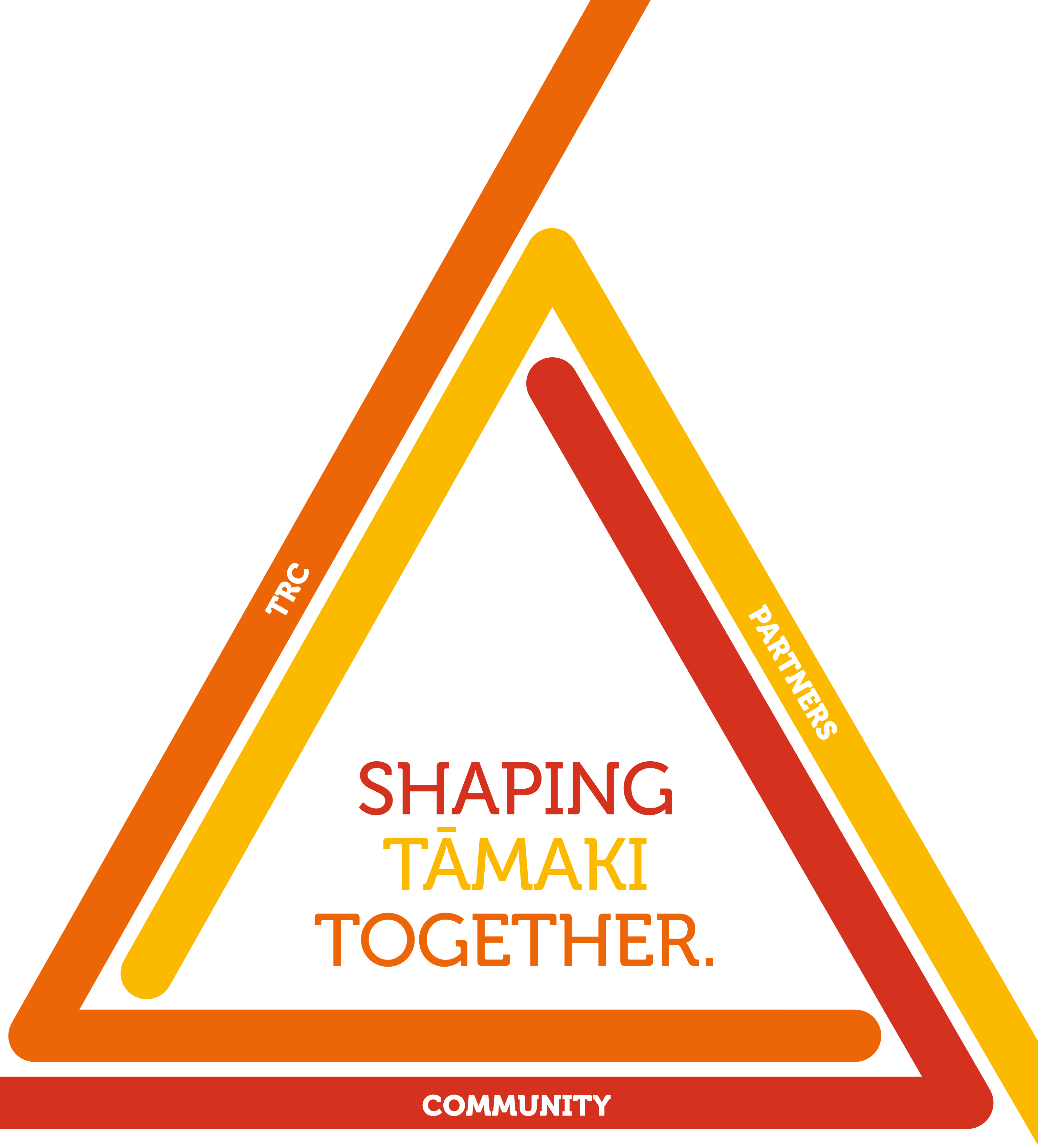
TĀMAKI REGENERATION

TĀMAKI REDEVELOPMENT COMPANY
ANNUAL REPORT 2017

SHAPING TĀMAKI TOGETHER.

Tāmaki is an awesome place to live.



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Picking up the pace with partnerships.

The Tāmaki Regeneration Programme is creating opportunities for the current and future residents of Tāmaki.

Tāmaki Regeneration Company (TRC) has been mandated by its shareholders, the New Zealand Government and Auckland Council, to replace 2500 social houses with 7500 mixed tenure homes in the suburbs of Glen Innes, Point England and Panmure.

Innovative relationships with a range of partners across Crown, Auckland Council, community and the private sector are creating opportunities and bringing about transformational social and economic change for Tāmaki residents.

TRC stands by the Tāmaki Commitment: those who wish stay in Tāmaki will have the opportunity to do so.

This is a report against the objectives and output measures that were set in the company's 2017-2020 Statement of Intent and 2016-2017 Statement of Performance Expectations.

BUSINESS PARTNERS

TRC is linking Tāmaki residents to private sector employers through a range of initiatives. In addition, TRC is supporting the creation of sustainable local businesses through the Social Enterprise Programme.

EDUCATION PARTNERS

TRC is working with the Ministry of Education, local schools and education leaders to develop a comprehensive education strategy for Tāmaki and is already implementing the early childhood education strategy for the area. Regeneration is providing educational opportunities and pathways for current and future Tāmaki students.

BUILDING PARTNERS

TRC is working with the private sector to deliver high-quality, mixed tenure houses through the Catalyst Programme. Ongoing procurement of development partners is occurring to ensure the future delivery of houses.

The supply of social, affordable and private market houses is being driven through TRC's housing programme.

COMMUNITY PARTNERS

By strengthening current partnerships and attracting new ones, Tāmaki Regeneration is creating new opportunities for its community. TRC will continue to enable and empower Tāmaki residents by providing support for community-based organisations and initiatives.

Delivering results with the support of our partners.

NEW MIXED TENURE HOUSES DELIVERED WITH OUR DEVELOPMENT PARTNERS

2016/17 — **93**

HOUSES IN THE CONSTRUCTION PIPELINE AS AT 30 JUNE

2016/17 — **1,244**

TĀMAKI RESIDENTS WERE SUPPORTED INTO SUSTAINABLE EMPLOYMENT THROUGH THE SKILLS PATHWAYS TO EMPLOYMENT

2016/17 — **95**

TĀMAKI FAMILIES RECEIVED FINANCIAL CAPABILITY AND MORTGAGE READINESS TRAINING FROM THE PATHWAYS TO HOUSING INDEPENDENCE, WITH SIX FAMILIES GOING ON TO PURCHASE A HOME

2016/17 — **160**

TO ENSURE BEST PRACTICE IN URBAN DESIGN ACROSS RESIDENTIAL DEVELOPMENT PROJECTS, THE TĀMAKI DESIGN FRAMEWORK AND TĀMAKI DESIGN PANEL WERE ESTABLISHED

PROCUREMENT AND SELECTION PROCESSES FOR LARGE SCALE DEVELOPMENT AND A TENANCY MANAGEMENT PARTNER UNDERWAY

DEVELOPED THE TĀMAKI RESPONSE TO ENSURE MORE EFFECTIVE AND EFFICIENT DELIVERY OF SOCIAL SERVICES IN TĀMAKI

A TĀMAKI OUTCOMES FRAMEWORK WAS DEVELOPED TO MEASURE THE SUCCESS OF THE REGENERATION PROGRAMME OVER TIME

OVER THE NEXT 12 MONTHS TRC WILL:

- Continue to deliver new mixed tenure houses with our development partners
- Support 15 Tāmaki residents to progress along the housing continuum (cumulative target)
- Launch affordable rental and shared ownership products in Tāmaki
- Implement phase one of the Glen Innes Town Centre Development Plan
- Complete the Industrial Area Development Strategy, to encourage private sector investment and job creation
- Finalise the Tāmaki Education Strategy and begin construction of the Early Years Hub
- Complete the Transport Blueprint for Tāmaki
- Implement the Residents' Association Framework in development

THE CHAIR'S REPORT

PARTNERSHIPS FOR THE FUTURE

E NGĀ MANA, E NGĀ REO, E NGĀ RANGATIRA O TĀMAKI, TĒNĀ KOUTOU, TĒNĀ KOUTOU, TĒNĀ KOUTOU KATOA.

Tāmaki Regeneration Company is undertaking New Zealand's largest urban regeneration project. It is an ambitious project with a clear purpose and vision.

Our vision is that Tāmaki is an awesome place to live. To achieve this, we are working with partners across the public and private sectors to build an environment where Tāmaki residents and families thrive.

Located in Auckland's eastern suburbs, Tāmaki is characterised by outstanding natural features and a diverse population, with strong community foundations to build upon. Our challenge is to unlock the obvious potential of the area and its people.

Over the next ten to fifteen years, the regeneration programme will deliver transformational change in Tāmaki.

This will see the redevelopment of 2500 outdated social houses into 7500 new and modern mixed tenure homes. The physical landscape will be changed as social and economic outcomes are significantly improved for the benefit of current and future residents.

I am pleased to present this annual report on behalf of the Board. It has been a challenging and rewarding year for all those involved in the Tāmaki Regeneration. We can reflect on good progress against our objectives and some significant milestones.

Our contribution to the Government's wider social housing reform and building programme is important. We look forward to working alongside our partners and the community to increase the supply of housing in Auckland and deliver on our strategic priorities.

Over the past 12 months, we have enhanced strategic partnerships with central and local government agencies, and in the community, as our work programme has developed.

At a governance level, we continue to strengthen our relationships with Mana Whenua. As the regeneration programme advances, we look forward to working in partnership with Ngati Paoa, Ngati Whatua Ōrākei, Nga tai ki Tāmaki and other iwi.

We are also building strong relationships within our Pasifika communities. It is important to the Board that these cultural linkages are maintained and enhanced.

We are working on a wide range of projects to ensure that Tāmaki residents and families have the skills, knowledge and employment opportunities to progress their lives. An increasing number of local people are being engaged through these initiatives, with positive impacts for them and their whānau.

The catalyst for this change is the delivery of new housing resources. Having exceeded our targets for this year and created a pipeline of houses at various stages of construction, there will be a significant increase in the number of new houses completed over the next 12 months.

I am proud that we are creating opportunities for first-home buyers through our affordable housing programme, including for social housing tenants through a pathway to housing independence.

I am encouraged, too, by the early work that is being done to stimulate private sector investment in revitalising town centres and developing the local economy. As this work progresses, it will potentially create thousands of new jobs in Tāmaki over the next two decades.

Over the next ten to fifteen years, the regeneration programme will deliver transformational change in Tāmaki.

The support of our shareholders, the New Zealand Government and Auckland Council, has been critical to our success. During the past year, we have seen a change to both of our shareholding Ministers.

We thank our Ministers for their vision and contribution to the Tāmaki Regeneration Programme.

There remains much to be done to realise the full potential of Tāmaki and its people. As we understand more about the complexities of undertaking development in a brownfields environment, we will continue to engage with and listen to the existing communities.

On behalf of the Board, I would like to acknowledge outgoing director Soana Pamaka for the passion that she brought to the role. Her guidance and generosity has been invaluable to me as Chair.

Our thanks go out to the management and staff who are working hard to implement the long-term strategy. Their commitment to significantly improve outcomes in Tāmaki is already making a difference.

Ko tau rourou, ko taku rourou, ka ora te iwi.

Together with our partners and the community, we are shaping a better future for the people of Tāmaki.

JOHN ROBERTSON
CHAIR

THE CEO'S REPORT - MANAGEMENT REPORT

CAPABILITY AND PARTNERSHIP CREATING OPPORTUNITIES

Tāmaki stands out for its wealth of potential: of people, of place, and of community. TRC shares the role as kaitiaki of the vision with the community – that Tāmaki is an awesome place to live.

TRC has a strong leadership role to play, but it is through partnerships in the community and across the public and private sectors that the vision will be realised.

Our challenge, along with our partners, is to deliver on Tāmaki's potential, while recognising and respecting that the process of change can be difficult for some existing residents.

We welcome that challenge and the opportunity to build an environment where residents not only thrive, but are provided with opportunities to shape the future of Tāmaki.

As we take stock, we can reflect on good progress against the targets we set ourselves for the year. Ninety-three new mixed tenure houses were delivered through the Catalyst Programme, including 37 market affordable homes.

By the end of June, there were also 1,244 houses in the pipeline at various stages of development, from planning and design through to construction. This figure gives me confidence in our ability to deliver over time.

The procurement process to find partners to undertake phase one of Large Scale Development has given us valuable insight into the constraints of undertaking development within existing communities, from a private sector perspective.

Our Pathways to Housing Independence and Skills Pathways to Employment programmes are equipping Tāmaki residents with the financial capability, career skills, and employment opportunities to progress their lives.

This has seen 160 Tāmaki families participate in a mortgage readiness course, with six going on to purchase an affordable or market house this year. A further 49 families that participated will be ready to enter the property market over the next 12 months.

