordance with NZ GAAP. The budget was prepared applying the critical judgement that THALP is a principal in its tenancy and property management activities. These financial statements have been prepared applying the critical accounting judgement that THALP is acting as an agent on behalf of TRL in its tenancy and property management activities. This occurred because the budget was finalised prior to the change in accounting policy which was made in the 2017 financial statements. As a result, the budget has been restated in order to use accounting policies that are consistent with those adopted by the Board in preparing these financial statements. A comparison of the budget as it was approved by the Board to include in the statement of performance expectations and the budget as it is presented in these financial statements has been included in note 11 of these financial statements.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these 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.

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 is 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, with reference to comparative sales values. There are no restrictions on the ability of TRL to sell 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

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 Social 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.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

> PBE IPSAS 34 Separate Financial Statements;
> PBE IPSAS 35 Consolidated Financial Statements; and
> PBE IPSAS 36 Investments in Associates and Joint Ventures; and
> PBE IPSAS 37 Joint Arrangements; and
> PBE IPSAS 38 Disclosure of Interests in Other Entities; and
> PBE IPSAS 39 Employee Benefits; and
> PBE IFRS 9 Financial Instruments

Standards PBE IPSAS 34 to PBE IPSAS 38 were issued on 12 January 2017, and are effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. They supersede PBE IPSASs 6 to 8. PBE IPSAS 39 was issued in May 2017 and is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. PBE IFRS 9 was issued in January 2017 and is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

No assessment of the impact on the financial statements of applying the new standards has been performed.

COMPARATIVES

Certain prior year comparatives have been reclassified to achieve fair presentation.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

2. INVENTORY COSTS

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Net movement in provision for write-down in inventories	51,205	18,820
Development costs expensed through surplus or deficit	0	92
Net cost of development sales	16,566	30,844
Total inventory costs	**67,771**	**49,756**

3. OTHER EXPENSES

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Fee paid to Audit New Zealand for audit of 2017/18 financial statements	88	87
Fee paid to Audit New Zealand for audit of 2016/17 financial statements	12	18
Fees to Audit New Zealand for assurance services	26	77
IT support and licence fees	91	118
Bad and doubtful debts	224	581
Power for communal areas in state housing	63	74
Recruitment and training	21	73
Rent	46	45
Other	336	54
Total other expenses	**907**	**1,127**

4. CASH AND CASH EQUIVALENTS

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Cash at bank and on hand	180	1,406
Total cash and cash equivalents	**180**	**1,406**

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

5. TRADE AND OTHER RECEIVABLES

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Trade receivables	9,390	12,171
Receivable from THALP (non-exchange)	2,387	1,995
Receivable from TRC Parent (non-exchange)	0	5
Income related rental receivable (non-exchange)	961	2,562
Receivable from tenants (non-exchange)	426	173
Prepayments (exchange)	29	56
GST receivable (exchange)	2,026	140
Trade and other receivables at face value	**15,219**	**17,102**
Less: provision for doubtful debts	(8,750)	(12,235)
Total trade and other receivables	**6,469**	**4,867**

6. INVENTORIES

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Cost		
Balance at 1 July	117,133	118,176
Inventories acquired via capital contribution	0	0
Freehold land transferred to inventories	51,622	19,386
Land improvements	15,832	10,415
Net cost of development sales	(16,565)	(30,844)
GST on the cost of development sales	(1,125)	0
Balance at 30 June	**166,897**	**117,133**
Provision for write-down of inventories		
Balance at 1 July	43,280	24,460
Provisions made	57,367	39,495
Provisions reversed	(6,162)	(20,675)
Balance at 30 June	**94,485**	**43,280**
Total inventories	**72,412**	**73,853**

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

7. PROPERTY, PLANT AND EQUIPMENT

	CAPITAL WORK IN PROGRESS ACTUAL $000'S	FREEHOLD LAND ACTUAL $000'S	RENTAL PROPERTIES ACTUAL $000'S	TOTAL ACTUAL $000'S
Cost				
Balance at 30 June 2016	0	1,410,449	244,213	1,654,662
Balance at 30 June 2017 and 1 July 2017	2,392	1,559,538	316,550	1,878,480
Additions during the year	6,396	15,877	14,514	36,787
Revaluations during the year	0	11,522	12,175	23,697
Disposals during the year	0	0	(5,353)	(5,353)
Transfer to inventory	0	(57,775)	(130)	(57,905)
Balance at 30 June 2018	**8,788**	**1,529,162**	**337,756**	**1,875,706**
Accumulated depreciation				
Balance at 30 June 2016	0	0	0	0
Balance at 30 June 2017 and 1 July 2017	0	0	0	0
Depreciation charge for the year	0	0	43,285	43,285
Disposals during the year	0	0	(5,318)	(5,318)
Revaluations during the year	0	0	(37,967)	(37,967)
Balance at 30 June 2018	**0**	**0**	**0**	**0**
Carrying amounts				
Balance at 30 June 2016	0	1,410,449	244,213	1,654,662
Balance at 30 June 2017 and 1 July 2017	2,392	1,559,538	316,550	1,878,480
Balance at 30 June 2018	**8,788**	**1,529,162**	**337,756**	**1,875,706**

There are no restrictions on TRL's property, plant and equipment (2017: nil).

