TĀMAKI REGENERATION

STATEMENT OF PERFORMANCE EXPECTATIONS

2017 - 2018

FINAL SPE

Tāmaki is an awesome place to live

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PURPOSE OF STATEMENT OF PERFORMANCE EXPECTATIONS

We are pleased to present the Statement of Performance Expectations (SPE) for the Tāmaki Redevelopment Company Limited (TRC).

This SPE is submitted by the Board of Directors of TRC pursuant to the Crown Entities Act 2004. It sets out the performance expectations of TRC for the year ending 30 June 2018.

STATEMENT OF RESPONSIBILITY

The Board is responsible for the statements contained in TRC's Statement of Performance Expectations and for the appropriateness of the assumptions as well as the relevant disclosures made in them.

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

Signed on behalf of the Board:

John Robertson
Chair

30 June 2017
Date

Dr. Susan Macken
Deputy Chair

30 June 2017
Date

ABOUT TĀMAKI REDEVELOPMENT COMPANY

Auckland is a city on the move. Fuelled by rapid growth, the city is pushing out and up making Auckland one of the strongest, long-term performing, property markets in the world.

Tāmaki, in Auckland's eastern suburbs, is surrounded by world-class amenities and easy access to the city's major shopping, beach and recreation attractions. With efficient transport connections already in place, and just minutes to the CBD, Tāmaki stands out as one of the city's most attractive urban regeneration opportunities.

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

Historically, the area has been home to a significant number of social houses, totalling 2,800 of the 5,000 existing homes in the area. TRC is responsible for both managing the approximately 2,800 existing social housing properties and for leading on housing redevelopment in Tāmaki. The Tāmaki regeneration programme will see around 2,500 of the 2,800 social houses redeveloped into approximately 7,500 homes.

The regeneration programme is committed to delivering its housing programme over the coming 10 to 15 years, subject to market conditions and its ability to achieve the broader strategic outcomes set for Tāmaki. TRC seeks to achieve this by:

- Endeavouring to partner with a consortium comprising of a large scale development partner and a long term owner of the redeveloped social housing. If successful, we plan to transfer the ownership of newly developed social houses in Tāmaki to this partner by 31 March 2018; and
- Maintaining momentum of Catalyst projects over the next three to five years. These developments will be an opportunity to test, refine and benchmark the outcomes expected of large scale development.

Our contribution to Auckland's housing challenges is unique. Our commitment to a diverse housing stock, mixed-tenure, affordable housing and developing the community housing sector presents the opportunity to ensure development partners bring to the table innovative approaches, unlock new supply chains, to deliver at pace and reduce construction costs. It also provides opportunities for the private sector to get involved in long-term investment and ownership of social homes and an opportunity for Tāmaki's residents to progress from the need for social housing to more independent living.

The housing redevelopment presents a unique regeneration opportunity to achieve positive social and economic outcomes for Tāmaki residents. The creation of new communities of mixed tenure housing, featuring the best of local and international urban, neighbourhood and housing design, will create a platform to transform the lives of the existing residents for now and generations to come.

We have 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 Tāmaki, a vision that we will realise through partnership by agreeing priorities, working together and aligning the delivery of social services in order to best meet the needs of Tāmaki families. Over the next year TRC will develop the capability to lead the design of those services and measure the impact they are having on the Tāmaki community.

In addition to new, warm dry homes, and the provisions of excellent social infrastructure, transport connections, and quality neighbourhoods, TRC will directly contribute to the social and economic transformation of Tāmaki by:

- continuing to meet the government commitment that those who are impacted by the redevelopment and are still in need of social housing will have the opportunity to remain within the community;
- addressing housing affordability so that residents can pathway from the need for social housing to more independent living;

- continuing to partner with the Ministry of Social Development to support Tāmaki residents into education and employment.

Regeneration is about backing and developing local talent and ensuring the right conditions and opportunities are in place to create an attractive environment for businesses and families to thrive.

By strengthening current partnerships and attracting new ones while leveraging Tāmaki's natural advantages and community spirit, Tāmaki's regeneration will create an awesome place to live.

OUR STRATEGIC FRAMEWORK

Our Strategic Objectives

TRC's Company Purpose is to pursue the following four regeneration objects, which are outlined in the company's Constitution:

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

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

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

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 public housing options for Tāmaki.

These four equally important objectives contribute to Crown and Council's wider strategic goals and the wider social and economic objectives for the region, all described below.

Contribution to the social housing reform programme

- Ensure that people who need housing support can access it and receive social services that meet their needs.
- Ensure that social housing is of the right size and configuration, and in the right areas, for those households that need it.
- Help social housing tenants to independence, as appropriate.
- Encourage and develop a more diverse ownership of social housing, with more innovation and responsiveness to tenants and communities.
- Help increase the supply of affordable housing, especially in Auckland.