Through Tāmaki Career Start and the Tāmaki Jobs and Skills Hub, 95 residents were supported into jobs, including 66 Tāmaki youth. The Auckland Chamber of Commerce and the Building and Construction Industry Training Organisation (BCITO) have been important partners in Career Start.

The trial of 30 affordable rental properties and 30 shared ownership homes in Tāmaki has been approved, with shared ownership homes to be delivered in partnership with the New Zealand Housing Foundation. These interventions will be benchmarked and refined for potential expansion and wider use.

Cross-agency and community support has been secured for the Tāmaki Response, which will ensure more effective and efficient delivery of social services locally, with the aim of creating long-term impacts at a system level.

We are also facilitating economic development and local enterprise by aiding with the design, establishment and mentoring of sustainable businesses. This year, we supported the creation of two social enterprises with strong links to the community.

Our challenge, along with our partners, is to deliver on Tāmaki's potential, while recognising and respecting that the process of change can be difficult for some existing residents.

TRC is working with the Maungakiekie-Tāmaki Local Board, Auckland Council and local businesses to catalyse development and encourage private sector investment into the Glen Innes town centre.

We will continue to collaborate with the Maungakiekie-Tāmaki Local Board and Auckland Council to improve Tāmaki's parks and reserves and ensure that the open space network responds to the needs of current and future residents.

On behalf of the management team, I would like to thank the TRC Board for their continued support and guidance throughout the year. Their faith in our ability to execute the long-term strategy gives us the confidence to be bold and innovative in our thinking.

TRC is also fortunate to have an established group of local leaders that are contributing to the regeneration programme by providing us with continuous feedback from a community perspective.

This coupled with the amazing support that we receive from Ruapotaka Marae, who sit at the heart of our community, gives us the confidence to know that we are doing the right thing.

Finally, thank you to the awesome TRC staff that I am so proud to work alongside. The resilience of our organisation in a complex and challenging environment is only possible through a strong internal culture.

My commitment is that TRC will continue to strive every day to make Tāmaki an awesome place to live. It is that vision that drives our work. It is the people that fuels our passion.

JOHN HOLYOAKE
CHIEF EXECUTIVE OFFICER

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

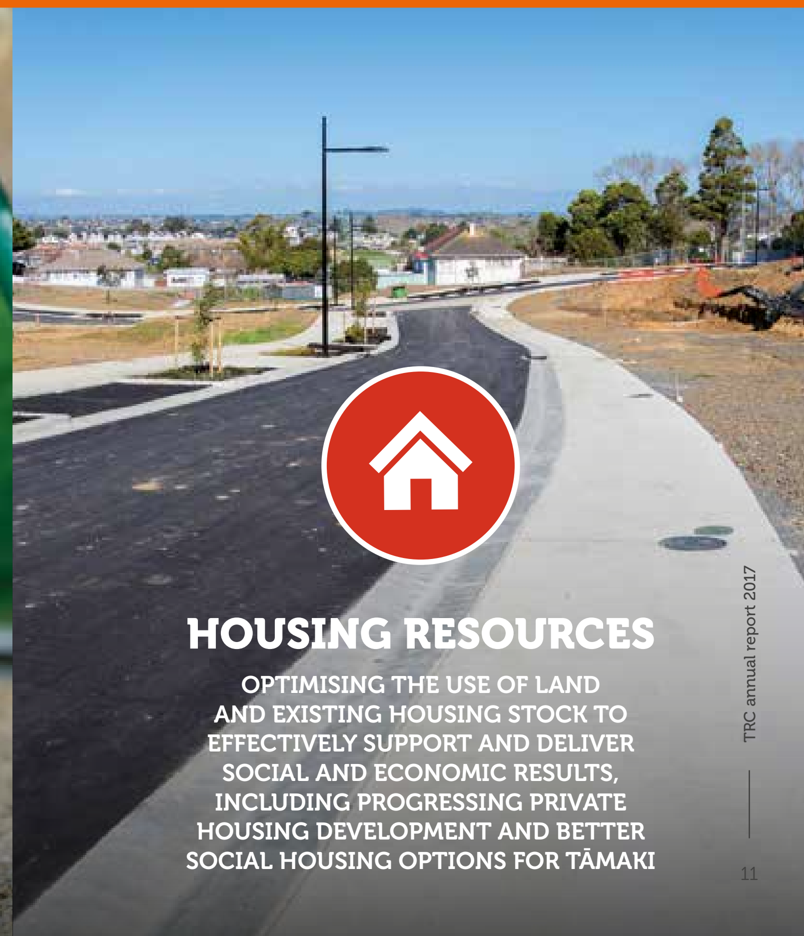
SUPPORTING TĀMAKI RESIDENTS AND FAMILIES TO GAIN THE SKILLS, KNOWLEDGE AND EMPLOYMENT OPPORTUNITIES TO PROGRESS THEIR LIVES

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

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

TRC has developed a set of interlocking programmes to support Tāmaki residents and families to gain the skills, knowledge and employment opportunities to progress their lives. TRC is working with partners to deliver a fundamental step-change in the way the social service system works in the area.

This will not only help make Tāmaki an awesome place to live, but will empower Tāmaki residents to make the best decisions for them and their whānau.

TRC has supported 66 Tāmaki youth into employment and helped 61 youth attain a driver's licence through Tāmaki Career Start, a work readiness and job matching programme delivered in partnership with the Auckland Chamber of Commerce. Tāmaki Career Start has placed 233 youth into jobs and 201 youth have gained a driver's licence through regeneration to date.

The Tāmaki Jobs and Skills Hub, which was launched in October 2016, is about connecting Tāmaki residents with local job opportunities. **Across the Skills Pathways to Employment, 95 local people were placed into jobs, significantly outperforming this year's target** to help 10 people into work.

TRC is partnering with NGOs, the community, and central and local Government agencies to create system-wide change through the Tāmaki Response, which will ensure more effective and efficient delivery of social services in Tāmaki.

TRC has carried out detailed work with the Government, Auckland Council, and the community to develop a performance framework. **The Tāmaki Outcomes Framework defines key outcomes and allows the success of the regeneration programme to be measured over time.**

The commitment that those who wish to stay in Tāmaki will have the opportunity to do so remains firm.

OUR WORK IN ACTION

NEW CAREER PATHWAYS FOR LOCALS

A dream to work for Air New Zealand is now a reality for Hiva Fonua.

The Point England resident heard about the work readiness and job matching programme called Tāmaki Career Start from a relative. She decided to apply after having trouble finding work in the travel and tourism industry.

Two weeks after entering the programme, Hiva, 21, was hired as a lounge assistant in Air New Zealand's Koru Lounge. A month later, she gained her full driver's licence though Career Start. Hiva absolutely loves her job and is keen to work her way up the career ladder within Air New Zealand.

THROUGH TĀMAKI CAREER START, HIVA FONUA FROM POINT ENGLAND FOUND A JOB WITH AIR NEW ZEALAND AND GAINED A DRIVER'S LICENCE

BRENDON COLLINSON AND PHILLIP ATUAHIVA WORK FOR SPM ASSETS.

TĀMAKI CONTRIBUTION MAKING A DIFFERENCE

Tāmaki locals Phillip Atuahiva, 21, and Brendon Collinson, 18, reckon there's great job satisfaction in surveying houses.

The friends, who met on the job, have been working as housing condition surveyors since October.

"Every day is different," Phillip says. "I've always wanted to come into work and have it feel like I'm not working because I enjoy it so much. For me that's this job."

SPM Assets hired the two workers as part of the company's Tāmaki Contribution.

This is where companies that work with TRC give back to the community either through the provision of employment for local people or another initiative. TRC's development partners are making an important contribution to the social transformation programme by providing a pipeline of employment opportunities for local people.

> "I've always wanted to come into work and have it feel like I'm not working because I enjoy it so much. For me that's this job."

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

Reporting entity

This Statement of Performance is for the Tāmaki Redevelopment Company Limited Legal Group (TRC Legal Group) which comprises Tāmaki Regeneration Limited (TRL) and the Tāmaki Redevelopment Company Limited Group (TRC Group). TRC Group is further comprised of Tāmaki Redevelopment Company Limited (TRC Parent) and its two subsidiaries Tāmaki Housing Association Limited Partnership (THALP) and THA GP Limited (THAGP).

Comparative approaches on financial and non-financial reporting

TRC Legal Group is a crown entity group per the meaning set out in the Crown Entities Act 2004 and therefore this Statement of Performance is presented for the TRC Legal Group. This presentation approach differs from how the Financial Statements are presented in this Annual Report. Per New Zealand generally accepted accounting practice (NZGAAP), TRL cannot be consolidated into the TRC Group for financial reporting purposes. This is because the New Zealand Government (Crown), rather than TRC Parent, controls TRL. Therefore TRL and TRC Group have presented separate financial statements. An unaudited non-NZGAAP aggregated TRL and TRC Group set of financial statements (effectively for TRC Legal Group) has also been presented in this annual report.

PERFORMANCE AGAINST STATEMENT OF PERFORMANCE EXPECTATIONS 2016-2017 OBJECTIVE ONE: SOCIAL TRANSFORMATION

OBJECTIVES (OB) AND ENABLING PROJECTS (EP)	OVERALL STATUS	PERFORMANCE
OB: Provide opportunities for education and employment.	**Met**	Tāmaki Career Start and the Tāmaki Jobs and Skills Hub are providing training and job opportunities, with 95 residents supported into employment this year.
OB: Tāmaki residents understand and support the regeneration programme as it affects them.	**Not Met**	67% of residents in Fenchurch and Overlea said they understood and supported the regeneration programme.
OB: Families are linked to appropriate and better services which enable them to be more independent. **Enabling Projects:** > Service Alignment > Procurement of Intensive Support Services	**Met**	A range of programmes that enable and empower Tāmaki residents are being delivered by TRC, including Skills Pathways to Employment and Pathways to Housing Independence. TRC has gained cross-agency and community support for the Tāmaki Response, ensuring more effective and efficient delivery of social services in Tāmaki. A revised Business Case has been submitted to Shareholders for Intensive Support Services, a specialised programme to deliver services to families with highly complex needs.
OB: Tenants impacted by redevelopment have the option to remain in Tāmaki.	**Met**	The Tāmaki Commitment, which states that "those who wish to stay in Tāmaki will have the opportunity to do so", has been adhered to for every household impacted by redevelopment.
EP: Tāmaki Outcomes and Evaluation Framework for Regeneration Programme	**Met**	A Tāmaki Outcomes Framework was approved and TRC provided input into Treasury's Tāmaki Evaluation Plan, allowing the impact and success of regeneration to be measured over time.

2016–2017 OUTPUT MEASURES

OUTPUT MEASURES	2016/17 TARGET	ACTUAL
Number of Tāmaki residents employed through TRC partners (cumulative)	10	95
Percentage of Tāmaki residents who understand and support the regeneration programme as it affects them	75%	67%
Percentage of Tāmaki residents affected by the redevelopment that have a rehousing plan	100%	100%
Percentage of social housing tenants provided with an opportunity to stay in Tāmaki	100%	100%

SOCIAL TRANSFORMATION OBJECTIVE REVENUE AND OUTPUT EXPENSES

	2016/17 ACTUAL	2016/17 BUDGET	DIFFERENCE
Revenue			
Crown	798	798	0
Other	0	0	0
Total revenue	**798**	**798**	0
Expenses	3,697	4,027	(330)
Surplus/(deficit) for the year	**(2,899)**	**(3,229)**	**(330)**

	2016/17 ACTUAL	2015/16 ACTUAL	DIFFERENCE
Revenue			
Crown	798	3,370	(2,572)
Other	0	45	(45)
Total revenue	**798**	**3,415**	(2,617)
Expenses	3,697	6,287	(2,590)
Surplus/(deficit) for the year	**(2,899)**	**(2,872)**	**(27)**

COMMENTARY

The underspend in the objective is due to Intensive Support Services (ISS), a specialised programme to deliver services to families with highly complex needs, not being implemented in FY16/17 as envisaged. A revised Business Case for ISS is with Shareholders for approval.

ECONOMIC DEVELOPMENT

TRC is working with public and private sector partners to unlock the potential of the Tāmaki area, delivering better value for money to the Crown and creating an economically sustainable and self-reliant community.

Tāmaki whānau are being equipped with the financial tools to progress along the housing continuum through the Pathways to Housing Independence programme. Delivered in partnership with the Commission for Financial Capability, 160 Tāmaki families received financial capability and mortgage readiness training through the programme this year, with six families going on to purchase a market affordable or private market house.

TRC's social enterprise programme is empowering local people to create their own businesses by aiding with design, establishment and ongoing mentoring. This year, TRC has supported the establishment of two new social enterprises: Insight Tāmaki, a community-based research company; and Gifts for Residents, a company that produces wooden gifts out of demolition timber.