8. CREDITORS AND OTHER PAYABLES

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Creditors	6,435	1,397
Accrued expenses	0	48
Payable to TRC Parent	280	960
Payable to THALP	546	2,157
Revenue in advance	753	210
Total creditors and other payables	**8,014**	**4,772**

TĀMAKI REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

9. LOAN

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Balance at 1 July	3,000	0
Unsecured loans drawn from TRC Parent during the year	10,000	3,000
Loan balance as at 30 June (current portion)	**13,000**	**3,000**
Total Loan	**13,000**	**3,000**

TRL has a loan facility with TRC Parent. The loan is provided to TRL when operating cash flows from the tenancy and property management function are insufficient to find the capital commitments for buyback of state housing and capital development works. The loan is unsecured and provided at nil interest. Repayments of the loan is on request from TRC Parent.

10. EQUITY

	ORDINARY SHARES ACTUAL $000'S	PREFERENCE SHARES ACTUAL $000'S	TOTAL ACTUAL $000'S
Contributed capital			
Balance at 30 June 2016	0	1,631,161	1,631,161
Balance at 30 June 2017 and 1 July 2017	0	1,631,161	1,631,161
Balance at 30 June 2018	**0**	**1,631,161**	**1,631,161**
Accumulated (deficit) and revaluation reserve			
Balance at 30 June 2016	0	0	0
Balance at 30 June 2017 and 1 July 2017	319,681	0	319,681
(Deficit) for the year	(68,909)	0	(68,909)
Total comprehensive revenue and expense	51,820	0	51,820
Balance at 30 June 2018	**302,592**	**0**	**302,592**
Total equity	**302,592**	**1,631,161**	**1,933,753**

All ordinary shares are held by TRC Parent all of which are unpaid and have no par value. There were no ordinary shares issued during the year. TRL may issue new shares which will rank pari passu with existing ordinary shares, and may also repurchase and hold its own ordinary shares.

All preference shares are held by the Crown and were issued in exchange for property, plant and equipment, inventories and trade and other receivables previously held by Housing New Zealand. There were no preference shares issues during the year. The Subscription Agreement between the Crown and TRL addresses the conversion of the preference shares into ordinary shares. The Crown can issue a conversion notice at any time requiring the conversion of all of the convertible preference shares into ordinary shares. The rate will be one convertible preference share for one ordinary share. The conversion of convertible preference shares into ordinary shares will not constitute a cancellation, redemption or termination of the convertible preference shares or the issue, allotment or creation of new shares but will be a variation of the rights, privileges and restrictions attaching to the convertible preference shares so that these rights, privileges and restrictions become the same as the existing ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

10. EQUITY (CONT)

The ordinary shares into which convertible preference shares have converted will be credited as fully paid up, rank pari passu in all respects to the existing ordinary shares then on issue and have all of the same rights, privileges and restrictions attaching to the existing ordinary shares.

Capital management

TRL capital is in equity, which comprised ordinary shares contributed by TRC parent, preference share provided by Crown, revaluation reserves and accumulated deficit. Equity is represented in net assets. TRL is subject to the financial management and accountability provision of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives. TRL complied with the financial management requirements of the Crown Entities Act 2004 during the year.

TRL manages its equity by prudently managing revenues, expenses, assets, liabilities and loans and receivables from TRC Parent. TRL is managed at a group level allowing allocation of funds from TRC Parent and THALP as required. The TRC Parent loan with Crown is used as required to manage timing between development expenditure, development land sales and state housing buy-back obligations. It is acknowledged in the Statement of Intent of the TRC Legal Group that in order to maximise economic and social returns of regeneration this requires some trade-off in financial return. TRL will manage this trade off within the constraints of the business case agreed by shareholders.

The preference shares issued by Crown were in exchange for assets. As per the Subscription Agreement for those preference shares the Crown may issue a Conversion Notice requiring all the of the class of equity called preference shares to be converted to ordinary shares of the same class as currently held by TRC Parent. The Crown may then exercise a call option and purchase the 100 ordinary shares held by TRC Parent for $100. The Crown is receiving preference shares in exchange for assets. Preference shares that provide for redemption at the option of the holder give rise to contractual obligations and are classified as financial liabilities. As per the Subscription Agreement, there is no obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions with another entity. If the preference share is converted to an ordinary share, this is a fixed for fixed exchange, being the issued number of preference shares. Hence the definition of a financial liability in PBE IPSAS 28 is not met and the preference shares should be treated as a class of equity. The value placed on the preference shares on the date of transfer of the assets is directly driven by the value placed on the transferred assets. Until the preference shares are repurchased, or returned, or the equity distributed, the value will remain at that assigned to it on the date of the transfer of the assets. The Crown has the option to redeem the preference shares which reflects the current financial reporting treatment whereby Crown control TRL.