Contribution to Auckland Council's vision of "The World's most liveable city" and in particular the following transformational shifts

- Strongly commit to environmental action and green growth.
- Move to outstanding public transport within one network.
- Radically improve the quality of urban living.
- Substantially raise the living standards and focus on those most in need.

Contribution to wider regeneration objectives

The Tāmaki Redevelopment Company has worked alongside community, Council and social sector agencies to develop the Tāmaki Outcomes Framework and to align services to better meet the wider social and economic objectives in the Tāmaki region. The Framework has drawn on, and measures regeneration against goals found in the following strategic documents:

- Better Public Services
- The Auckland Plan
- Maungakiekie-Tāmaki Local Board Plan
- Orakei Local Board Plan
- Auckland Māori Plan
- Government's Māori Economic Development Strategy
- Auckland Economic Development Strategy
- Social Housing Reform Programme
- Housing Affordability Programme
- Housing Strategic Action Plan
- Agenda for Children

Tāmaki Outcomes Framework

The Tāmaki Outcomes Framework comprises two equally important key outcome areas, representing people and place. All Tāmaki Regeneration Programme activities – whether conducted by TRC, government agencies, or NGOs – contribute to the below outcomes:

- **Tāmaki whānau have good lives**
    - Tāmaki whānau live in quality homes
    - Tāmaki whānau are economically independent
    - Tāmaki whānau have health and wellbeing
    - Tāmaki whānau are connected in their community

- **Tāmaki is a vibrant neighbourhood with quality housing**
    - Tāmaki has quality housing
    - Tāmaki has great neighbourhoods.
    - Tāmaki has a thriving economy

LONG TERM OBJECTIVE – SOCIAL TRANSFORMATION

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

Our vision is that Tāmaki prides itself as being a place of wellbeing and nurture. All health and social services in Tāmaki are marked on their doors with the logo of open arms. This is a visible commitment to the Tāmaki values of being welcoming, inclusive and supportive. There is an acceptance within the community that people come from all walks of life, and people take pleasure in reaching out to support others in small, practical ways whenever they can.

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

Children thrive in Tāmaki. Playgrounds, swimming centres, libraries and community halls are buzzing with parents singing, dancing, playing and reading with their children, and making new friendships with other families. Students at the local college see a future of unlimited opportunity. A focus on excellence and a rich cultural life equip students to succeed, whatever their pursuits. With strong ties and pride in their community, former students regularly return to encourage, inspire and mentor the next generation.

Strategic Framework	Link	
Contributes to Tāmaki Outcomes Framework	• Tāmaki whānau have health and wellbeing • Tāmaki whānau are economically independent • Tāmaki whānau are connected in their community	
Our objectives What we are aiming to deliver	• Tāmaki residents are supported into education and employment opportunities through clever contracting and the development of social enterprise • Tāmaki residents have the chance to shape Tāmaki and take advantage of its opportunities • Families are supported by an integrated social services system which enables them to achieve their aspirations	
Outputs - Desired results How will we know we're making progress	**Measure**	**2017/18**
	Percentage of Tāmaki residents who understand and support the regeneration programme as it affects them	65%
	Number of Tāmaki residents employed through TRC employment initiatives	125

Outputs - Enabling project milestones (more information on enabling projects is available at page 13)	• Intensive Support Services - Implement Intensive Support Services via re-housing process • Tāmaki Evaluation Plan - Contribute to implementation of evaluation plan • Tāmaki Response - Establish the Tāmaki Response - Set up TRC backbone capability • Tāmaki Education Strategy completed • Tāmaki-wide Strategic Framework updated

Revenue and Output Expenses

	2017/18 Prospective Unaudited
Revenue	**(000's)**
Crown	-
Other	781
Total Revenue	**781**
Expenses	(4,272)
Net Surplus/(Deficit)	**(3,491)**

LONG TERM OBJECTIVE – 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

In our vision Tāmaki is a thriving hub of enterprise, with two bustling town centres. A strong "shop local" culture, coupled with a pool of talented local entrepreneurs and food artisans, has resulted in a colourful collection of shops that draw people from all over Auckland. A regular market has been running near the Glen Innes town centre since early into the redevelopment.

With a focus on creativity and sustainability, the market has acted as an incubator allowing locals to explore their potential and share skills, like carpentry, lathe work, weaving and sewing, to upcycle resources salvaged from houses.

Alongside the market, there are bustling food trucks serving delicious fusion cuisine reflecting the melting pot of cultures across Tāmaki. Tāmaki's hospitality school is recognised as one of the best in country, with a number of its graduates coming back to their community to start up award winning cafes and restaurants after stints overseas.

There are numerous employment opportunities in Tāmaki, beyond those in the thriving retail and hospitality sectors. The redevelopment has grown an army of skilled tradespeople, with many setting up their own businesses and passing their skills onto the next generation. With this growth, there is also a healthy local industry of support services in accountancy, IT, and project management.