Initial funding for the project to regenerate the Glen Innes Town Centre has been secured. A procurement process is underway to identify a partner to design the Glen Innes Town Centre Development Plan, in conjunction with continued community and stakeholder engagement.

TRC is also developing a Tāmaki Urban Brand Identity to ensure that 'the Tāmaki identity' reflects the potential that is being unlocked through the regeneration programme. Along with the town centre revitalisation, **the Economic Development Programme will encourage private sector investment and attract new visitors and residents into the area.**

Over the next 12 months, TRC will assist even more Tāmaki families to enter the housing market through its affordable housing initiatives and continue to leverage opportunities for the creation of sustainable local businesses. By doing this, local communities and residents will directly benefit from the economic regeneration of Tāmaki.

OUR WORK IN ACTION

INSIGHT TĀMAKI

LOCALS WORKING FOR LOCALS

In September, TRC partnered with the Glen Innes Family Centre to establish Insight Tāmaki, a community based research company.

Because Insight Tāmaki is a social enterprise, it is about more than making a profit, says Anne Purcell, who leads the company: "I wanted to see the Tāmaki community being able to generate income and shape their own community."

The company has completed several neighbourhood surveys for TRC and is matching the skills and knowledge that exists in the community with the need for surveys at TRC.

Insight Tāmaki has been expanding its client base and has completed work for Auckland Council, the Auckland District Health Board, and other private sector clients.


MEMBERS OF THE INSIGHT TĀMAKI TEAM: ANNE PURCELL, SIA LASA, LAVENDER CHANGCHREONKUL AND ANNA MEREDITH.

CREATING AFFORDABLE HOUSING OPPORTUNITIES

India Thorp and Cam Simmiss thought home ownership was beyond them. Through the Tāmaki regeneration programme, India and Cam completed a financial capability and mortgage readiness programme and were able to purchase a new, two-bedroom affordable home in Glen Innes.

"The programme taught us about things we wished we'd learned at school," India says. "Things like the different types of mortgages, interest rates and insurance, as well as how to be good with money."


THE COUPLE'S NEW TWO-BEDROOM HOME.


AFFORDABLE HOME BUYERS INDIA THORP AND CAM SIMMISS.

They love the central location of their new home, which is only a short distance from where Cam works as a physiotherapist on West Tāmaki Road. "Glen Innes is such a cool suburb and all the amenities are nearby," he says. "We're close to GI town centre and train station. It isn't far from town and it's also close to the waterfront."

The couple bought their home from Creating Communities Limited (CCL), which is one of TRC's development partners. CCL sold 34 new homes to first home buyers at below market rates through the company's Helping Hand Affordable Housing Programme.

The offer was open to people whose household income ranged between $85,000 and $130,000 and who were eligible for the Government's Welcome Home Loan. Applicants were prioritised if they were key workers in the police force, the fire service, the education sector, the residential construction industry or health sector.

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

Reporting entity

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Comparative approaches on financial and non-financial reporting

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PERFORMANCE AGAINST STATEMENT OF PERFORMANCE EXPECTATIONS 2016-2017 OBJECTIVE TWO: ECONOMIC DEVELOPMENT

OBJECTIVES (OB) AND ENABLING PROJECTS (EP)	OVERALL STATUS	PERFORMANCE
OB: Help address housing affordability so that residents can pathway from the need for social housing to more independent living. **Enabling Projects:** > Affordable Housing > Pathways to Housing Independence (PHI)	**Met**	TRC is driving the supply of market affordable houses through its development programme, while exploring innovative solutions to housing affordability issues. This includes Treasury and Ministerial approval of a Business Case to trial 30 affordable rental homes and 30 shared ownership homes. The PHI programme delivered financial capability and mortgage readiness training to 160 Tāmaki families, with six families purchasing a market affordable or private market house.
OB: Leverage opportunities for social enterprise, economic development and employment opportunities. **Enabling Projects:** > Social Enterprise > Economic Development Plan > Skills Pathways to Employment	**Met**	Through the Social Enterprise Programme and Economic Development Plan, TRC is supporting the creation of sustainable local businesses that are providing employment opportunities for Tāmaki residents. TRC supported the design and establishment of two social enterprises, with a business case for a third completed and ongoing mentoring of previously established businesses. Through the Skills Pathways to Employment, 95 Tāmaki residents were helped into jobs this year.
OB: Improve town centres. **Enabling Projects:** > Glen Innes Town Centre Reference Plan	**Met**	The Glen Innes Town Centre Reference Plan was approved by TRC's Board in January 2017. Thereafter, planning and design work commenced on the Glen Innes Town Centre Development Plan, with a Project Plan produced and engagement with key partners and stakeholders on the vision, objectives and key initiatives. Planning is also being undertaken by Panuku Development Auckland to explore opportunities for development in the Panmure town centre.
OB: Maximise return to the Crown	**Met**	TRC has operated within the annual budget agreed by the Treasury for the 2017 financial year.

2016–2017 OUTPUT MEASURES

OUTPUT MEASURES	2016/17 TARGET	ACTUAL
Number of Tāmaki residents who progress along the housing continuum	5	6
Operating within Business Case and agreed commercial model	√	√

ECONOMIC DEVELOPMENT OBJECTIVE REVENUE AND OUTPUT EXPENSES

	2016/17 ACTUAL	2016/17 BUDGET	DIFFERENCE
Revenue			
Crown	319	319	0
Other	0	0	0
Total revenue	**319**	**319**	**0**
Expenses	1,865	1,846	19
Surplus/(deficit) for the year	**(1,546)**	**(1,527)**	**19**

	2016/17 ACTUAL	2015/16 ACTUAL	DIFFERENCE
Revenue			
Crown	319	0	319
Other	0	0	0
Total revenue	**319**	**0**	**319**
Expenses	1,865	0	1,865
Surplus/(deficit) for the year	**(1,546)**	**0**	**(1,546)**

COMMENTARY

There was a slight overspend against budget in this financial year which was due to allocation of higher overhead costs to the output class.

PLACEMAKING

TRC's regeneration programme is ambitious and aims to deliver transformational change in Tāmaki. To achieve this, safer and more connected neighbourhoods are being created to support the social and economic development of Tāmaki and its communities.

The placemaking objective is the resin that holds together TRC's other strategic priorities, by creating strong foundations that will allow current and future Tāmaki residents to flourish in a world-class environment.

The Tāmaki Design Framework and Tāmaki Design Review Panel will ensure best practice in urban design across residential regeneration projects. Current and future residents can have confidence in the standard of development being undertaken in Tāmaki.

Through engagement with residents and key stakeholders, a Neighbourhood Approach has been documented that describes how TRC works with community and stakeholders to design neighbourhoods. By working in partnership with the community, valuable local insights are being built into neighbourhood developments.

In partnership with the Crown, Auckland Council, central and local government agencies, and the community, **TRC has developed a Social Infrastructure Plan that will futureproof Tāmaki for forecast population growth.** The plan aims to secure critical social infrastructure and amenities across four key areas: Education and Skills Development; Health; Community Facilities; and Emergency Services.

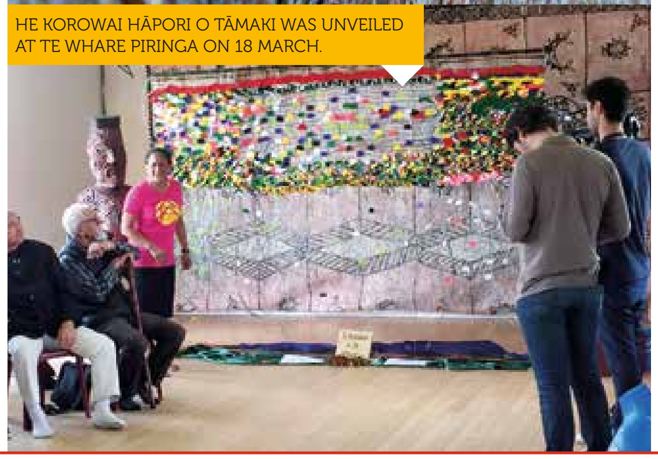
TRC is implementing the Early Childhood Education (ECE) Strategy for Tāmaki and strengthening local ECE networks in partnership with the Ministry of Education, local schools and education leaders. Seed funding has been secured for an integrated Early Years Hub, an innovative centre for excellence with co-located health and mentoring services for families.

TRC works closely with partners to ensure that Tāmaki has great neighbourhoods and whānau are connected to their community. Over the next 12 months, TRC will complete a Transport Blueprint, implement a Residents' Association Framework and begin construction on the Early Years Hub.

TRC will also support opportunities to celebrate Tāmaki's unique culture through sponsorship of events such as Movies in Parks, in partnership with Auckland Council and the Maungakiekie-Tāmaki Local Board.

OUR WORK IN ACTION


HE KOROWAI IS A COMMUNITY CLOAK REPRESENTING THE REGENERATION OF TĀMAKI.


HE KOROWAI HĀPORI O TĀMAKI WAS UNVEILED AT TE WHARE PIRINGA ON 18 MARCH.

WEAVING A BRIGHTER FUTURE TOGETHER

A multi-coloured cloak covered in thousands of houses was unveiled in Glen Innes as part of Auckland Arts Festival 2017.

Members of Ruapotaka Marae came up with the idea for the art work, known as He Korowai Hāpori o Tāmaki (the community cloak). Marae centre manager Georgie Thompson says the cloak creates a conversation about regeneration.

"Part of our role [at the marae] is to spread the message of TRC, while also acknowledging the heartache faced by the community with the changes it brings. It's about drawing the positive out for the benefit of the community. Things like affordable housing, whanau ora (wellbeing) and letting our people know there's a brighter future to this whole thing."

The work is made up of three panels representing the past, present and future and, once completed, it will be threaded with 7500 small, plastic houses. The number of houses represents how many new social, affordable and private market homes will be delivered in Tāmaki through the regeneration programme. Groups from the community, including TRC and local schools, contributed to the art work.

SOLAR POWER UPGRADE AT GLEN INNES COMMUNITY HUB

Community facility Te Whare Piringa in Glen Innes is one step closer to becoming self-sustainable. The hall on Fenchurch Street has been fitted out with eight solar panels, which can generate approximately $700 worth of electricity per year.

The project, which is a partnership between TRC and Vector, will enable the hall to generate its own electricity. The installation of a Tesla battery ensures that surplus power can be stored and sold back to the National Grid. TRC previously co-ordinated the refurbishment of the community facility, which was once a scout hall, and it was reopened in April 2015.

TE WHARE PIRINGA CENTRE MANAGER DJ TUARU TEMU, TRC STRATEGY AND PERFORMANCE GENERAL MANAGER SHELLEY KATAE, VECTOR REPRESENTATIVES EDWARD ROBINSON, JAY KESHA AND PETER HICKS AT TE WHARE PIRINGA.

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

Reporting entity

This Statement of Performance is for the Tāmaki Redevelopment Company Limited Legal Group (TRC Legal Group) which comprises Tāmaki Regeneration Limited (TRL) and the Tāmaki Redevelopment Company Limited Group (TRC Group). TRC Group is further comprised of Tāmaki Redevelopment Company Limited (TRC Parent) and its two subsidiaries Tāmaki Housing Association Limited Partnership (THALP) and THA GP Limited (THAGP).

Comparative approaches on financial and non-financial reporting

TRC Legal Group is a crown entity group per the meaning set out in the Crown Entities Act 2004 and therefore this Statement of Performance is presented for the TRC Legal Group. This presentation approach differs from how the Financial Statements are presented in this Annual Report. Per New Zealand generally accepted accounting practice (NZGAAP), TRL cannot be consolidated into the TRC Group for financial reporting purposes. This is because the New Zealand Government (Crown), rather than TRC Parent, controls TRL. Therefore TRL and TRC Group have presented separate financial statements. An unaudited non-NZGAAP aggregated TRL and TRC Group set of financial statements (effectively for TRC Legal Group) has also been presented in this annual report.

PERFORMANCE AGAINST STATEMENT OF PERFORMANCE EXPECTATIONS 2016-2017 OBJECTIVE THREE: PLACEMAKING

OBJECTIVES (OB) AND ENABLING PROJECTS (EP)	OVERALL STATUS	PERFORMANCE
OB: Develop quality neighbourhoods through urban design to support cohesion, safety, connected transport and environmental enhancement	**Met**	TRC established the Tāmaki Design Framework and Tāmaki Design Review Panel (including professional experts and community representation) to ensure best practice in urban design.
OB: Deliver local facilities and amenities identified and supported via neighbourhood engagement.	**Not Met**	TRC documented a Neighbourhood Approach that describes how TRC works with community and stakeholders to design neighbourhoods. TRC has not met this objective as delivery of new local facilities and amenities is aligned with catalyst projects that were yet to be completed at the end of FY16-17.
EP: Social Infrastructure Plan (SIP)	**Met**	In partnership with the Crown, Auckland Council, agencies, and the community, TRC has developed the Tāmaki SIP, which covers four key areas: Education and Skills Development; Health; Community Facilities; and Emergency Services. TRC has identified key initiatives that it will facilitate to progress the implementation of the SIP and will be working with partners and the community to deliver these.
EP: Early Childhood Education (ECE) Strategy	**Met**	TRC is implementing the ECE Strategy for Tāmaki and strengthening local ECE networks in partnership with the Ministry of Education, local schools and education leaders. Seed funding has been secured for an integrated Early Years Hub, which will be an innovative centre for excellence with co-located health and mentoring services for families.