TĀMAKI REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

11. BUDGET COMPARATIVES

As explained in the statement of accounting policies, the budget that was approved by the Board and contained in the statement of performance expectations (SPE) has been restated in order to be consistent with the accounting policies applied in the preparation of these financial statements. A comparison is provided below to show the effect of the restatement.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

	BUDGET VALUES PER:		
	2018 FINANCIAL STATEMENTS $000'S	2018 SPE $000'S	DIFFERENCE $000'S
Revenue			
Rental income from tenants	18,717	0	18,717
Income-related rental subsidies	43,672	0	43,672
Variable lease income	0	62,389	(62,389)
Total revenue	**62,389**	**62,389**	**0**
Expenditure			
Personnel costs	0	10	(10)
Consultants and professional fees	3,580	5,025	(1,445)
Contractors and temporary staff	210	200	10
Legal expenses	1,445	0	1,445
Council rates	0	6,083	(6,083)
Water rates	0	3,220	(3,220)
Insurance	0	1,149	(1,149)
Utilities and insurance	10,452	0	10,452
Total expenditure	**15,687**	**15,687**	**0**
Surplus/(deficit) for the year	**46,702**	**46,702**	**0**

STATEMENT OF FINANCIAL POSITION

The statement of financial position has not been restated

STATEMENT OF CASH FLOWS

	BUDGET VALUES PER:		
	2018 FINANCIAL STATEMENTS $000'S	2018 SPE $000'S	DIFFERENCE $000'S
Cash flows from operating activities			
Other revenue received	250	61,874	(61,624)
Rental income from tenants	18,487	0	18,487
Income-related rent subsidies	43,137	0	43,137
Net cash flows from operating activities	**61,874**	**61,874**	**0**

Net cash flows from investing and financing activities were not restated.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

12. PRIOR YEAR COMPARATIVES

Prior year comparatives have been reclassified to achieve consistent presentation against the current year numbers. This includes reclassifying $2,249k from management fee expense into repairs and maintenance.

13. COMMITMENTS

TRL has contractually committed to buy back state housing stock from developments that are currently in progress in the Tāmaki area that are on land that TRL (or Housing New Zealand) previously owned. TRL has committed to capital works on land for specific, development projects that have commenced at balance date.

Capital commitments

The future state housing buyback commitments are as follows:

	2018 ACTUAL	2017 ACTUAL
Not later than one year	53,837	41,633
Later than one year not later than five years	4,384	15,619
Later than five years	0	0
Total capital commitments	**58,221**	**57,252**

14. CONTINGENCIES

On 4 December 2017, the Healthy Homes Guarantee Act 2017 was passed which mandates that landlords meet the new Healthy Homes standards, which would be passed into regulations by the Governor General's Order in Council. The proposed regulations were issued by the Ministry of Business, Innovation and Employment (MBIE) to the public for consultation on 4 September 2018. The consultation period ended on 22 October 2018 and at the time of writing, the regulations are still in their originally proposed state. Based on the assumption that the proposed standards will be approved without modification, TRL's initial estimates are that it will need to spend between $4.4m and $59.6m to bring its state houses up to the new standards in the 2019 through to 2022 financial years. TRL will need to survey its assets to forecast the expenditure required more accurately based on the finalisation of the new standards. TRL intends to undertake this asset survey in the 2019 financial year. Other than this, there were no contingent assets or contingent liabilities as at 30 June 2018 (2017: nil).

15. RELATED PARTY TRANSACTIONS

TRL's ordinary shares are 100% held by TRC Parent. However, the Crown holds 100% of the preference shares issued by TRL. Due to the conditions imposed by the preference shares, the Crown controls TRL.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect TRL would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

THALP acts as a agent on behalf of TRL in conducting its tenancy and property management business. TRL pays a management fee for this service which is based on a per property per week number. These fees are an arms' length transaction. This is a change from the basis part way through the year due to a new deed of lease signed in December 2017. The previous deed of lease stipulated that the management fee would be based on the revenue required to ensure that THALP did not record a surplus or deficit for the year. The balances outstanding between TRL and other entities within the TRC Legal Group are disclosed in notes 5, 8 and 9 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

15. RELATED PARTY TRANSACTIONS (CONT)

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Management fee expense paid to THALP	5,215	4,942

Key management personnel compensation

	2018 ACTUAL	2017 ACTUAL
Leadership team		
Remuneration ($000's)	684	830
Full-time equivalent members	2.36	2.93

TRL has no employees. The activities of TRL are conducted by employees of TRC Parent. Included in the key management personnel remuneration and full-time equivalent members are an allocation of TRC Parent key management personnel who are involved in the management of TRL. No close family members of TRC Parent key management personnel are employed by TRL or TRC Parent. There are no loans made to key management personnel of TRC Parent or their close family members. (2017: nil).

16. BOARD MEMBER REMUNERATION

There was no remuneration paid to the Board of TRL during the year. The governance of TRL was conducted via the Board of TRC Parent (henceforth 'Board'), whose remuneration is outlined in its financial statements. There have been no payments made to committee members appointed by the Board who are not Board members during the financial year. TRC Parent has not provided a deed of indemnity to its Directors during the financial year. TRC Parent has taken out Directors' and Officers' Liability and Professional Indemnity insurance cover during the financial year which covers the directors of the Board in respect of the liability or costs of Board members and employees. No Board members received compensation or other benefits in relation to cessation (2017: nil).