<table>
<tr><th>Strategic Framework</th><th colspan="2">Link</th></tr>
<tr><td>Contributes to
Tāmaki Outcomes Framework</td><td colspan="2">• Tāmaki whānau are economically independent
• Tāmaki has a thriving economy</td></tr>
<tr><td>Our objectives
What we are aiming to deliver</td><td colspan="2">• The people of Tāmaki can look forward to affordable housing options, providing stepping stones for families out of social housing and, ultimately, into home ownership
• Vibrant town centres that meet the needs of our future population while maintaining the Tāmaki culture</td></tr>
<tr><td rowspan="2">Outputs - Desired trends
How will we know we're making progress</td><td>Measure</td><td>2017/18</td></tr>
<tr><td>Number of Tāmaki residents who progress along the housing continuum</td><td>15</td></tr>
<tr><td>Outputs - Enabling project milestones
(more information on enabling projects is available at page 13)</td><td colspan="2">• Affordable Housing
- Affordable rental product delivery completed
- Affordable ownership product delivered
• Industrial Area Development Strategy completed
• Glen Innes Town Centre development plan
- Collaborate with community, local businesses, and the Auckland Council family to begin implementation of Phase 1</td></tr>
</table>

Revenue and Output Expenses

	2017/18 Prospective Unaudited
Revenue	**(000's)**
Crown	-
Other	486
Total Revenue	**486**
Expenses	(1,480)
Net Surplus/(Deficit)	**(994)**

LONG TERM OBJECTIVE - PLACEMAKING

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

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

With playgrounds, communal gardens, and beautiful parks dotted throughout its well-laid out collection of streets, Tāmaki is a place of people, not cars. It's affectionately known as the 'suburb of smiles' by locals, who wave and acknowledge both those who have lived here for generations and those who have moved in recently.

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

Strategic Framework	Link	
Contributes to Tāmaki Outcomes Framework	• Tāmaki has great neighbourhoods • Tāmaki whānau are connected in their community	
Our objectives What we are aiming to deliver	• Tāmaki is Auckland's greenest community, and is an exemplar for environmentally conscious urban development. • Parks, reserves, and community spaces are activated, reflect Tāmaki's strong culture, and bring the community together. • Tāmaki is the most walking and cycling friendly community in Auckland.	
Outputs - Desired trends How will we know we're making progress	**Measure**	**2017/18**
	Percentage of newly developed neighbourhoods that meet agreed minimum standards within the Quality Neighbourhood Framework	100%
Outputs - Enabling projects milestones (more information on enabling projects is available at page 13)	• Transport Blueprint for Tāmaki completed • Residents' Association Framework implemented • Early Years Hub construction commenced	
Revenue and Output Expenses		**2017/18 Prospective Unaudited**
	Revenue	**(000's)**
	Crown	-
	Other	388
	Total Revenue	**388**
	Expenses	(1,994)
	Net Surplus/(Deficit)	**(1,606)**

LONG TERM OBJECTIVE – 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 public housing options for Tāmaki.

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

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

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

Strategic Framework	Link
Contributes to Tāmaki Outcomes Framework	• Tāmaki has quality housing • Tāmaki has great neighbourhoods
Our objectives What we are aiming to deliver	• A continued supply of quality houses across the housing continuum, to an agreed typology and mix in a way that secures community buy-in, innovation, successful urban design, efficiencies and price competitiveness • Our social housing tenants are living in houses that are warm and dry, that are suited to their diverse needs. • Tenant landlord relationships are managed professionally, with tenants being treated respectfully through rehousing

Outputs - Desired trends	Measure	2017/18
Outputs - Desired trends How will we know we're making progress	Percentage of social housing tenants who are satisfied with our service	80%
	Percentage of Tāmaki residents affected by the redevelopment within 6 months that have a rehousing plan	100%
	Occupancy Rate for available properties	98%
	Annual provision of new houses to agreed topography and mix *(Note: See Development Projects)*	320 - 400

Outputs - Enabling projects milestones (more information on enabling projects is available at page 13)	• Engagement of tenancy and property management CHP partners • Procurement for Large Scale Development (Phase 1 completion) • Understand TRC's role as an Urban Development Authority and implement as agreed.