2016–2017 OUTPUT MEASURES

OUTPUT MEASURES	2016/17 TARGET	ACTUAL	COMMENTARY
Percentage of newly developed neighbourhoods that meet agreed minimum standards within the Quality Neighbourhood Framework.	100%	In Progress	All projects at the relevant stage were assessed against the agreed minimum standards in the Quality Neighbourhood Framework and were compliant with the Tāmaki Design Framework – however no neighbourhoods were fully developed in FY16/17 and therefore none have been given a final Quality Neighbourhood Framework score.

PLACEMAKING OBJECTIVE REVENUE AND OUTPUT EXPENSES

	2016/17 ACTUAL	2016/17 BUDGET	DIFFERENCE
Revenue			
Crown	160	160	0
Other	0	0	0
Total revenue	**160**	**160**	**0**
Expenses	958	1,451	(493)
Surplus/(deficit) for the year	**(798)**	**(1,291)**	**(493)**

	2016/17 ACTUAL	2015/16 ACTUAL	DIFFERENCE
Revenue			
Crown	160	0	160
Other	0	0	0
Total revenue	**160**	**0**	**160**
Expenses	958	0	958
Surplus/(deficit) for the year	**(798)**	**0**	**(798)**

COMMENTARY

As the delivery of new local facilities and amenities is aligned with catalyst projects that were yet to be competed at the end of FY16-17, the prospective budget under the placemaking objective was not fully spent.

HOUSING RESOURCES

TRC is optimising the use of land and existing houses to support and deliver improved social and economic outcomes, including progressing private housing development and better social housing options for Tāmaki.

Through the Catalyst Programme, 93 new homes were delivered this year, against a target of 86, including 24 social, 37 market affordable and 32 private market houses. The target was exceeded through the delivery of more houses in the Northern Glen Innes project than originally forecast.

There are 1,244 houses at various stages of development in the construction pipeline as at 30 June 2017, from planning and finding development partners, through to civil works and construction.

This pipeline of 1,244 houses will allow TRC to maintain momentum over the next three to five years by delivering houses ahead of, and alongside, Large Scale Development (LSD).

During the year, the procurement process for the first phase of LSD commenced, with an Expression of Interest and Request for Proposal issued and run. Shortlisting occurred in December 2016, with a series of interactive procurement sessions carried out to allow optimisation of responses from the two shortlisted consortia.

TRC's tenancy management services business, **Tāmaki Housing Association (THA), is focused on delivering an innovative service to customers**, based on supporting successful tenancies and being responsive to social housing tenants' needs.

Eighty percent of social housing tenants reported being satisfied with the service provided by THA, against a target of 75%. An occupancy rate of 98% was maintained, against a target of 95%.

Quality tenancy management is at the heart of THA's vision and TRC is engaging with partners that share its vision to deliver improved outcomes for social housing tenants.

Over the next 12 months, TRC will continue to deliver a range of social, affordable and private market houses through the Catalyst Housing Programme. TRC will look to achieve the best outcome through the LSD procurement, in line with direction from Shareholders and the company's strategic priorities for the regeneration of Tāmaki.

TRC is making a significant contribution to the Government's Social Housing Reform Programme.

OUR WORK IN ACTION

"I said to our kids, 'welcome to our new home.' They were so happy, they ran all through the house."


THE FAMILY'S FOUR-BEDROOM HOME.

NEW HOME A DREAM COME TRUE

When Uili Pao-Salu found out he and his family were going to move into a new house, he couldn't believe it. "For eight or ten years, I had been praying to God for a good house. I knew this house was the answer to our prayers."

Uili had put through a request for a larger house to Tāmaki Housing in December. His transfer was accepted and soon after the family moved into a larger, newly-built home.

He and his wife Loma, who are originally from Samoa, had lived in a two-bedroom house in Point England's Hinaki Street for sixteen years. In that time, their family had grown to four children and the house had become too small.

Loma was thrilled when Uili told her they were moving. "The new house has a big kitchen and a big living room with more space for all of our stuff," she says.


SINI, JOSEPH, LOMA, SALU, UILI AND KAISARA PAO-SALU IN THEIR NEW HOME.


MAWA SHWE LIKES THE OPEN PLAN KITCHEN AND LIVING ROOM OF HER NEW HOUSE


THE NEW HOUSES ON HURSTWOOD PLACE IN GLEN INNES.

ROOM TO ENTERTAIN

The first thing Glen Innes resident Mawa Shwe noticed about her new house was how big it was. "When I first saw it, I thought the big, open kitchen and living areas were great. There's a lot of space for when my extended family come to visit."

Mawa shifted from Sunnymead Road to Hurstwood Place because the area was being redeveloped. But the old house was also becoming too small for her four children. "They said: 'Take the new house Mum. It's better than our old home'," she says. "Now the three oldest kids have a room each and I share a room with my six-year-old son."

Mawa, who is originally from Burma, is happy about living in another part of Glen Innes. "I don't mind change so I can live in any area. Glen Innes is good because there are lots of Burmese people living in the area and I have Pacific Island friends here."

"When I first saw it, I thought the big, open kitchen and living areas were great."

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

Reporting entity

This Statement of Performance is for the Tāmaki Redevelopment Company Limited Legal Group (TRC Legal Group) which comprises Tāmaki Regeneration Limited (TRL) and the Tāmaki Redevelopment Company Limited Group (TRC Group). TRC Group is further comprised of Tāmaki Redevelopment Company Limited (TRC Parent) and its two subsidiaries Tāmaki Housing Association Limited Partnership (THALP) and THA GP Limited (THAGP).

Comparative approaches on financial and non-financial reporting

TRC Legal Group is a crown entity group per the meaning set out in the Crown Entities Act 2004 and therefore this Statement of Performance is presented for the TRC Legal Group. This presentation approach differs from how the Financial Statements are presented in this Annual Report. Per New Zealand generally accepted accounting practice (NZGAAP), TRL cannot be consolidated into the TRC Group for financial reporting purposes. This is because the New Zealand Government (Crown), rather than TRC Parent, controls TRL. Therefore TRL and TRC Group have presented separate financial statements. An unaudited non-NZGAAP aggregated TRL and TRC Group set of financial statements (effectively for TRC Legal Group) has also been presented in this annual report.

PERFORMANCE AGAINST STATEMENT OF PERFORMANCE EXPECTATIONS 2016-2017 OBJECTIVE FOUR: HOUSING RESOURCES

OBJECTIVES (OB) AND ENABLING PROJECTS (EP)	OVERALL STATUS	PERFORMANCE
OB: Provide new houses to agreed topography and mix.	**Met**	As documented in the Social Housing Response Schedule, the typology mix of social housing has been agreed with MSD and is being determined on a neighbourhood by neighbourhood basis.
OB: Catalyse private sector development and investment in Tāmaki.	**Met**	TRC procured private sector development partners to deliver 93 new mixed tenure houses this year, against a target of 86, through the Catalyst Programme.
OB: Continue with Catalyst projects over the next three to five years to deliver approximately 800 new homes. **Enabling Projects:** > Delivery of Catalyst and Quick Start Projects	**Met**	TRC delivered 93 new mixed tenure houses this year, against a target of 86. In accordance with the Catalyst Programme Summary Schedule, ongoing procurement of development partners is occurring to ensure the future delivery of houses.
OB: Successfully manage 2800 social tenancies.	**Met**	The regular tenant satisfaction survey continues to produce positive results, with 80% of social housing tenants satisfied with THA's service.
OB: Maintain rental income by ensuring houses are occupied, vacancy rates and rental income debt minimised.	**Partially Met**	The occupancy rate sits at 99.8% for properties available for letting at the end of the financial year. Rental debt sits at 3.8% (against a target of 2%), with 60% of tenants on arrears adhering to an agreed repayment plan.
OB: Houses are maintained to a defined minimum standard	**Met**	The Asset Management Plan, which identifies minimum levels of service for the maintenance of houses, is adhered to for all houses.

OBJECTIVES (OB) AND ENABLING PROJECTS (EP)	OVERALL STATUS	PERFORMANCE
OB: Engage Community Housing Provider (CHP) partners in the delivery of tenancy management / property management and support services. **Enabling Projects:** > Procurement of tenancy and property management CHP partners	**In Progress**	A selection process for a Tenancy Management Partner to take over and add value to THA was carried out. An Information Flyer was released in March 2017, with responses received in April 2017. Two potential partners have been shortlisted through to the second stage of the selection process, however, this did not occur until July 2017, therefore as at 30 June 2017 the enabling project is in progress.
OB: Establish long term partnership with private sector through procurement of development and investment partners for the redevelopment and ownership of social housing. **Enabling Projects:** > Procurement for Large Scale Development	**In Progress**	The Procurement Plan for Phase One of Large Scale Development was implemented, with an EOI and RFP issued and run. Shortlisting occurred in December 2016, with interactive procurement sessions carried out to enable optimisation of responses from both shortlisted consortia. TRL as a holder of social housing stock, and in compliance with its Statement of Intent, has undertaken a procurement process in relation to the large scale development of a portion of its housing portfolio. The outcome will not be known until the Minister of Housing and the Minister of Finance decide on the recommendations arising from the process.
EP: Infrastructure funding agreement complete	**Met**	The Tāmaki Infrastructure Funding Framework Agreement (IFFA) was executed with Auckland Council and Auckland Transport.
EP: Investment model for Income Related Rent Subsidy agreed	**Met**	A Social Housing Working Group was established with MSD to agree commercial elements of the Large Scale Development RFP that have relevance to MSD. MSD agreed a Maximum Agreed Weekly Rent to include in the RFP document.
EP: Strategic Land Procurement	**Not Met**	The milestone for this enabling project was not met during FY16-17 as no strategic acquisitions were executed. TRC continues to explore opportunities for strategic acquisitions, including a potential catalyst site within the Glen Innes town centre.

2016–2017 OUTPUT MEASURES

OUTPUT MEASURES	2016/17 TARGET	ACTUAL
Percentage of social housing tenants who are satisfied with our service.	75%	80%
Occupancy rate for available properties.	95%	98%
Percentage of houses that meet minimum agreed standard.*	60%	98%
Rental debt (older than 7 days as a % of monthly income).	2%	3.8%
Annual provision of new houses to agreed topography and mix.	86	93

* The agreed minimum standard for each property across TRC's portfolio differs depending on several factors, including the age of the property and when it is forecast to be redeveloped.

2016/2017 HOUSING DELIVERY

The table below shows the delivery of newly built houses, by precinct, during FY16/17 against forecasts set in TRC's Statement of Intent 2017-2020 and Statement of Performance Expectations 2016/2017.

	2016/17 FORECAST	2016/17 ACTUAL
Total Social Housing	26	**24**
Total Private	60	**69**
Total Housing	86	**93**

Total social housing by precinct		
Northern Glen Innes	10	24
Fenchurch	16	0
Overlea	0	0
Derna Tobruk	0	0
Armein	0	0
Hinaki	0	0
Quickstart	0	0
Large Scale Development	0	0

Total private housing by precinct		
Northern Glen Innes	20	69
Fenchurch	40	0
Overlea	0	0
Derna Tobruk	0	0
Armein	0	0
Hinaki	0	0
Quickstart	0	0
Large Scale Development	0	0

Total housing by precinct		
Northern Glen Innes	30	93
Fenchurch	56	0
Overlea	0	0
Derna Tobruk	0	0
Armein	0	0
Hinaki	0	0
Quickstart	0	0
Large Scale Development	0	0

HOUSING RESOURCES OBJECTIVE REVENUE AND OUTPUT EXPENSES

	2016/17 ACTUAL	2016/17 BUDGET	DIFFERENCE
Revenue			
Crown	1,913	1,913	0
Other	77,294	136,223	(58,929)
Total revenue	**79,207**	**138,136**	**(58,929)**
Expenses	65,956	200,494	(134,538)
Surplus/(deficit) for the year	**13,251**	**(62,358)**	**75,609**

	2016/17 ACTUAL	2015/16 ACTUAL	DIFFERENCE
Revenue			
Crown	1,913	10,539	(8,626)
Other	77,294	8,318	68,976
Total revenue	**79,207**	**18,857**	**60,350**
Expenses	65,956	132,932	(66,976)
Surplus/(deficit) for the year	**13,251**	**(114,075)**	**127,326**

COMMENTARY

The major cause of the variance to budget is the fact that building and improvement revaluations are not budgeted for. In addition, timing of development projects led to lower revenues and expenses than budgeted.