17. EMPLOYEE REMUNERATION

TRL had no employees during the year as all TRL activities were conducted by employees of TRC Parent and their services were on-charged to TRL via a management fee. Therefore TRL paid no employees more than $100,000 remuneration during the year and no employees received compensation or other benefits in relation to cessation (2017: nil).

18. EVENTS AFTER THE BALANCE DATE

In the Government Budget 2018, it was announced that TRL would receive $300m equity from the Crown over the next four years in order to progress the regeneration of the Tāmaki area. The funding is intended for state housing buybacks, the Healthy Homes Legislation impact on the housing stock and will also be used to repay the loan from Crown in TRC Parent's books. TRL is currently working on a subscription agreement which outlines how the funds will be drawn from Crown. TRL will issue the equivalent number of redeemable convertible preference shares ($1 per share) for every tranche that it draws down from the Crown.

In May 2018, the Minister for Housing and Urban Development made a decision to transfer TRL's development activity to HLC (2017) Ltd. The Minister advised TRL and HLC to work on the detailed arrangements and advise of progress. TRL are still working through these detailed arrangements at the time of the signing of these financial statements. However on the basis of the discussions to date with HLC, there will be a value transfer from TRL to HLC in future financial statements for the transfer of non-state housing development land to HLC to progress development activity at the scale and pace required by the Minister. This significant event does not give rise to any adjustment in the current 2018 financial statements. There were no other significant events after the balance date. (2017: nil).

19. FINANCIAL INSTRUMENTS

Financial instrument categories

The carrying amounts of financial assets and liabilities in each of the financial instrument categories are as follows:

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Financial assets - loans and receivables		
Cash and cash equivalents	180	1,406
Trade and other debtors	4,414	4,671
Total loans and receivables	**4,594**	**6,077**
Financial liabilities measured at amortised cost		
Creditors and other payables	7,267	4,514
Loan	13,000	3,000
Total financial liabilities measured at amortised cost	**20,267**	**7,514**

TRL's principal financial instruments comprise loans and receivables from TRC Parent and cash. These financial instruments are used to fund TRL's operations. The main risks arising from TRL's financial instruments are liquidity risk and credit risk. The Board reviews and agrees policies for managing these risks. They are summarised below:

(a) Interest rate risk

TRL's exposure to market risk for changes in interest rates relates primarily to any interest charged by creditors for overdue accounts which is managed through operating cashflows at a TRC Legal Group level. Any loans drawn from TRC Parent are unsecured at a nil interest rate.

(b) Foreign currency risk

TRL had no foreign currency borrowings during the year. Foreign currency trade invoices were settled on demand. TRL's exposure to foreign currency risks are limited to a small number of low value transactions and have not been hedged.

(c) Credit Risk

Credit risk is the risk that a third party will default on its obligations to TRL, resulting in a loss being incurred. TRL assesses organisations for credit worthiness prior to engagement. In addition, receivable balances are monitored on an ongoing basis with the result that exposure to bad debts has not been incurred. There is no collateral held as security against these financial instruments.

TRL assesses individual debtors for impairment monthly. TRL bears credit risk associated with rental income and with recovery of cost of damage repair. Provision for doubtful debts for tenant debtors is based on historically calculated uncollectable percentage of 0.5% of tenant revenue.

(d) Liquidity Risk

Liquidity risk is the risk that TRL may encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due. The loan agreement between TRC Parent and the Crown provides TRC Parent with a loan facility of $200 million for development and operating activities. This facility is used to fund TRL's costs as required. All TRC Parent's term debt is sourced from the Crown. As at 30 June 2018 all of the contractual maturities (undiscounted cash flow) of TRL's financial liabilities are due within 5 years.

(e) Concentration of risk

The only concentration of credit risk is with TRC Parent. The risk with TRC Parent is mitigated through management of day-to-day operating activities by the same Board and Management. There is no concentration across development activity as it is carried out in stages with a panel of developers.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

19. FINANCIAL INSTRUMENTS (CONT)

Credit quality of financial assets

	2018 ACTUAL $000'S	2017 ACTUAL $000'S
Counterparties with credit rating		
Cash at Bank		
AA-	180	1,406
Total cash at bank	**180**	**1,406**
Counterparties without credit rating		
Counterparty with no defaults in the past	4,414	4,562
Counterparty with defaults in the past	0	109
Total receivables	**4,414**	**4,671**

Contractual maturity analysis of financial liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amount disclosed are the undiscounted contractual cash flows.