Revenue and Output Expenses

	2017/18 Prospective Unaudited
Revenue	**(000's)**
Crown	-
Other	129,255
Total Revenue	**129,255**
Expenses	(233,221)
Net Surplus/(Deficit)	**(103,966)**

WORK PROGRAMME TO DELIVER ON STRATEGIC OBJECTIVES

The following key enabling projects will support the delivery of our strategic objectives:

Project/Initiative	Description	Delivered By
Intensive Support Services	Engage with partners to deliver support services for hard to reach families identified through the re-housing process.	February 2018
Tāmaki Evaluation Plan	Support the work of Treasury and Superu to implement the evaluation framework and plan to assess the success of the Regeneration Programme over time.	On-going
Tāmaki Response	Work with relevant agencies and community to implement the Tāmaki Response operating model to align service delivery to meet the need of Tāmaki residents, while ensuring the learning about collective impact, social investment, and urban regeneration programmes is transferrable to other areas. This includes building TRC's capability as a backbone organisation for the Tāmaki Response.	On-going
Tāmaki Education Strategy	Support the Ministry of Education to develop an Education Strategy for Tāmaki.	September 2017
Tāmaki-wide Strategic Framework Update	Update the Strategic Framework for Tāmaki that sits across Crown agencies, Council, Non-Government Organisations and Community.	October 2017
Affordable Housing	Develop and supply affordable housing options in Tāmaki in line with the approved Business Case.	Affordable Rental product delivered June 2018 Affordable Ownership product delivered June 2020
Industrial Area Development Strategy	Work with Panuku Development Auckland to plan private investment and redevelopment of the industrial area west of the railway line.	June 2018
Glen Innes Town Centre Development Plan	Working closely with Auckland Council we will catalyse revitalisation and private sector investment in the Glen Innes Town Centre.	Phase 1 (Town Centre Core) completed by June 2018
Transport Blueprint for Tāmaki	A master plan to define the gaps in transport provision between the existing transport environment and the aspirational environment, and the specific interventions necessary to address those gaps.	February 2018

Project/Initiative	Description	Delivered By
Residents' Association Framework	Develop a framework for establishing Residents' Associations in newly developed neighbourhoods.	February 2018
Early Years Hub Delivery	Work with the Ministry of Education, Tāmaki Primary School, Community and an investment partner to deliver an Early Childhood Education centre with additional space for use by community and a range of social service providers.	July 2019
Engagement of Tenancy management provider	Exploring opportunities to engage third-party partners for the future delivery of Tenancy Management services through THA.	Selection completed by March 2018
Procurement for Large Scale Development	Procurement of one or two consortia each comprising of a large scale development partner and investors.	Phase 1 completed by March 2018 Phase 2 commences June 2019 and completed by Dec 2020
Understand TRC's role as am Urban Development Authority	Understand our role as a UDA, then grow capability and capacity, and implement processes.	June 2018

DEVELOPMENT PROJECTS

The following development projects will support the delivery of our Housing objective:

Project/Phase	Houses Delivered
	2017/18
Northern Glen Innes	92
Fenchurch	195
Overlea	61
Quickstart	11

CAPITAL APPROPRIATIONS

TRC is delivering regeneration in Tāmaki on behalf of Crown and Council. Crown has provided capital appropriations for 2017/18 in addition to the revenues identified per output classes above. These are outlined below. Drawdown of loan will include social housing buy-back, development expenditure, and strategic land purchases.

	2017/18 Prospective Unaudited $000's
Loan Facility	47,000

PROSPECTIVE FINANCIAL INFORMATION

Tāmaki Redevelopment Company Limited Group
Statement of Prospective Comprehensive Revenue and Expense

For the year ending 30 June 2018

	2018 Prospective Unaudited $000's
Revenue	
Management fee income	3,855
Rental income from tenants	17,168
Income-related rental subsidies	40,059
Other revenue	5,514
Total revenue	**66,596**
Expenditure	
Personnel costs	8,181
Consultants and professional fees	5,127
Contractors and temporary staff	1,805
Directors fees	433
Variable lease expense	57,227
Management fee expense	333
Other expenses	3,366
Total expenditure	**76,473**
EBITDAF	(9,876)
Depreciation and amortisation expense	547
EBIT	(10,424)
Finance income	35
Finance costs	311
Net finance income	(275)
(Deficit) before tax	(10,699)
Tax expense	-
Net (deficit) for the year	(10,699)
Other comprehensive revenue and expense	-
Total comprehensive (loss)	(10,699)

Tāmaki Redevelopment Company Limited Group
Statement of Prospective Financial Position

As at 30 June 2018

	2018 Prospective Unaudited $000's
ASSETS	
Current assets	
Cash and cash equivalents	684
Trade and other receivables	403
Total current assets	**1,087**
Non-current assets	
Property, plant and equipment	181
Intangible assets	452
Total non-current assets	**634**
Total assets	**1,721**
LIABILITIES	
Current liabilities	
Creditors and other payables	326
GST provision	2,562
Annual leave liability	246
Total current liabilities	**3,133**
Non-current liabilities	
Loan	19,000
Total non-current liabilities	**19,000**
Total liabilities	**22,133**
Net assets	**(20,412)**
EQUITY	
Ordinary Shares – Crown	5,000
Ordinary Shares – Council	3,500
Accumulated surplus/(deficit)	(28,912)
Total equity	**(20,412)**

For and on behalf of the Board who authorise the issue of the prospective financial statements on 30 June 2017.