TRC did not complete as many strategic property acquisitions as forecast in FY16/17.

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.

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)	10
Dr. Susan Macken (Deputy Chair)	9
Matthew Harker	10
Diana Puketapu	8
Kerry Hitchcock	8
John Sax	8
Martin Udale	10
Soana Pamaka	6
Brian Donnelly	1

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)	1/08/2016	Continuing	1/08/2016	Continuing	1/08/2016	Continuing
Dr. Susan Macken (Deputy Chair)	Continuing	Continuing	Continuing	Continuing	Continuing	Continuing
Matthew Harker	1/08/2016	Continuing	1/08/2016	Continuing	1/08/2016	Continuing
Diana Puketapu	1/08/2016	Continuing	1/08/2016	Continuing	1/08/2016	Continuing
Kerry Hitchcock	Continuing	Continuing	Continuing	Continuing	Continuing	Continuing
John Sax	Continuing	Continuing	Continuing	Continuing	Continuing	Continuing
Martin Udale	Continuing	Continuing	Continuing	Continuing	Continuing	Continuing
Soana Pamaka	Continuing	19/06/2017	Continuing	19/06/2017	Continuing	19/06/2017
Brian Donnelly	Continuing	31/07/2016	Continuing	31/07/2016	Continuing	31/07/2016

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 $209k remuneration during the year, the breakdown of which can be found in TRC Group's financial statements on page 63.

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)

> Progressing procurement 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)

Significant changes in the state of affairs

There were no significant changes in the state of affairs in TRC Legal Group during the year.

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 page 32. 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 2016 to 30 September 2017.

The total amount of insurance premium paid was $62k.

Employee salary band information

There are 23 employees of TRC Legal Group who earn a salary of more than $100,000. Given, TRL had no employees during the period, the breakdown of these 23 employees into bands of $10,000 each is provided in the financial statements of TRC Group on page 64.

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 $190k; and

> fees for assurance services of $77k.

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

Director / Board Member	Entity	Relationship
John Robertson (Chair)	Fishpond Limited	Chair of Board
	Fishpond World Limited (UK)	Chair of Board
	Fishpond.com Incorporated (USA)	Chair of Board
	Regional Facilities Auckland Ltd	Director, Chair of Audit Committee
	Struan Farm Limited	Director
	Worldfront Incorporated (USA)	Director
	Medbase Limited	Director
	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director
	Strategic Projects Limited	Director
Dr Susan Macken (Deputy Chair)	Treasury Advisory Board	Advisory Board Member
	Kiwibank Ltd	Chair
	Panuku Development Auckland Ltd	Deputy Chair
	Tāmaki Redevelopment Company Ltd	Deputy Chair
	Tāmaki Regeneration Ltd	Director
	THA GP Limited	Director
	Station Mews Apartments Ltd	Director
	Private Accounting Trustee Ltd	Director
	STG Ltd	Director and Sole Shareholder
	Blossom Bear Ltd	Director and Sole Shareholder
Matthew Harker	Housing NZ Auckland Committee	Committee Member
	The Royal NZ Plunket Society Inc	Director
	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Ltd	Director
	THA GP Limited	Director
	HLC (2017) Limited	Director
	Haumaru Housing Ltd	Director
	Haumaru Auckland Ltd	Director
	Harker Consulting Ltd	Director and Shareholder
	MSD Joint Project Steering Group for the Social Housing Reform Programme (SHRP)	Steering Group Member
Diana Puketapu	Manawanui In Charge Ltd	Chair
	Ngati Porou Holding Company Ltd	Director
	Amanti Tourism Ltd	Director
	Pohewa Limited	Director
	Ngati Porou Seafoods Ltd	Director
	Ngati Porou Fisheries Ltd	Director
	Real Fresh Ltd	Director
	Ngati Porou Miere GP Ltd	Director
	Netball Northern Zone Ltd	Director
	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director
	Ngati Porou Berries Ltd	Director
	New Zealand Olympic Committee	Member
	Aktive Maori Advisory Board	Member

Director / Board Member	Entity	Relationship
John Sax	Kensington Park Limited. Trust owned company	
	Various properties owned in Favona/Walmsley Road	
	Potential development opportunities in and around Glen Innes	
	For the Sake of our Children Trust	
	Aspiring Leaders (NZ Leadership Trust) – Beehive hosted	Chairman
	Treetops Aviation Limited	Director
	Kensington Park Holdings Limited (2097624)	Director
	Como Holdings Limited	Director
	Te Arai Point Properties Limited	Director
	Parent Partner Limited	Director
	Market Cove Limited	Director
	Islington Park Limited	Director
	Islington Property Investments Ltd (6199180)	Director
	Waterloo Park Limited (4353038)	Director
	Kinloch Golf Limited (5331262)	Director
	Kinloch Lodge Holdings Limited (5331341)	Director
	Kinloch Club Limited (3671718)	Director
	Kinlock Farms Holdings Limited (5815352)	Director
	Kearoa (1999) Limited (948916)	Director
	New Zealand Agricultural Processors Ltd (40156)	Director
	Southpark Property Investments Ltd (5895744)	Director
	Southpark Property Holdings Ltd (6131228)	Director
	Marsden City Development Ltd (6219747)	Director
	Taitokerau Fibre Networks Ltd	Director
	Newmarket Holdings Ltd	Director
	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Ltd	Director
	THA GP Limited	Director
	Industrial Park Coolstores Limited (114464)	Director and Shareholder
	Autumn Park Limited (117241)	Director and Shareholder
	Fisk Holdings N.Z Limited (644229)	Director and Shareholder
	Fisk Investments (NZ) Limited (364838)	Director and Shareholder
	Kempton Holdings Limited	Director and Shareholder
	Mirza Nominees Limited	Director and Shareholder
	Southpark Corporation Limited	Director and Shareholder
	Global Procurement Supplies Limited	Director and Shareholder
	South Park Developments Limited	Director and Shareholder
	Ronyx Holdings Limited	Director and Shareholder
	Living Spaces Design Limited	Director and Shareholder
	Southpark Utilities Limited	Director and Shareholder
	Waterloo Holdings Limited	Director and Shareholder
	Zirma Developments Limited (5135141)	Director and Shareholder
	Karpall Properties Limited (704236)	Director and Shareholder
	Weddings and Honeymoons Of New Zealand Limited (936586)	Director and Shareholder
	William David Limited (1192657)	Director and Shareholder
	Industrial Park Holdings Ltd (113687)	Director and Shareholder
	Onethree Chesire General Partner Ltd	Director and Shareholder

COMPANY DIRECTORIES FOR THE BOARD (CONT)

Director / Board Member	Entity	Relationship
	Baldah Investments Limited (399603)	Founder and Chairman and Director
	Kensington Park Services Limited	Shareholder
	Challenge Communications Foundation Ltd	Shareholder
	Domain Trustee Services No.2 Ltd	Shareholder
	Trustee of Rotorua Museum Trust	Trustee
	Independent Hearings Panel, Christchurch Replacement District Plan	Member
Kerry Hitchcock	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director
	Haumaru Housing Ltd	Director
	Haumaru Auckland Ltd	Director
	Tāmaki Investment Trust Company Ltd	Director and Shareholder
	Charta Ltd	Director and Shareholder
	Charta Funds Management Ltd	Director and Shareholder
	Charta Management Holdings Ltd	Director and Shareholder
	Kerry D Hitchcock Ltd	Director and Shareholder
	K.D. Investment Trust Company Ltd	Director and Shareholder
	Fidelta Group Ltd	Director and Shareholder
	Northcote Rd 1 Holdings Ltd (Smales Farm)	Director and Shareholder
	Aumoe Investments Ltd	Shareholder
	KH Family Trust	Trustee and Beneficiary
	J & K Family Trust	Trustee and Beneficiary
Martin Udale	Waikato Innovation Park Limited	Director
	Tall Wood Ltd	Director
	Tall Wood Distribution Ltd	Director
	Tall Wood Assembly Ltd	Director
	Forest Group Ltd	Director
	Wairaka Land Company Ltd (a subsidiary of Unitec Institute of Technology)	Director
	Tāmaki Redevelopment Company Ltd	Director
	Tāmaki Regeneration Ltd	Director
	THA GP Limited	Director
	New Ground Living (Hobsonville Point) Ltd	Director
	Hobsonville Development GP Ltd	Director
	TW Twenty Ltd	Director
	Innovation Waikato Ltd	Director
	Panuku Development Auckland Limited	Director
	Essentia Consulting Group Limited	Director and Shareholder
	Paparata Limited	Director and Shareholder
	Fleming Urban Ltd	Director and Shareholder
	Cardinal Trustees Ltd	Director and Shareholder
	KiwiRail Property Committee	Member

FINANCIAL REPORT

This financial report provides an analysis of the financial results for the year and includes a 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 39. 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 below tables summarise the TRC Group, TRL and TRC Legal Group financial statements.

PROFIT AND LOSS (UNAUDITED)

TRCL Legal Group made a surplus for the year of $8.0m which was largely driven of the back of a reversal of $95.6m of prior year's building revaluation loss offset by income tax expense of $41.1m and depreciation of $35.7m for the year. Building values increased because of the slowdown in the development market. General delays across development projects across Auckland and the country lead to increased residual interest in the value of the existing building and improvements.

The rental portfolio has delivered revenue of $61.4m which includes market rent increases aligned with the CPI index for the Auckland rental housing market. The operating surplus from the rental portfolio are used by TRL to fund development activity and by TRC Group to fund social regeneration activity. Land sales revenue for the year was $14.5m which was based on the catalyst development projects. Cost of goods sold and inventory write down expense of $49.8m reflects the residual values of land in inventory as a result of developer risk potential and cost of capital which is forecasted based on development feasibility studies which includes market prices, yields, typologies and construction costs. Consultants and legal expense largely relates to large scale development procurement under which currently bids have been received through a request for proposal process and these are being evaluated at the time of printing.

Profit and loss summary for the year ended 30 June 2017

(000'S)	TRC GROUP	TRL	ELIMINATIONS	TRC LEGAL GROUP
Rent revenue	0	61,474	0	61,474
Development sales revenue	0	14,498	0	14,498
Crown funding	3,190	0	0	3,190
Other revenue	9,486	1,258	(9,422)	1,322
Total revenue	**12,676**	**77,230**	**(9,422)**	**80,484**
Personnel costs, consultants and legal expenses	11,911	5,685	0	17,596
COGS and inventory writedown expense	0	49,756	0	49,756
Repairs and maintenance expenses	0	10,700	0	10,700
Other expenses	859	21,867	(9,422)	13,304
Total expenses	**12,770**	**88,008**	**(9,422)**	**91,356**
EBTDA	**(94)**	**(10,778)**	**0**	**(10,872)**
Depreciation expense	368	35,271	0	35,639
Building revaluation gain	0	(95,602)	0	(95,602)
Tax expense	0	41,083	0	41,083
Surplus/(deficit) for the year	**(462)**	**8,470**	**0**	**8,008**
Land revaluation gain	0	225,574	0	225,574
Total comprehensive revenue and expense	**(462)**	**234,044**	**0**	**233,582**

BALANCE SHEET (UNAUDITED)

Net assets for the TRC Legal Group as at 30 June 2017 was $1,943.5m, principally made up of the property, plant and equipment and inventory balances. Property, plant and equipment increased significantly due to the gain on revaluation of land of $225.6m. This contrasts with the losses forecast in inventory and put through profit and loss. The property, plant and equipment are valued independently assuming the properties would be sold in the open market on a property by property basis whilst TRL are developing the majority of these properties over 10 to 15 years. As mentioned under the profit and loss section, the inventory write-downs reflect the market risk inherent in property development. The inventory balance includes properties that have moved into development during the financial year and the write-down forecast at balance date.

Liabilities of $16.4m primarily include the $11.5m loan under the existing loan facility with The Treasury of $200m. $3.0m of the balance was drawn in this financial year.

Balance sheet summary as at 30 June 2017

(000'S)	TRC GROUP	TRL	ELIMINATIONS	TRC LEGAL GROUP
Cash	679	1,406	0	2,085
Receivables	9,396	4,875	(9,295)	4,976
Inventory	0	73,853	0	73,853
Property, plant and equipment and intangible assets	496	1,878,480	(0)	1,878,976
Total assets	**10,571**	**1,958,614**	**(9,295)**	**1,959,890**
Payables and provisions	6,379	4,772	(6,295)	4,856
Crown loan	11,500	3,000	(3,000)	11,500
Total liabilities	**17,879**	**7,772**	**(9,295)**	**16,356**
Net assets	**(7,308)**	**1,950,842**	**(0)**	**1,943,534**
Ordinary shares	8,500	0	0	8,500
Preference shares	0	1,631,161	0	1,631,161
Revaluation reserve	0	416,852	0	416,852
Retained earnings	(15,808)	(97,171)	0	(112,979)
Total equity	**(7,308)**	**1,950,842**	**0**	**1,943,534**

CASH FLOW (UNAUDITED)

TRC Legal Group's net cash flows were an outflow of $4.6m. Operating cash inflows from the tenancy and property management activity and the development activity were used to purchase newly developed properties. The current delivery models for the catalyst projects whereby TRL partners with developers to build new properties leads to large losses in the profit and loss but a lesser impact on cash flows. This is due to non-cash inventory write-downs and property, plant and equipment valuation adjustments and depreciation through the profit and loss. TRC Legal Group manages its cash flows at the legal group level in order to minimise loan drawdowns. Inter-entity cash flow within the legal group is managed through current accounts.