	CARRYING AMOUNT $000'S	CONTRACTUAL CASH FLOWS $000'S	LESS THAN 6 MONTHS $000'S	6-12 MONTHS $000'S	MORE THAN 1 YEAR $000'S
2018					
Creditors and other payables	7,267	7,267	7,267	0	0
Loans	13,000	13,000	0	13,000	0
Total	**20,267**	**20,267**	**7,267**	**13,000**	**0**
2017					
Creditors and other payables	4,514	4,514	4,514	0	0
Loans	3,000	3,000	0	3,000	0
Total	**7,514**	**7,514**	**4,514**	**3,000**	**0**

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2018

20. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Statement of comprehensive revenue and expense

Total comprehensive revenue and expense was $11.4m ahead of budget for the year. This consisted of a $30.4m lower deficit for the year offset by a $19.0m lower gain on revaluation on rental properties and freehold land, which was due to a larger than expected slowdown in the Auckland property market.

Net finance costs were $0.7m better which makes up the difference between deficit for the year and EBIT. Finance costs, budgeted for the year at $0.7m were nil as all loans were drawn from TRC Parent during the year with nil interest terms. These loans are unsecured and are repayable on demand by TRC Parent. Budgeted interest expense assumed that TRL would be liable for interest expense on its loans from TRC Parent.

Tax expense was nil for the year and in budget as TRL is now exempt from income tax due to a change in IRD policy making certain majority crown controlled companies exempt from tax which includes all entities in the TRC Legal Group.

EBIT was $29.7m better than budget. This includes total revenues and expenses, both of which were significantly lower than anticipated (by $50.5m and $82.6m respectively). EBIT also includes both depreciation and fair value adjustments which were $2.4m worse combined.

Depreciation expense was higher by $12.2m due to the budget being set prior to the previous years' gain on revaluation of rental properties being finalised. The actual depreciation expense is based on the higher book value of rental properties.

The gain on revaluation of rental properties through surplus for the year was not budgeted. The current year gain of $9.8m fully reverses out all prior year losses remaining in surplus or deficit that had not already been reversed.

TRL has two key revenue streams being 1) development sales and 2) rental revenue from the state housing portfolio. Development sales were $49.5m lower than budgeted due to considerably less development activity than anticipated. The key issues being the previously heated Auckland housing market slowing down with banks and developers unwilling to take risks to the same extent as before due to uncertain market returns. There are also significant infrastructure constraints in a brownfield area such as Tāmaki that developers face as the existing infrastructure is insufficient for the required ramp up in density.

Combined rental income is $1.1m lower than budget. This is due to a higher pace of demolition activity than anticipated in order to gear up for development activity to deliver the new houses as quickly as possible. It is also due to a small pool of about 30 properties being held vacant for the purposes of efficiently moving those state housing tenants impacted by redevelopment, again for the purpose of removing constraints on redevelopment.

The key variance in expenditure is in inventory costs which were $76.1m lower than budget. TRL's inventories are freehold land which are ready for development. TRL prepares the land and on sells to a property developers, who build houses on the land to sell onto the private market. Inventory costs are incurred as part of the sale to developers so the cause of the variance mirrors the development sales.

Loss on revaluation of social land budgeted at $7.6m was the write-down expected as a result of the commencement of the large-scale development project. The project went through procurement in calendar year 2017. However, the procurement was cancelled as the expected regeneration outcomes were not achievable by the bidding parties. Therefore no actual revaluation loss was incurred.

Management fee expense were $0.9m above budget as a result of an increase in scope of the maintenance contractor to reflect new programmes and due to a change in basis of the tenancy and property management fee from that which would result in the agent THALP making nil surplus for the year to a per property per week fee.

Utilities and insurance were lower than budget by $0.9m due to combination of fewer properties connected to utilities due to higher demolitions for the year and higher per property utility cost increases budgeted than eventuated.

Contractors and temporary staff, legal expenses and consultants and professional fees were, together, $0.9m above budget due to higher costs incurred in the procurement for the large-scale development.

20. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET (CONT)

Statement of financial position

Total equity represented by net assets were $208.1m higher than budget. This was primarily due to opening equity being $196.6m higher then budget due to unanticipated revaluation gains in the prior year as well as lower than expected inventory write-downs. This is reflected in the $209.8m higher property, plant and equipment amount, almost all of which is explained by the opening balance variance to budget.

All tax balances are nil in the current financial year relative to budget as TRL received confirmation of the IRD approach to income tax for the company in the previous financial year, prior to which the budget was already set.

The loan balance is $1.5m higher than budget as a result of higher operating cash flow requirements for the year.

Receivables are $37.7m lower than budget due to significantly lower development activity for the year. Development sales were budgeted to be on deferred settlement for a number of projects.

Creditors are lower than budget due to timing of cash flows. The budget assumed that there would be significant development related expenses with large progress invoices on hand at year-end.

Cash is lower than budget primarily as a result of the higher opening balance budgeted than eventuated at the previous year-end.

Statement of cash flows

Net decrease in cash for the year was $2.0m lower than budgeted which is primarily made up from the variance in financing cash flows. Timing of cash flow and management of liquidity required TRL to draw from TRC Parent an additional $2.7m higher than budget. The use of the funding (i.e. operating and investing cash flows) accounted for the rest of the difference of $0.7m.

Operating cash flows were $20.8m lower primarily due to less receipts from development sales as explained above due to lower development activity during the year. This was offset by lower payments to suppliers and payments for GST, which was again due to less civil and infrastructure works activity for development projects.