Director
30 June 2017

Director
30 June 2017

Tāmaki Redevelopment Company Limited Group
Statement of Prospective Changes in Equity

For the year ending 30 June 2018

	2018 Prospective Unaudited $000's
Balance at 1 July	(9,713)
Total comprehensive revenue and expense	
Surplus/(deficit) for the year	(10,699)
Total comprehensive revenue and expense	(10,699)
Owners' transactions	
Capital contribution	-
Repayment of capital	-
Total contributions and distributions	-
Balance at 30 June	(20,412)

Tāmaki Redevelopment Company Limited Group
Statement of Prospective Cash Flows

For the year ending 30 June 2018

	2018 Prospective Unaudited $000's
Cash flows from operating activities	
Interest received	24
Rental income from tenants	17,168
Income-related rental subsidies	39,980
Other revenue received	5,679
Management fee income	6,322
Payments to suppliers	(79,133)
Payments to employees	(7,970)
Interest paid	(311)
Goods and services tax (net)	573
Net cash flow from operating activities	**(17,668)**
Cash flow from investing activities	
Purchase of property, plant, and equipment	(11)
Purchase of intangible assets	(253)
Loan provided to Tāmaki Regeneration Limited	(7,318)
Net cash flow from investing activities	**(7,582)**
Cash flow from financing activities	
Cash from Loan facility	22,000
Loan repayment	(3,000)
Net cash flow from financing activities	**19,000**
Net increase/(decrease) in cash and cash equivalents	**(6,250)**
Cash and cash equivalents at the beginning of the year	6,934
Cash and cash equivalents at the end of the year	**684**

Statement of Accounting Policies

REPORTING ENTITY

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

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

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

These prospective financial statements for the year ending 30 June 2018 were approved by the Board on 30 June 2017.

PROSPECTIVE FINANCIAL STATEMENTS

These prospective financial statements have been prepared for the express purpose of meeting legislative requirements set out under the Crown Entities Act 2004 and the use of these statements for any other purpose may not be appropriate. The description of the principal activities and current operations of TRC Group including those activities and operations expected to be undertaken during the period covered by these prospective financial statements are outlined in section 2 of this document. The actual financial results achieved for the year ending 30 June 2018 are likely to vary from these prospective financial statements and the variations could be material.

BASIS OF PREPARATION

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

Statement of Compliance

The prospective financial statements of TRC Group have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with NZ GAAP.

TRC Group is a non-publicly accountable and non-large public benefit entity (PBE) as defined by the External Reporting Board. For that reason, TRC Group has elected to prepare its prospective financial statements in accordance with Tier 2 PBE accounting standards. This enables TRC Group to apply the Reduced Disclosure Regime.

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

Functional and presentation currency

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

SIGNIFICANT ACCOUNTING POLICIES

Control and consolidation

Subsidiaries

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

Loss of control

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

Revenue from exchange transactions:

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

Management fee income

The TRC Parent received management fees from Tāmaki Regeneration Limited each month in return for supplying day to day management services.

Finance income

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

Rental income from tenants

Rental income from tenants on market rent is recognised on a straight-line basis over the lease term.

Revenue from non-exchange transactions:

Revenue from non-exchange transactions is recognized 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 appropriation income is recognised as revenue when earned and is reported in the financial period to which it relates. The fair value of Crown appropriation income has been determined to be equivalent to the amounts due in the funding agreement.

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

Finance costs
Borrowing costs are expenses in the financial year in which they are incurred.

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 except for freehold land and rental properties 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 TRC Group and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

Subsequent costs
Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to 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	5 years	20%
Computer equipment	5 years	20%

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

Intangible assets

Software acquisition and development

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

Website development

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

Amortisation

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

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

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

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

TRC Group does not hold any cash-generating assets. Assets 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 provide Social Housing 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. 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.

Borrowings

Loan from Crown

Loan from Crown is a $200m drawdown facility that Crown has provided to TRC Parent. TRC Parent initially recognises all drawdowns on the loan at fair value plus transaction costs. After initial recognition, the loan is measured at amortised cost using the effective interest method. The loan is classified as a non-current liability. Interest on the loan, calculated using the effective interest method is included in surplus or deficit in the period to which it relates.

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.

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

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been exacted or substantively enacted at balance date.

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

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover of settle the carrying amounts of its assets and liabilities.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the Inland Revenue (IRD) based on the current period's taxable income.

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

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

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Goods and services tax

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

Commitments and contingencies are disclosed exclusive of GST.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:
• accumulated surplus/(deficit); and
• capital.