Cash flow summary for the year ended 30 June 2017

(000'S)	TRC GROUP	TRL	ELIMINATIONS	TRC LEGAL GROUP
Rent revenue	0	61,270	0	61,270
Development sales revenue	0	14,498	0	14,498
Crown funding	3,190	0	0	3,190
Other revenue	8,143	1,440	(8,080)	1,503
Personnel costs	(7,444)	0	0	(7,444)
Supplier payments including net GST payments	(9,227)	(47,569)	8,080	(48,716)
Total operating cash flows	**(5,338)**	**29,639**	**0**	**24,301**
Purchase of PPE and intangibles and loans provided	(3,185)	(31,685)	3,000	(31,870)
Total investing cash flows	**(3,185)**	**(31,685)**	**3,000**	**(31,870)**
Loan funding	3,000	3,000	(3,000)	3,000
Total financing cash flows	**3,000**	**3,000**	**(3,000)**	**3,000**
Net cash flow	**(5,523)**	**954**	**0**	**(4,569)**
Opening cash balance	6,202	452	0	6,654
Closing cash balance	**679**	**1,406**	**0**	**2,085**

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

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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 10 to 29 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 2017.

Signed on behalf of the Board:

John Robertson
Chair
31 October 2017

Dr. Susan Macken
Deputy Chair
31 October 2017

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 ACTUAL $000'S	2017 BUDGET $000'S	2016 ACTUAL $000'S
Revenue				
Crown funding		3,190	3,190	3,370
Management fee income	2	9,423	9,576	2,807
Other income		36	0	0
Total revenue		**12,649**	**12,766**	**6,177**
Expenditure				
Personnel costs		7,648	8,116	4,358
Consultants and professional fees		2,711	4,265	5,043
Contractors and temporary staff		1,552	737	1,838
Directors fees		209	655	190
Management fee expense		293	1,965	122
GST provision expense/(reversal)	8	(2,562)	0	2,562
Loss on disposal of leasehold improvements		0	0	969
Other expenses	3	2,612	2,977	2,135
Total expenditure		**12,463**	**18,715**	**17,217**
EBITDAF*		**186**	**(5,949)**	**(11,040)**
Depreciation and amortisation expense	6, 7	368	250	278
EBIT**		**(182)**	**(6,199)**	**(11,318)**
Finance income		27	100	45
Finance costs		307	1,243	33
Net finance income		**(280)**	**(1,143)**	**12**
(Deficit) before tax		**(462)**	**(7,342)**	**(11,306)**
Tax expense/(benefit)	8	0	0	0
(Deficit) for the year after tax		**(462)**	**(7,342)**	**(11,306)**
Total comprehensive revenue/(expense)		**(462)**	**(7,342)**	**(11,306)**
(Deficit) for the year attributable to:				
Crown		(273)	(4,332)	(6,671)
Minority interest (Auckland Council)		(189)	(3,010)	(4,635)
		(462)	**(7,342)**	**(11,306)**
Total comprehensive revenue/(expense) attributable to:				
Crown		(273)	(4,332)	(6,671)
Minority interest (Auckland Council)		(189)	(3,010)	(4,635)
		(462)	**(7,342)**	**(11,306)**

Explanations of major variances against budget are provided in note 19.

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

** Earnings before interest and taxation.

The accompanying notes form part of these financial statements.

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	NOTES	2017 ACTUAL $000'S	2017 BUDGET $000'S	2016 ACTUAL $000'S
Assets				
Current assets				
Cash and cash equivalents	4	679	2,092	6,202
Trade and other receivables	5	9,396	59,099	3,967
Total current assets		**10,075**	**61,191**	**10,169**
Non-current assets				
Property, plant and equipment	6	464	274	637
Intangible assets	7	32	152	42
Total non-current assets		**496**	**426**	**679**
Total assets		**10,571**	**61,617**	**10,848**
Liabilities				
Current liabilities				
Creditors and other payables	9	5,943	343	6,400
GST provision	8	0	0	2,562
Annual leave liability		436	216	232
Loan	10	3,000	3,000	0
Total current liabilities		**9,379**	**3,559**	**9,194**
Non-current liabilities				
Loan	10	8,500	57,200	8,500
Total non-current liabilities		**8,500**	**57,200**	**8,500**
Total liabilities		**17,879**	**60,759**	**17,694**
Net assets/(liabilities)		**(7,308)**	**858**	**(6,846)**
Equity				
Ordinary shares – Crown		5,000	5,000	5,000
Ordinary shares – Auckland Council		3,500	3,500	3,500
Accumulated (deficit)		(15,808)	(7,642)	(15,346)
Total equity	11	**(7,308)**	**858**	**(6,846)**

Explanations of major variances against budget are provided in note 19.

For and on behalf of the Board who authorise the issue of the financial statements on 31 October 2017.

John Robertson
Chair
31 October 2017

Dr. Susan Macken
Deputy Chair
31 October 2017

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 2017

	NOTES	2017 ACTUAL $000'S	2017 BUDGET $000'S	2016 ACTUAL $000'S
Balance at 1 July		**(6,846)**	**8,200**	**4,460**
Total comprehensive revenue and expense				
(Deficit) for the year		(462)	(7,342)	(11,306)
Total comprehensive income		**(462)**	**(7,342)**	**(11,306)**
Owners' transactions				
Capital contribution		0	0	0
Repayment of capital		0	0	0
Total contributions and distributions		**0**	**0**	**0**
Balance at 30 June	11	**(7,308)**	**858**	**(6,846)**

Explanations of major variances against budget are provided in note 19.

The accompanying notes form part of these financial statements.

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 ACTUAL $000'S	2017 BUDGET $000'S	2016 ACTUAL $000'S
Cash flows from operating activities				
Receipts from Crown		3,190	3,190	3,370
Interest received		27	100	45
Receipts from other revenue		36	0	0
Management fee income		8,080	11,757	5,655
Payments to suppliers		(9,243)	(8,851)	(10,151)
Payments to employees		(7,444)	(9,029)	(4,023)
Goods and services tax (net)		16	0	56
Net cash flow from operating activities		**(5,338)**	**(2,833)**	**(5,048)**
Cash flow from investing activities				
Purchase of property, plant and equipment		(147)	(60)	(482)
Purchase of intangible assets		(38)	(117)	(49)
Loan provided to Tāmaki Regeneration Limited		(3,000)	(51,700)	0
Net cash flow from investing activities		**(3,185)**	**(51,877)**	**(531)**
Cash flow from financing activities				
Cash from loan facility		3,000	51,700	8,500
Net cash flow from financing activities		**3,000**	**51,700**	**8,500**
Net (decrease)/increase in cash and cash equivalents		**(5,523)**	**(3,010)**	**2,921**
Cash and cash equivalents at the beginning of the year		6,202	5,102	3,281
Cash and cash equivalents at the end of the year	4	**679**	**2,092**	**6,202**

Explanations of major variances against budget are provided in note 19.

The accompanying notes form part of these financial statements.

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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 96 of this Annual Report. This Annual Report also presents, on pages 97 to 103, 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.

The financial statements for TRC Group are for the year ended 30 June 2017. They were approved by the Board on 31 October 2017.

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 Public Finance Act 1989 and the Crown Entities Act 2004, which includes the requirement to comply with NZ GAAP. TRC Group is a non-publicly accountable and non-large public benefit entity as defined by the External Reporting Board. For that reason, TRC Group is allowed and has elected to prepare its financial statements in accordance with Tier 2 PBE accounting standards, which allows reduced disclosures.

FUNCTIONAL AND PRESENTATION CURRENCY

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

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.

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.

Finance income

Finance income is recognised by accruing on a time proportion basis the interest due for the investment.

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.

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.

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP
NOTES TO THE FINANCIAL STATEMENTS (CONT)
FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

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	3 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.

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-

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

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.

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

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP
NOTES TO THE FINANCIAL STATEMENTS (CONT)
FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

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

TRC Group is a public authority and consequently is exempt from income tax. This is a change in the accounting estimate for TRC Group from the prior year. Prior year tax balances have been reversed in the current year as a result of the application of this accounting estimate. As discussed further in the income tax note, the IRD changed its position in light of further information on public authority tax status for TRC Group for the 2016 and 2017 income tax years. Accordingly, the closing tax balances are all nil at balance date.

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. As the statement of performance expectations and the associated budget was prepared for the Tāmaki Redevelopment Company Limited Legal Group which comprises of TRC Group and TRL, the budget for TRC Group is a subset and direct comparisons are not valid. A full valid comparison can be made by referring to the TRL and TRC Legal Group financial statements in additional to these financial statements. Certain budget amounts have been reclassified to achieve fair comparison against actuals. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements. Budget amounts have not been reclassified for the change in accounting policy from prior year where THALP was a principal but is now operating as agent of TRL.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these 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 JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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. This is a change in accounting policy from the previous year where the accounting judgement was that THA was the principal. As such, the prior year accounts have been

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

restated with a comparison between the statement of comprehensive income for the year ended 30 June 2016 as per the 2016 annual report and the 2017 annual report shown below.

A 'deed of lease and appointment of property manager' agreement sets out the roles and responsibilities between THALP and TRL. TRL essentially leases the assets to THALP so that THALP can sublease the assets to social housing tenants. In return, TRL is entitled to the full rental income collected by THALP less THALP's costs to provide the tenancy and property management service. THALP therefore does not make any net surplus for the year.

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.

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

Comparatives have been restated as a result of a change in accounting presentation to reflect the nature of THALP's agency relationship with Tāmaki Regeneration Limited. The following table outlines the changes made to the 2016 comparatives for the face of the financial statements and the relevant notes.

Statement of Comprehensive Revenue and Expense

		2016 VALUES PER:		
	NOTES	2017 FINANCIAL STATEMENTS 000'S	2016 FINANCIAL STATEMENTS 000'S	DIFFERENCE 000'S
Revenue				
Income-related rental subsidy		0	4,543	(4,543)
Rental income from tenants		0	10,539	(10,539)
Recoveries from property damage		0	7	(7)
Management fee income		1,684	0	1,684
Total revenue		**1,684**	**15,089**	**(13,405)**
Expenses				
Management fee expense		0	490	(490)
Variable lease expense		0	10,641	(10,641)
Repairs and maintenance		0	2,274	(2,274)
Total expenses		**0**	**13,405**	**(13,405)**
Surplus/(deficit) for the year		**1,684**	**1,684**	**0**

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

Statement of Financial Position

The statement of financial position has not been restated. However there has been a restatement within the trade and other receivables and the creditors and other payables notes. These restatements are provided below.

Trade and other receivables

	2016 VALUES PER:		
	2017 FINANCIAL STATEMENTS 000'S	2016 FINANCIAL STATEMENTS 000'S	DIFFERENCE 000'S
Receivable from Tāmaki Regeneration Limited	3,927	1,617	2,310
Income-related rent subsidies receivable	0	2,322	(2,322)
Receivable from tenants	0	187	(187)
Prepayments	0	0	0
GST receivable	40	40	0
Provision for impairment	0	(199)	199
Total trade and other receivables	**3,967**	**3,967**	**0**

Creditors and other payables

	2016 VALUES PER:		
	2017 FINANCIAL STATEMENTS 000'S	2016 FINANCIAL STATEMENTS 000'S	DIFFERENCE 000'S
Creditors	1,606	1,606	0
Accrued expenses	1,158	1,158	0
Payable to Tāmaki Regeneration Limited	3,636	3,448	188
Revenue in advance	0	188	(188)
Total creditors and other payables	**6,400**	**6,400**	**0**

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

Statement of Cash Flows

	2016 VALUES PER: 2017 FINANCIAL STATEMENTS 000'S	2016 FINANCIAL STATEMENTS 000'S	DIFFERENCE 000'S
Receipts from Crown	3,370	3,370	0
Interest received	45	45	0
Rental income from tenants	0	4,546	(4,546)
Income related rental subsidies	0	8,218	(8,218)
Receipts from other revenue	0	297	(297)
Management fee income	5,655	865	4,790
Payments to suppliers	(10,151)	(17,032)	6,881
Payments to employees	(4,023)	(4,023)	0
Interest paid	0	(33)	33
Goods and services tax (net)	56	56	0
Net cash flow from operating activities	**(5,048)**	**(3,691)**	**(1,357)**
Loan provided to Tāmaki Regeneration Limited	0	(1,357)	1,357
Net cash flow from investing activities	**0**	**(1,357)**	**1,357**
Net (decrease)/increase in cash and cash equivalents	**(5,048)**	**(5,048)**	**0**

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

2. MANAGEMENT FEE INCOME

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Management services provided by THALP to Tāmaki Regeneration Limited	4,942	1,684
Management services provided by TRC Parent to Tāmaki Regeneration Limited	4,481	1,123
Total management fee income	**9,423**	**2,807**

Tāmaki Regeneration Limited (TRL) leases its rental properties to THALP, who sublease the rental properties to social housing tenants. THALP is acting as an agent on behalf of TRL in conducting its tenancy and property management business. The management fee income that THALP recognises from TRL is based on the revenue required to ensure THALP does not record a net profit or a net loss for the period.