Investing cash flows were $20.1m higher than budget which was due to lower net purchases of property, plant and equipment. The sales of property, plant and equipment related to the assumed sale to an investor of the new build houses under the large scale development project, the procurement of which was cancelled during the financial year as explained above. Lower purchases of property, plant and equipment resulted for less development activity than expected.

Audit New Zealand
Mana Arotake Aotearoa

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF

TĀMAKI REGENERATION LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

The Auditor-General is the auditor of Tāmaki Regeneration Limited (the Company). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, of the Company on his behalf.

Opinion

We have audited:

> the financial statements of the Company on pages 69 to 91, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and

> the performance information of the Company on pages 16 to 33.

In our opinion:

- the financial statements of the Company on pages 69 to 91:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on pages 16 to 33:
  - presents fairly, in all material respects, the Company's performance for the year ended 30 June 2018, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 October 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONT)

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Company for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Company, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

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

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

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

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

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONT)

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

This annual report of Tāmaki Redevelopment Company Limited contains the audited financial statements of Tāmaki Redevelopment Company Limited Group, the audited financial statements of Tāmaki Regeneration Limited, combined performance information for the whole group and two independent auditor's reports, one for each set of audited financial statements (and the combined performance information).

The annual report also includes other information. The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 15, 34 to 44 and 95 to 102, but does not include the financial statements and the performance information, and our auditor report thereon.

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

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

In addition, we have considered whether each of the two sets of audited financial statements are materially inconsistent with each other or our knowledge obtained in the audit of either of the two companies. We have nothing to report in this regard.

Independence

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

In addition to the audit we have provided assurance services in relation to procurement processes and tenancy management undertaken by the Group, which is compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Group.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

AGGREGATED TRC GROUP & TRL FINANCIAL STATEMENTS (NON-GAAP)

FOR THE YEAR ENDED 30 JUNE 2018

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

STATEMENT OF RESPONSIBILITY

We are responsible for the preparation of the aggregated TRC Group & TRL financial statements (non-GAAP) of the Tāmaki Redevelopment Company Limited Legal Group (TRC Legal Group) and for the judgements made in them.

We have 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.

Signed on behalf of the Board:

Evan Davies
Chair

31 October 2018

Dr. Susan Macken
Deputy Chair

31 October 2018

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

	2018 ACTUAL UNAUDITED $000'S	2018 BUDGET UNAUDITED $000'S	2017 ACTUAL UNAUDITED $000'S
Revenue			
Development sales	13,708	63,173	14,498
Crown funding	0	0	3,190
Rental income from tenants	17,997	17,168	17,966
Income-related rent subsidies	43,322	40,059	43,508
Recoveries from property damage	115	0	213
Other income	785	4,480	1,082
Total revenue	**75,927**	**124,880**	**80,457**
Expenditure			
Personnel costs	8,791	8,180	7,648
Consultants and professional fees	7,129	8,707	6,233
Contractors and temporary staff	2,020	2,005	1,857
Directors fees	288	443	209
Legal expense	625	1,445	1,858
Inventory costs	67,771	151,517	49,756
Repairs and maintenance	15,971	15,713	12,949
GST provision expense	0	0	(2,562)
Utilities and insurance	9,619	9,304	9,361
Other expenses	4,077	5,043	3,739
Total expenditure	**116,291**	**202,357**	**91,049**
EBITDAF	**(40,364)**	**(77,477)**	**(10,592)**
Depreciation and amortisation expense	43,631	31,609	35,639
(Gain) on revaluation of rental properties	(9,844)	0	(95,602)
Total depreciation, amortisation and fair value adjustments	**33,787**	**31,609**	**(59,963)**
EBIT	**(74,151)**	**(109,086)**	**49,371**
Interest income	22	38	27
Interest costs	481	1,009	307
Net interest income	**(459)**	**(971)**	**(280)**
(Deficit)/surplus before tax	**(74,610)**	**(110,057)**	**49,091**
Tax expense	0	0	41,083
(Deficit)/surplus for the year	**(74,610)**	**(110,057)**	**8,008**
Other comprehensive revenue and expense			
Gain on revaluation of freehold land	11,522	70,820	225,574
Gain on revaluation of rental properties	40,298	0	0
Total other comprehensive revenue and expense	**51,820**	**70,820**	**225,574**
Total comprehensive revenue and expense	**(22,790)**	**(39,237)**	**233,582**