Critical accounting estimates and assumptions

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

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

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

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

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

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

Estimating collectability of receivables and providing for doubtful debts

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

Estimating deferred tax
In determining the amount of current and deferred tax, TRC Group considers the impact of uncertain tax positions and whether additional taxes and interest may be due. TRC Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Should new information become available that causes TRC Group to changes its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Assumptions, risks and uncertainties underlying the prospective financial statements

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

- The Large Scale Development procurement RFP and contract negotiations will be carried out to plan.
- The amount of the loan drawdown for the 2018 financial year is based on the strategic land purchases taking effect and an assumed development programme being adhered to.
- Operating costs are based on historical experience adjusted for the expected increase in capacity required for the company to be prepared for the change in the operating model.
- The following economic assumptions will eventuate:

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

The actual results achieved for the period covered by the prospective figures are likely to vary from actual results for the year 2017/18, and these variances could be material.

Factors that could lead to material differences between the prospective financial statements and the 2017/18 actual financial statements, in addition to the sources of uncertainty mentioned above, include decisions being made that alter the assumptions made above.

Tāmaki Regeneration Limited
Statement of Prospective Comprehensive Revenue and Expense

For the year ending 30 June 2018

	2018 Prospective Unaudited
Revenue	**$000's**
Development sales	63,173
Variable lease income	62,389
Ground rental revenue	112
Total revenue	**125,674**
Expenditure	
Personnel costs	10
Consultants and professional fees	5,025
Contractors and temporary staff	200
Management fee expense	9,513
Inventory costs	143,912
Loss on revaluation of social land	7,605
Impairment loss on buildings and land improvements	300
Repairs and maintenance	15,713
Council rates	6,083
Water rates	3,220
Insurance	1,149
Other expenses	544
Total expenditure	**193,274**
EBITDAF	(67,600)
Depreciation	31,062
EBIT	(98,662)
Finance income	2
Finance costs	699
Net finance income	**(696)**
(Deficit) before tax	(99,358)
Tax expense	-
(Deficit) for the year	(99,358)
Other comprehensive revenue and expense	
Gain on revaluation of freehold land	70,820
Total comprehensive revenue and expense	**(28,538)**

Tāmaki Regeneration Limited
Statement of Prospective Financial Position

As at 30 June 2018

	2018 Prospective Unaudited $000's
ASSETS	
Current assets	
Cash and cash equivalents	10,936
Trade and other receivables	44,138
Inventories	73,646
Current tax asset	7
Deferred tax asset	6,941
Total current assets	**135,668**
Non-current assets	
Property, plant and equipment	1,665,932
Total non-current assets	**1,665,932**
Total assets	**1,801,600**
LIABILITIES	
Current liabilities	
Creditors and other payables	24,165
Current tax liability	986
Total current liabilities	**25,151**
Non-current liabilities	
Deferred tax liability	39,258
Loan	11,500
Total non-current liabilities	**50,759**
Total liabilities	**75,910**
Net assets	**1,725,690**
EQUITY	
Ordinary shares – TRC Parent	-
Preference shares – Crown	1,631,161
Revaluation reserve	332,309
Accumulated (deficit)	(237,780)
Total equity	**1,725,690**

For and on behalf of the Board who authorise the issue of the prospective financial statements on 30 June 2017.

Director
30 June 2017

Director

Tāmaki Regeneration Limited
Statement of Prospective Changes in Equity

For the year ending 30 June 2018

	2018 Prospective Unaudited Contributed Capital $000's	2018 Prospective Unaudited Revaluation Reserve $000's	2018 Prospective Unaudited Accumulated Surplus/(deficit) $000's	2018 Prospective Unaudited Total $000's
Balance at 1 July	1,631,161	261,489	(138,422)	1,754,228
Total comprehensive revenue and expense				
Surplus/(deficit) for the year			(99,358)	(99,358)
Other comprehensive revenue and expense		70,820		70,820
Total comprehensive revenue and expense	-	70,820	(99,358)	1,725,690
Owners' transactions				
Capital contribution	-			
Repayment of capital	-			
Total contributions and distributions	1,631,161	-	-	-
Balance at 30 June	1,631,161	332,309	(237,780)	1,725,690

Tāmaki Regeneration Limited
Statement of Prospective Cash Flows

For the year ending 30 June 2018

	2018 Prospective Unaudited $000's
Cash flows from operating activities	
Receipts from development sales	50,244
Other revenue received	61,874
Payments to suppliers	(68,163)
Payments to employees	-
Interest paid	(699)
Goods and services tax (net)	(4,008)
Net cash flow from operating activities	**39,248**
Cash flow from investing activities	
Sale of freehold land and rental properties	51,270
Purchase of freehold land and rental properties	(101,079)
Loan provided from Tāmaki Redevelopment Company	8,868
Loan repaid to Tāmaki Housing	(1,550)
Net cash flow from investing activities	**(42,491)**
Net increase/(decrease) in cash and cash equivalents	**(3,243)**
Cash and cash equivalents at the beginning of the year	14,179
Cash and cash equivalents at the end of the year	**10,936**

Tāmaki Regeneration Limited
Notes to the Prospective Financial Statements (Unaudited)

For the year ending 30 June 2018

Statement of Accounting Policies

REPORTING ENTITY
These prospective financial statements are for Tāmaki Regeneration Limited (TRL). TRL has determined that it is a public benefit entity (PBE) for financial reporting purposes. TRL is domiciled and operates in New Zealand. These prospective financial statements were approved by the Board on 30 June 2017.