TRC Parent provides a management service function to TRL on an arms' length basis. This service includes back office support, operational and management staff and overhead costs.

3. OTHER EXPENSES

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Fees to Audit New Zealand for audit of 2016/17 financial statements	94	0
Fees to Audit New Zealand for audit of 2015/16 financial statements	26	66
Fees to Audit New Zealand for assurance services	0	18
Fees to Audit New Zealand for reviews	0	4
IT support and licence fees	522	324
Printing and stationary	61	59
Staff training	52	68
Insurance	58	53
Telephones and mobiles	174	85
Marketing and collateral	459	471
Rent	250	156
Motor vehicle expenses	128	35
Recruitment fees	258	285
Travel expenses	67	93
Other	463	418
Total other expenses	**2,612**	**2,135**

4. CASH AND CASH EQUIVALENTS

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Cash at bank and on hand	679	6,202
Total cash and cash equivalents	**679**	**6,202**

BNZ holds a letter of credit of $450k 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 2017

5. TRADE AND OTHER RECEIVABLES

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Receivable from Tāmaki Regeneration Limited	6,005	3,927
Prepayments	366	0
Loan	3,000	0
GST receivable	25	40
Total trade and other receivables	**9,396**	**3,967**

Loan to Tāmaki Regeneration Limited

TRC 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 social 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 2015	120	97	1,475	1,692
Balance at 30 June 2016 and 1 July 2016	295	218	614	1,127
Additions during the year	3	62	112	177
Disposals during the year	0	0	0	0
Balance at 30 June 2017	**298**	**280**	**726**	**1,304**
Accumulated depreciation				
Balance at 1 July 2015	54	53	207	314
Balance at 30 June 2016 and 1 July 2016	90	85	315	490
Depreciation charge for the year	96	48	206	350
Disposals during the year	0	0	0	0
Balance at 30 June 2017	**186**	**133**	**521**	**840**
Carrying Amounts				
Balance at 1 July 2015	66	44	1,268	1,378
Balance at 30 June 2016 and 1 July 2016	205	133	299	637
Balance at 30 June 2017	**112**	**147**	**205**	**464**

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. (2016: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

7. INTANGIBLE ASSETS

	ACQUIRED SOFTWARE ACTUAL $000'S	DEVELOPED SOFTWARE ACTUAL $000'S	TOTAL ACTUAL $000'S
Cost			
Balance as at 1 July 2015	43	0	43
Balance at 30 June 2016 and 1 July 2016	92	0	92
Additions during the year	8	0	8
Balance at 30 June 2017	**100**	**0**	**100**
Accumulated amortisation			
Balance as at 1 July 2015	35	0	35
Balance at 30 June 2016 and 1 July 2016	50	0	50
Amortisation charge for the year	18	0	18
Balance at 30 June 2017	**68**	**0**	**68**
Carrying Amounts			
Balance at 1 July 2015	8	0	8
Balance at 30 June 2016 and 1 July 2016	42	0	42
Balance at 30 June 2017	**32**	**0**	**32**

There are no restrictions over the title of TRC Group's intangible assets, nor are any intangible assets pledged as security for liabilities. (2016: nil).

8. INCOME TAXES

A. Amounts recognised in surplus or deficit

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Current tax expense/(benefit)		
Current year	0	0
	0	**0**
Deferred tax expense	0	0
Origination and reversal of temporary differences	0	0
Change in recognised deductible temporary differences	0	0
Recognition of previously unrecognised tax losses	0	0
	0	**0**
Total tax expense /(benefit)	**0**	**0**

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

8. INCOME TAXES (CONT)

B. Amounts recognised in other comprehensive revenue and expense

	2017 BEFORE TAX ACTUAL $000'S	2017 TAX EXPENSE ACTUAL $000'S	2017 NET OF TAX ACTUAL $000'S
Revaluation of property, plant and equipment	0	0	0
	0	**0**	**0**

	2016 BEFORE TAX ACTUAL $000'S	2016 TAX EXPENSE ACTUAL $000'S	2016 NET OF TAX ACTUAL $000'S
Revaluation of property, plant and equipment	0	0	0
	0	**0**	**0**

C. Reconciliation of effective tax rate

	2017 ACTUAL %	2017 ACTUAL $000'S	2016 ACTUAL %	2016 ACTUAL $000'S
(Deficit) before tax		**(462)**		**(11,306)**
Tax using the company's domestic rate	–	0	0.28	(3,166)
Tax effect:				
Tax-exempt income		0		0
Non-deductible expenses		0		2,065
Current year losses for which no deferred tax asset is recognised		0		1,101
Change in recognised deductible temporary differences		0		0
		0		**0**

In April 2014, TRC Parent was issued with a non-binding ruling from the IRD stating that it was a public authority for tax purposes and therefore exempt from income tax. In the 2016 financial year, the IRD subsequently informed TRC Parent that it took a contrary view to this position. TRC Parent submitted an application for a binding ruling which challenged the IRD's assumption, but this was unsuccessful. At the time the 2016 financial statements were prepared, although TRC Parent did not agree with this outcome, a decision was taken to accept the IRD's position rather than incur further cost. Subsequently the IRD approached TRC Parent to advise that it is reviewing whether certain Public Finance Act schedule 4A companies should be treated as being exempt from income tax. This review is ongoing but IRD has indicated that TRC Parent and TRL are treated as non-exempt companies, this will be on a prospective basis from a date to be agreed. Therefore the 2017 financial statements have been prepared on the basis that the companies in the TRC Group are tax exempt for the 2017 and earlier years.

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

8. INCOME TAXES (CONT)

D. Movement in deferred tax balances

2017	NET BALANCE AT 1 JULY	RECOGNISED IN SURPLUS/ (DEFICIT)	RECOGNISED IN OCRE	NET BALANCE AT 30 JUNE	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Property, plant and equipment	0	0	0	0	0	0
Accruals and provisions	0	0	0	0	0	0
Tax losses carried forward	0	0	0	0	0	0
Net tax assets/(liabilities)	**0**	**0**	**0**	**0**	**0**	**0**

2016	NET BALANCE AT 1 JULY	RECOGNISED IN SURPLUS/ (DEFICIT)	RECOGNISED IN OCRE	NET BALANCE AT 30 JUNE	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Property, plant and equipment	0	0	0	0	0	0
Accruals and provisions	0	0	0	0	0	0
Tax losses carried forward	0	0	0	0	0	0
Net tax assets/(liabilities)	**0**	**0**	**0**	**0**	**0**	**0**

E. Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which TRC Group can use the benefits therefrom.

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Deductible temporary differences (will never expire)	0	44
Tax losses	0	1,057
Total unrecognised deferred tax assets	**0**	**1,101**

F. Tax losses carried forward

	2017 ACTUAL $000'S	EXPIRY DATE	2016 ACTUAL $000'S	EXPIRY DATE
Expire	0	N/A	0	N/A
Never expire	0	N/A	3,773	N/A

G. GST provision expense

As a result of the change in IRD's view of TRC Group's income tax status for the 2016 and 2017 financial years, TRC Group is able to claim GST input tax deductions for its activities through this period. In the previous year, TRC Group recognised a provision for the potential reversal of historically claimed GST input tax deductions and some exposure to IRD use of money interest. A maximum exposure of $2.562m was estimated at 30 June 2016. This exposure no longer exists and therefore TRC Group has reversed the previously recognised GST provision.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

9. CREDITORS AND OTHER PAYABLES

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Creditors	681	1,606
Accrued expenses	416	1,158
Payable to Tāmaki Regeneration Limited	4,846	3,636
Total creditors and other payables	**5,943**	**6,400**

10. LOAN

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Loan facility from New Zealand Debt Management Office (NZDMO)	3,000	0
Loan (current portion)	**3,000**	**0**
Loan facility from New Zealand Debt Management Office (NZDMO)	8,500	8,500
Loan (non-current portion)	**8,500**	**8,500**
Total loan	**11,500**	**8,500**

TRC Parent has a loan facility from the NZDMO of $200m out of which $11.5m was drawn at balance date. Each tranche drawn down must be repaid within a maximum of 5 years from drawdown. TRC Parent has drawn down 3 tranches at balance date, one of which is due to be repaid on 30 June 2018. The tranches have varied interest rates which are based on the 90 day bank bill at the time of the drawdown plus a margin of between 25 and 75 basis points.

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

11. EQUITY

	ORDINARY SHARES	
	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Contributed capital		
Balance at 1 July	8,500	8,500
Issued for cash	0	0
Balance at 30 June	**8,500**	**8,500**
Accumulated (deficit)		
Balance at 1 July	(15,346)	(4,040)
Total comprehensive revenue and expense	(462)	(11,306)
Balance at 30 June	**(15,808)**	**(15,346)**
Total equity	**(7,308)**	**(6,846)**

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 2017. 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.

12. COMMITMENTS

There were no capital commitments as at 30 June 2017. 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 social housing buybacks and capital works (2016: nil).

Operating leases as leasee

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

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Not later than one year	227	220
Later than one year not later than five years	118	121
Later than five years	0	0
Total non-cancellable operating leases	**345**	**341**

13. CONTINGENCIES

There are no contingent liabilities or assets as at 30 June 2017. (2016: nil).

14. 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 Tāmaki Regeneration Limited 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 $3m and this is the amount outstanding at balance date. This transaction and balance is not at arms' length. This is due to TRC Parent managing the credit risk through joint governance as TRC Parent's Board 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.

Key management personnel compensation

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Board Members		
Remuneration ($000's)	209	190
Full-time equivalent members	1.03	1.09
Leadership Team		
Remuneration ($000's)	1,835	1,254
Full-time equivalent members	6.79	5.57
Total key management personnel remuneration ($000's)	**2,044**	**1,444**
Total full time equivalent personnel	**7.82**	**6.66**

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 Tāmaki Regeneration Limited (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.

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP
NOTES TO THE FINANCIAL STATEMENTS (CONT)
FOR THE YEAR ENDED 30 JUNE 2017

15. BOARD MEMBER REMUNERATION

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

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
John Robertson (Chair person)	42	0
Dr. Susan Macken (Deputy Chair person)	29	29
Matthew Harker	21	0
Diana Puketapu	21	0
Kerry Hitchcock	23	13
John Sax	23	23
Martin Udale	23	23
Soana Pamaka	23	23
Brian Donnelly	4	46
Eru Lyndon	0	23
Anne Candy	0	10
Total Board member remuneration	**209**	**190**

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. (2016: 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 2017

16. EMPLOYEE REMUNERATION

	2017 ACTUAL	2016 ACTUAL
Total remuneration paid or payable:		
$290,000 - $299,999	1	1
$280,000 - $289,999	1	0
$230,000 - $239,999	1	0
$220,000 - $229,999	1	0
$210,000 - $219,999	2	1
$200,000 - $209,999	1	1
$180,000 - $189,999	0	1
$170,000 - $179,999	0	0
$160,000 - $169,999	1	2
$150,000 - $159,999	4	0
$140,000 - $149,999	2	1
$130,000 - $139,999	1	1
$120,000 - $129,999	3	2
$110,000 - $119,999	2	3
$100,000 - $109,999	3	5
Total employees	**23**	**18**

1 employee received compensation or other benefits in relation to cessation. (2016: 1).

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.

17. EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date. (2016: nil).

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

18. FINANCIAL INSTRUMENTS

Financial instrument categories

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

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Financial assets – loans and receivables		
Cash and cash equivalents	679	6,202
Trade and other receivables	9,005	3,927
Total loans and receivables	**9,684**	**10,129**
Financial liabilities measured at amortised cost		
Creditors and other payables	5,943	6,400
Loan	11,500	8,500
Total financial liabilities measured at amortised cost	**17,443**	**14,900**

19. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Statement of Comprehensive Revenue and Expense

Revenues are close to budget. Personnel costs were lower than budget due to unfilled positions which were temporarily filled by contractors, the costs of which are higher than budget for the year. Consultant costs were lower than budgeted due to timing of social regeneration costs. This included work to bring together all of the stakeholders in the social services sector under the Tāmaki response. Management fee expense is lower than budget due to the budget including the management fees from outsourced repairs and maintenance of the social housing. Due to a change in accounting presentation in this financial year as a correct reflection of the principal agent relationship between TRL and THALP, this management fee expense now sits under TRL as the owner of the social housing properties. GST provision expense was reversed out due to confirmation from the IRD that TRC Group was not a taxpayer for the 2016 and 2017 financial years as a result of a review of the tax status of all Schedule 4A entities.