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30 JUNE 2018

	2018 ACTUAL UNAUDITED $000'S	2018 BUDGET UNAUDITED $000'S	2017 ACTUAL UNAUDITED $000'S
ASSETS			
Current assets			
Cash and cash equivalents	3,691	11,620	2,085
Trade and other receivables	4,271	44,540	4,968
Inventories	72,412	73,647	73,853
Current tax asset	0	7	8
Deferred tax asset	0	6,941	0
Total current assets	**80,374**	**136,754**	**80,914**
Non-current assets			
Property, plant and equipment	1,875,966	1,666,113	1,878,944
Intangible assets	96	452	32
Total non-current assets	**1,876,062**	**1,666,565**	**1,878,976**
Total assets	**1,956,436**	**1,803,320**	**1,959,890**
LIABILITIES			
Current liabilities			
Creditors and other payables	8,682	24,491	4,420
GST provision	0	2,562	0
Annual leave liability	510	245	436
Loan	3,000	0	3,000
Current tax liability	0	985	0
Total current liabilities	**12,192**	**28,283**	**7,856**
Non-current liabilities			
Deferred tax liability	0	39,258	0
Loan	23,500	30,500	8,500
Total non-current liabilities	**23,500**	**69,758**	**8,500**
Total liabilities	**35,692**	**98,041**	**16,356**
Net assets	**1,920,744**	**1,705,279**	**1,943,534**
EQUITY			
Ordinary shares - Crown	5,000	5,000	5,000
Ordinary shares - Auckland Council	3,500	3,500	3,500
Preference shares - Crown	1,631,161	1,631,161	1,631,161
Revaluation reserve	468,672	332,309	416,852
Accumulated (deficit)	(187,589)	(266,691)	(112,979)
Total equity	**1,920,744**	**1,705,279**	**1,943,534**

For and on behalf of the Board who authorise the issue of the financial statements on 31 October 2018.

Evan Davies
Chair

31 October 2018

Dr. Susan Macken
Deputy Chair

31 October 2018

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

	CONTRIBUTED CAPITAL ACTUAL UNAUDITED $000'S	REVALUATION RESERVE ACTUAL UNAUDITED $000'S	ACCUMULATED COMPREHENSIVE REVENUE AND EXPENSE ACTUAL UNAUDITED $000'S	TOTAL ACTUAL UNAUDITED $000'S
Balance at 1 July 2017	**1,639,661**	**416,852**	**(112,979)**	**1,943,534**
Total comprehensive revenue and expense				
(Deficit) for the year	0	0	(74,610)	(74,610)
Other comprehensive revenue and expense	0	51,820	0	51,820
Total comprehensive revenue and expense	**0**	**51,820**	**(74,610)**	**(22,790)**
Owners' transactions				
Capital contribution	0	0	0	0
Repayment of capital	0	0	0	0
Total contributions and distributions	**0**	**0**	**0**	**0**
Balance at 30 June 2018	**1,639,661**	**468,672**	**(187,589)**	**1,920,744**

	BUDGET UNAUDITED $000'S	BUDGET UNAUDITED $000'S	BUDGET UNAUDITED $000'S	BUDGET UNAUDITED $000'S
Balance at 1 July 2017	**1,639,661**	**261,489**	**(156,634)**	**1,744,516**
Total comprehensive revenue and expense				
(Deficit) for the year	0	0	(110,057)	(110,057)
Other comprehensive revenue and expense	0	70,820	0	70,820
Total comprehensive revenue and expense	**0**	**70,820**	**(110,057)**	**(39,237)**
Owners' transactions				
Capital contribution	0	0	0	0
Repayment of capital	0	0	0	0
Total contributions and distributions	**0**	**0**	**0**	**0**
Balance at 30 June 2018	**1,639,661**	**332,309**	**(266,691)**	**1,705,279**

	ACTUAL UNAUDITED $000'S	ACTUAL UNAUDITED $000'S	ACTUAL UNAUDITED $000'S	ACTUAL UNAUDITED $000'S
Balance at 1 July 2016	**1,639,661**	**191,278**	**(120,987)**	**1,709,952**
Total comprehensive revenue and expense				
Surplus for the year	0	0	8,008	8,008
Other comprehensive revenue and expense	0	225,574	0	225,574
Total comprehensive revenue and expense	**0**	**225,574**	**8,008**	**233,582**
Owners' transactions				
Capital contribution	0	0	0	0
Repayment of capital	0	0	0	0
Total contributions and distributions	**0**	**0**	**0**	**0**
Balance at 30 June 2017	**1,639,661**	**416,852**	**(112,979)**	**1,943,534**

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

	2018 ACTUAL UNAUDITED $000'S	2018 BUDGET UNAUDITED $000'S	2017 ACTUAL UNAUDITED $000'S
Cash flows from operating activities			
Receipts from Crown	0	0	3,190
Receipts from development sales	16,983	50,244	14,498
Rental income from tenants	17,997	17,168	18,002
Income-related rental subsidy	43,447	39,980	43,268
Interest received	16	24	27
Other revenue received	981	5,679	1,476
Payments to suppliers	(52,011)	(79,100)	(49,530)
Payments to employees	(8,559)	(7,970)	(7,444)
Goods and services tax (net)	(1,945)	(3,435)	814
Interest paid	(432)	(1,010)	0
Net cash flow from operating activities	**16,477**	**21,580**	**24,301**
Cash flow from investing activities			
Purchase of property, plant and equipment	(29,716)	(101,090)	(31,832)
Purchase of intangible assets	(155)	(253)	(38)
Sale of property, plant and equipment	0	51,270	0
Net cash flow from investing activities	**(29,871)**	**(50,073)**	**(31,870)**
Cash flow from financing activities			
Loan draw down	15,000	22,000	3,000
Loan repayment	0	(3,000)	0
Net cash flow from financing activities	**15,000**	**19,000**	**3,000**
Net increase/(decrease) in cash and cash equivalents	**1,606**	**(9,493)**	**(4,569)**
Cash and cash equivalents at the beginning of the year	2,085	21,113	6,654
Cash and cash equivalents at the end of the year	**3,691**	**11,620**	**2,085**

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2018

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

These 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 financial statements for the TRC Legal Group are the aggregated financial statements of TRC Group & TRL, each of which have been included separately as part of this Annual Report.