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

PROSPECTIVE FINANCIAL STATEMENTS
These prospective financial statements have been prepared for the express purpose of meeting legislative requirements set out under the Crown Entities Act 2004 and the use of these statements for any other purpose may not be appropriate. The description of the principal activities and current operations of TRL including those activities and operations expected to be undertaken during the period covered by these prospective financial statements are outlined in section 2 of this document. The actual financial results achieved for the year ending 30 June 2018 are likely to vary from these prospective financial statements and the variations could be material.

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

Statement of Compliance
The prospective financial statements of TRL have been prepared in accordance with the requirements of the Crown Entities Act 2004, Companies Act 1993 and Financial Reporting Act 2013 which includes the requirement to comply with NZ GAAP.

These prospective financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

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

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

SIGNIFICANT ACCOUNTING POLICIES

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.

Variable lease income

TRL receives lease income from THALP on a monthly basis for the lease on its rental properties. The amount of the lease income received is dependent on THALP's net surplus that month. The revenue is recognised on receipt of the transfer.

Ground rental income

Ground rental income is recognised on a straight-line basis over the lease term.

Cash

Cash and cash equivalents represents cash deposits held at registered New Zealand banks.

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 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 except for freehold land and rental properties which are initially 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. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

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

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

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

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

An item of property is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of this asset. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Any gain or loss arising on derecognition of an asset is included in surplus or deficit for the year, in the period 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, intangible assets and inventories

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

Creditors and other payables

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

Provisions

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

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

Financial instruments

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

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

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

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
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
Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been exacted or substantively enacted at balance date.

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

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover of settle the carrying amounts of its assets and liabilities.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the Inland Revenue (IRD) based on the current period's taxable income.

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

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

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Goods and services tax

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

Commitments and contingencies are disclosed exclusive of GST.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:
- accumulated surplus/(deficit); and
- revaluation reserve; and
- capital.

Critical accounting estimates and assumptions

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

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

At each balance date, the fair values, useful lives and residual values of property, plant, and equipment are reviewed. The most recent valuation of freehold land and rental properties was performed by an independent registered valuer, Quotable Value Limited. The valuation was effective as at 30 June 2016. Fair value, using market-based evidence is based on the highest and best use of the freehold land and rental properties which would impair its value. Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by TRL, and expected disposal proceeds from the future sale of the asset.

When rental properties are committed to redevelopment by TRL, the land remaining post demolition 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 on factors such as construction costs, sale value of redeveloped properties and developer margins.

Estimating deferred tax
In determining the amount of current and deferred tax, TRL takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. TRL believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Should new information become available that causes TRL to changes its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Assumptions, risks and uncertainties underlying the prospective financial statements

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

- The Large-Scale Development procurement RFP and contract negotiations will be carried out to plan.
- The amount of the loan drawdown for the 2018 financial year is based on the strategic land purchases taking effect and an assumed development programme being adhered to.
- Operating costs are based on historical experience adjusted for the expected increase in capacity required for the company to be prepared for the change in the operating model.
- The following economic assumptions will eventuate:

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

The actual results achieved for the period covered by the prospective figures are likely to vary from actual results for the year 2017/18, and these variances could be material.

Factors that could lead to material differences between the prospective financial statements and the 2017/18 actual financial statements, in addition to the sources of uncertainty mentioned above, include decisions being made that alter the assumptions made above.

Tāmaki Redevelopment Company Limited Legal Group
Statement of Prospective Comprehensive Revenue and Expense

For the year ending 30 June 2018

	2018 Prospective Unaudited $000's
Revenue	
Development sales	63,173
Other revenue	10,472
Rental income from tenants	17,168
Income-related rental subsidies	40,059
Total revenue	**130,872**
Expenditure	
Personnel costs	8,191
Inventory costs	143,912
Council and water rates	9,304
Contractors and temporary staff	2,005
Directors' fees	443
Repairs and maintenance	15,713
Management fee expense	5,992
Consultants and professional fees	10,152
Loss on disposal of leasehold improvements	7,605
Other expenses	5,043
Total expenditure	**208,349**
EBITDAF	(77,477)
Depreciation and amortisation expense	31,609
EBIT	(109,086)
Finance income	38
Finance costs	1,009
Net finance income	**(971)**
(Deficit) before tax	**(110,057)**
Tax expense	-
(Deficit) for the year	**(110,057)**
Other comprehensive revenue and expense	
Gain on revaluation of freehold land	70,820
Total other comprehensive revenue and expense	**70,820**
Total comprehensive revenue and expense	**(39,237)**