BASIS OF PREPARATION

The financial statements of the TRC Legal Group are a non-GAAP aggregated set of 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 inconsistent with NZ GAAP to consolidate TRL into TRC Group. The Directors of TRC Parent wish to present a view of the financial position of TRC Legal Group and its results for the year ended 30 June 2018 in one set of financial statements. Such a presentation 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.

The appropriate way to present these financial statements is as a non-GAAP aggregation disclosure. These financial statements have been clearly marked as a non-GAAP aggregation. They have been prepared on a going concern basis. These financial statements have applied the same accounting policies that TRC Group and TRL have applied as set out in their own financial statements within this annual report. The accounting policies have been applied consistently throughout the year.

The notes to these financial statements are limited to the Statement of Accounting Policies.

Statement of compliance

The 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 financial statements (non-GAAP) have been prepared in accordance with Tier 2 PBE accounting standards, which allows reduced disclosures.

Functional and presentation currency

The aggregate TRC Group & TRL 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 financial statements of TRC Group and TRL.

CORPORATE DIRECTORY

Panmure Office
149 Queens Road
Panmure
Auckland 1072

Glen Innes Office
244 Apirana Avenue
Glen Innes
Auckland 1072

PO Box 18070
Glen Innes
Auckland 1743
09 521 5221

Tāmaki Housing Association
0800 521 555
Press 1 for maintenance enquiries
Press 2 for general tenant enquiries
Press 3 for the property survey call centre

COMPANY INFORMATION

Company Secretary
Simpson Grierson

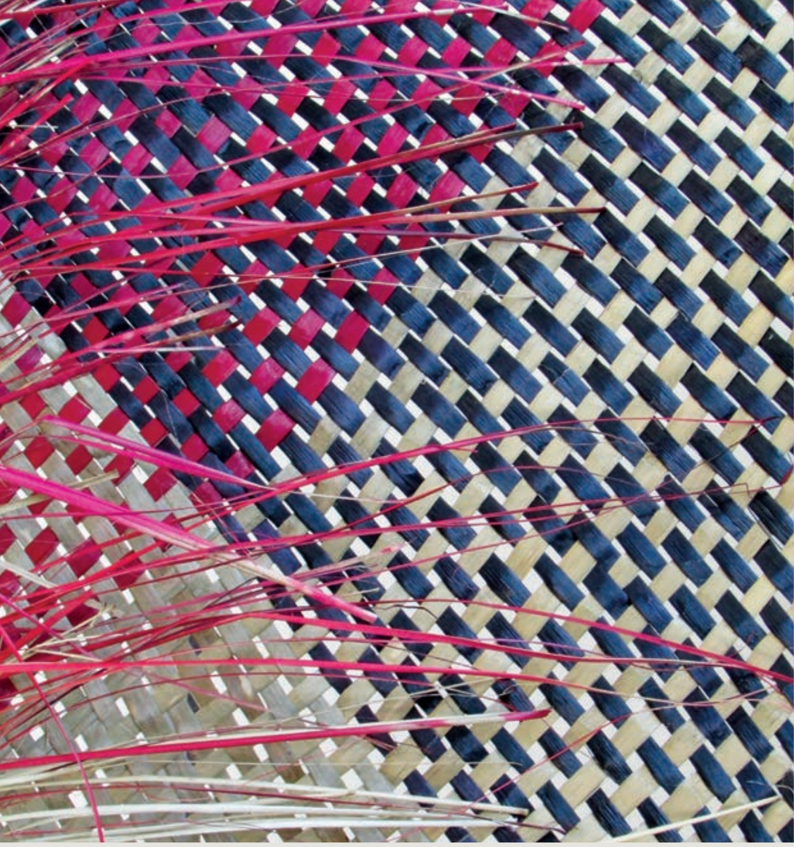
Company Directors
Evan Davies (Chair)
Dr. Susan Macken (Deputy Chair)
Diana Puketapu
Martin Udale
Kerry Hitchcock
John Sax

Bank
Bank of New Zealand
330 Broadway
Newmarket
Auckland 1023

Auditor
Controller and Auditor-General of New Zealand (AG). The AG appointed Leon Pieterse from Audit New Zealand to conduct the 2018 audit.

Legal Advisors
Simpson Grierson
Level 27 Lumley Centre
88 Shortland Street
Auckland 1010

insightcreative.co.nz



TĀMAKI REGENERATION

Supporting the vision for:

TĀMAKI