Tāmaki Redevelopment Company Limited Legal Group
Statement of Prospective Financial Position

As at 30 June 2018

	2018 Prospective Unaudited $000's
ASSETS	
Current assets	
Cash and cash equivalents	11,620
Trade and other receivables	44,540
Inventories	73,646
Current tax asset	7
Total current assets	**129,814**
Non-current assets	
Property, plant and equipment	1,666,113
Intangible assets	452
Deferred tax asset	6,941
Total non-current assets	**1,673,506**
Total assets	**1,803,320**
LIABILITIES	
Current liabilities	
Creditors and other payables	24,491
Annual leave liability	245
GST provision	2,562
Current tax liability	985
Total current liabilities	**28,283**
Non-current liabilities	
Loan	30,500
Deferred tax liability	39,258
Total non-current liabilities	**69,758**
Total liabilities	**98,041**
Net assets	**1,705,279**
EQUITY	
Ordinary shares – Crown	5,000
Ordinary shares – Auckland Council	3,500
Preference shares – Crown	1,631,161
Revaluation reserve	332,309
Accumulated (deficit)	(266,692)
Total equity	**1,705,279**

For and on behalf of the Board who authorise the issue of the prospective financial statements on 30 June 2017.

Director
30 June 2017

Director
30 June 2017

Tāmaki Redevelopment Company Limited Legal Group
Statement of Prospective Changes in Equity

For the year ending 30 June 2018

	2018 Prospective Unaudited Contributed Capital $000's	2018 Prospective Unaudited Revaluation Reserve $000's	2018 Prospective Unaudited Accumulated CR&E $000's	2018 Prospective Unaudited Total $000's
Balance at 1 July	1,639,661	261,489	(156,634)	1,744,516
Total comprehensive revenue and expense				
Surplus/(deficit) for the year	-	-	(110,057)	(110,057)
Other comprehensive revenue and expense	-	70,820	-	70,820
Total comprehensive revenue and expense	-	70,820	(110,057)	(39,237)
Owners' transactions				
Capital contribution	-	-	-	-
Repayment of capital	-	-	-	-
Total contributions and distributions	-	-	-	-
Balance at 30 June	1,639,661	332,309	(266,691)	1,705,279

Tāmaki Redevelopment Company Limited Legal Group
Statement of Prospective Cash Flows

For the year ending 30 June 2018

	2018 Prospective Unaudited $000's
Cash flows from operating activities	
Receipts from development sales	50,244
Rental income from tenants	17,168
Income-related rental subsidy	39,980
Interest received	24
Interest paid	(1,010)
Other revenue received	5,679
Management fee income	6,322
Payments to suppliers	(85,422)
Payments to employees	(7,970)
Goods and services tax (net)	(3,435)
Net cash flow from operating activities	**21,580**
Cash flow from investing activities	
Sale of property, plant and equipment	51,270
Purchase of property, plant and equipment	(101,090)
Purchase of intangible assets	(253)
Net cash flow from investing activities	**(50,073)**
Cash flow from financing activities	
Cash from Loan facility	22,000
Loan repayment	(3,000)
Net cash flow from financing activities	**19,000**
Net increase/(decrease) in cash and cash equivalents	**(9,493)**
Cash and cash equivalents at the beginning of the year	21,113
Cash and cash equivalents at the end of the year	**11,620**

Tāmaki Redevelopment Company Limited Legal Group
Notes to the Prospective Financial Statements (Unaudited)

For the year ending 30 June 2018

REPORTING ENTITY

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

• Tāmaki Regeneration Limited (TRL); and

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

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

BASIS OF PREPARATION

The prospective financial statements of the TRC Legal Group are a non-GAAP aggregated set of prospective financial statements. TRC Group consists of TRC Parent, THALP and THAGP. As TRC Parent controls THALP and THAGP it is required by NZ GAAP to consolidate THALP and THAGP into the TRC Group. The Directors of TRC Parent note that while TRC Parent holds 100% of the ordinary shares of TRL, the Crown holds 100% of the preference shares in TRL. The rights and obligations attached to the preference shares result in the Crown having control of TRL, meaning that it inconsistent with NZ GAAP to consolidate TRL into TRC Group. The Directors of TRC Parent wish to present a view of the forecast financial position of TRC Legal Group and its prospective results for the year ended 30 June 2018 in one set of prospective financial statements. Such a presentation has to be treated as a non-GAAP set of prospective financial statements as it is not acceptable under PBE IPSAS 6 Consolidated and Separate Financial Statements to consolidate TRL into TRC Group.

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

Statement of compliance

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

TRL has prepared its prospective financial statements under Tier 1 PBE accounting standards. For that reason, the TRC Legal Group's aggregate of TRC Group & TRL's prospective financial statements (non-GAAP) have been prepared in under the same Tier as TRL. That is, in accordance with Tier 1 PBE accounting standards.

Functional and presentation currency

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