Statement of Financial Position

Cash is lower than budgeted due to timing of working capital flows. Trade and other receivables and loans are lower than budgeted due to the budgeted pass through of these loans to TRL not eventuating and management of cash flows at a TRC Legal Group level. Creditors and other payables are higher due to timing in cash outflows at year-end. As explained above, the GST provision that was put through in the last financial year was reversed as a result of the change in the IRD's view on TRC Group's tax status for the 2016 and 2017 income years. Property, plant and equipment is higher than budgeted due to leasehold fitout of the office rented for the large scale development procurement which was not budgeted.

Statement of Cash Flows

Operating cash flows are lower than budget primarily due to lower management fee receipts as a result of timing. The key variances in cash flows are in the loan drawn down. All loan draw downs were to be passed through to TRL as explained above. This was for development activity such as civil works and social housing buybacks. The timing of the development projects moving into the 2018 financial year meant that operating cash flows from social housing operations in TRL were sufficient to fund the development projects.

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 2017

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 43 to 65, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 10 to 29.

In our opinion:

- the financial statements of the Group on pages 43 to 65:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime;
- the performance information on pages 10 to 29:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2017, 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 2017. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONT)

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 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.
- 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.

INDEPENDENT AUDITOR'S REPORT (CONT)

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 Tāmaki Redevelopment Company Limited is responsible for the other information. The other information comprises the information included on pages 1 to 9, 30 to 42, 70 and 97 to 104, but does not include the information we audited, and our two auditor's reports thereon.

Our opinions on the information we audited do 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 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 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 2017

TĀMAKI REGENERATION LIMITED

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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 pages 10 to 29 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 period ended 30 June 2017.

Signed on behalf of the Board:

John Robertson
Chair
31 October 2017

Dr. Susan Macken
Deputy Chair
31 October 2017

TĀMAKI REGENERATION LIMITED

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 ACTUAL $000'S	2017 BUDGET $000'S	2016 ACTUAL $000'S
Revenue				
Development sales		14,498	77,497	3,768
Income-related rent subsidies		43,508	40,898	10,539
Rental income from tenants		17,966	17,528	4,543
Recoveries from property damage		213	200	7
Other income		1,045	0	0
Total revenue		**77,230**	**136,123**	**18,857**
Expenditure				
Consultants and professional fees		3,873	3,481	542
Contractors and temporary staff		305	626	117
Legal expense		1,507	660	344
Management fee expense		11,380	9,576	3,334
Inventory costs	2	49,756	100,707	30,933
Repairs and maintenance		10,700	11,235	2,274
Utilities and Insurance		9,360	9,388	2,328
Other expenses	3	1,127	334	184
Total expenditure		**88,008**	**136,007**	**40,056**
EBITDAF*		**(10,778)**	**116**	**(21,199)**
Depreciation	7	35,271	61,181	20,079
(Gain)/loss on revaluation of rental properties	7	(95,602)	0	105,446
Surplus/(deficit) before tax	8C	**49,553**	**(61,065)**	**(146,724)**
Tax expense	8A	41,083	0	(41,083)
Surplus/(deficit) for the year after tax		**8,470**	**(61,065)**	**(105,641)**
Other comprehensive revenue and expense				
Gain on revaluation of freehold land	8B	225,574	0	191,278
Total other comprehensive revenue and expense		**225,574**	**0**	**191,278**
Total comprehensive revenue and expense	11	**234,044**	**(61,065)**	**85,637**

Explanations of major variances against budget are provided in note 19.

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

The accompanying notes form part of these financial statements.

TĀMAKI REGENERATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	NOTES	2017 ACTUAL $000'S	2017 BUDGET $000'S	2016 ACTUAL $000'S
Assets				
Current assets				
Cash and cash equivalents	4	1,406	12,800	452
Trade and other receivables	5	4,867	63,310	5,345
Inventories	6	73,853	37,257	93,716
Current tax asset		8	0	0
Total current assets		**80,134**	**113,367**	**99,513**
Non-current assets				
Property, plant and equipment	7	1,878,480	1,479,228	1,654,662
Total non-current assets		**1,878,480**	**1,479,228**	**1,654,662**
Total assets		**1,958,614**	**1,592,595**	**1,754,175**
Liabilities				
Current liabilities				
Creditors and other payables	9	4,772	3,140	4,074
Current tax liability	8A	0	0	985
Loan	10	3,000	3,000	0
Total current liabilities		**7,772**	**6,140**	**5,059**
Non-current liabilities				
Loan	10	0	51,700	0
Deferred tax liability	8D	0	0	32,318
Total non-current liabilities		**0**	**51,700**	**32,318**
Total liabilities		**7,772**	**57,840**	**37,377**
Net assets		**1,950,842**	**1,534,755**	**1,716,798**
Equity				
Ordinary shares – TRC Parent		0	0	0
Preference shares – Crown		1,631,161	1,631,161	1,631,161
Revaluation reserve		416,852	0	191,278
Accumulated (deficit)		(97,171)	(96,406)	(105,641)
Total equity	11	**1,950,842**	**1,534,755**	**1,716,798**

Explanations of major variances against budget are provided in note 19.

For and on behalf of the Board who authorise the issue of the financial statements on 31 October 2017.

John Robertson
Chair
31 October 2017

Dr. Susan Macken
Deputy Chair
31 October 2017

The accompanying notes form part of these financial statements.

TĀMAKI REGENERATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	CONTRIBUTED CAPITAL ACTUAL $000'S	REVALUATION RESERVE ACTUAL $000'S	ACCUMULATED (DEFICIT) ACTUAL $000'S	TOTAL ACTUAL $000'S
Balance at 1 July 2016	11	**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 income		**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	11	**1,631,161**	**416,852**	**(97,171)**	**1,950,842**

	BUDGET $000'S	BUDGET $000'S	BUDGET $000'S	BUDGET $000'S
Balance at 1 July 2016	**1,631,161**	**0**	**(35,341)**	**1,595,820**
Total comprehensive revenue and expense				
(Deficit) for the year	0	0	(61,065)	(61,065)
Other comprehensive revenue and expense	0	0	0	0
Total comprehensive income	**0**	**0**	**(61,065)**	**(61,065)**
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**	**0**	**(96,406)**	**1,534,755**

	NOTES	ACTUAL $000'S	ACTUAL $000'S	ACTUAL $000'S	ACTUAL $000'S
Balance at 11 November 2015	11	**0**	**0**	**0**	**0**
Total comprehensive revenue and expense					
(Deficit) for the period		0	0	(105,641)	(105,641)
Other comprehensive revenue and expense		0	191,278	0	191,278
Total comprehensive income		**0**	**191,278**	**(105,641)**	**85,637**
Owners' transactions					
Capital contribution		1,631,161	0	0	1,631,161
Repayment of capital		0	0	0	0
Total contributions and distributions		**1,631,161**	**0**	**0**	**1,631,161**
Balance at 30 June 2016	11	**1,631,161**	**191,278**	**(105,641)**	**1,716,798**

Explanations of major variances against budget are provided in note 19.

The accompanying notes form part of these financial statements.

TĀMAKI REGENERATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 ACTUAL $000'S	2017 BUDGET $000'S	2016 ACTUAL $000'S
Cash flows from operating activities				
Receipts from development sales		14,498	36,759	4,898
Other revenue received		1,440	0	7,230
Rental income from tenants		18,002	17,728	4,547
Income-related rent subsidies		43,268	40,898	8,217
Goods and services tax (net)		798	0	(3,927)
Payments to suppliers		(48,367)	(79,114)	(18,753)
Net cash flow from operating activities		**29,639**	**16,271**	**2,212**
Cash flow from investing activities				
Purchase of freehold land and rental properties		(31,685)	(55,780)	(1,760)
Net cash flow from investing activities		**(31,685)**	**(55,780)**	**(1,760)**
Cash flow from financing activities				
Loan from Tāmaki Redevelopment Company Limited		3,000	51,700	0
Net cash flow from financing activities		**3,000**	**51,700**	**0**
Net increase in cash and cash equivalents		**954**	**12,191**	**452**
Cash and cash equivalents at the beginning of the period		452	609	0
Cash and cash equivalents at the end of the period	4	**1,406**	**12,800**	**452**

Explanations of major variances against budget are provided in note 19.

The accompanying notes form part of these financial statements.

TĀMAKI REGENERATION LIMITED

RECONCILIATION OF SURPLUS WITH NET OPERATING CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	2017 ACTUAL $000'S	2017 BUDGET $000'S	2016 ACTUAL $000'S
Surplus/(deficit) for the year	**8,470**	**(61,065)**	**(105,641)**
Adjustments for:			
Depreciation	35,271	(61,181)	20,079
Deferred tax recognised	42,068	0	(42,068)
(Gain)/loss on revaluation of rental properties	(95,602)	0	105,446
Inventory costs	19,386	94,231	30,408
Changes in:			
Inventories	19,863	(56,459)	(2,544)
Trade and other receivables	478	52,965	(6,879)
Creditors and other payables	698	48,765	2,426
Tax liabilities	(993)	(985)	985
Net cash from operating activities	**29,639**	**16,271**	**2,212**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

These financial statements are for Tāmaki Regeneration Limited (TRL). TRL has determined that it is a public benefit entity (PBE) for financial reporting purposes. TRL was incorporated on 11 November 2015. These financial statements are for the year ended 30 June 2017. They were approved by the Board on 31 October 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 on pages 41 to 68 of this Annual Report. 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 Annual Report also presents, on pages 97 to 103, 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.

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

TRL 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 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 public benefit entity 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

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

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, with the exception of the land and buildings transferred from Housing New Zealand 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 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.

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 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

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 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.

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

TRL is a public authority and consequently is exempt from income tax. This is a change in the accounting estimate for TRL from the prior year. Prior year tax balances have been reversed in the current year as a result of the application of this accounting estimate. As discussed further in the income tax note, the IRD changed its position in light of further information on public authority tax status for TRL for the 2016 and 2017 income tax years. Accordingly, the closing tax balances are all nil at balance date.

TĀMAKI REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

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

> revaluation reserve; and

> capital.

BUDGET FIGURES

The budget figures are derived from the statement of performance expectations as approved by the Board. As the statement of performance expectations and the associated budget was prepared for the Tāmaki Redevelopment Company Limited Legal Group which comprises of TRC Group and TRL, the budget for TRL is a subset and direct comparisons are not valid. A full valid comparison can be made by referring to the TRC Group and TRC Legal Group financial statements in additional to these financial statements. Certain budget amounts have been reclassified to achieve fair comparison against actuals. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing 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 2017. 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 social 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 is 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.

TĀMAKI REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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. This is a change in accounting policy from the previous year where the accounting judgement was that THA was the principal. As such, the prior year accounts have been restated with a comparison between the statement of comprehensive income for the year ended 30 June 2016 as per the 2016 annual report and the 2017 annual report shown below.

A 'deed of lease and appointment of property manager' agreement sets out the roles and responsibilities between THALP and TRL. TRL essentially leases the assets to THALP so that THALP can sublease the assets to social housing tenants. In return, TRL is entitled to the full rental income collected by THALP less THALP's costs to provide the tenancy and property management service. THALP therefore does not make any net surplus for the year.

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.

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

TĀMAKI REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Comparatives have been restated as a result of a change in accounting presentation to reflect the nature of TRL's principal relationship with Tāmaki Housing Association Limited Partnership. The following table outlines the changes made to the 2016 comparatives for the face of the financial statements and the relevant notes.

Statement of Comprehensive Revenue and Expense

	2016 VALUES PER:		
	2017 FINANCIAL STATEMENTS 000'S	2016 FINANCIAL STATEMENTS 000'S	DIFFERENCE 000'S
Revenue			
Income-related rental subsidy	4,543	0	4,543
Rental income from tenants	10,539	0	10,539
Recoveries from property damage	7	0	7
Variable lease income	0	10,604	(10,604)
Total revenue	**15,089**	**10,604**	**4,485**
Expenses			
Management fee expense	3,334	1,123	2,211
Repairs and maintenance	2,274	0	2,274
Total expenses	**5,608**	**1,123**	**4,485**
Surplus for the year	**9,481**	**9,481**	**0**

TĀMAKI REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

1. STATEMENT OF ACCOUNTING POLICIES (CONT)

Statement of Financial Position

The statement of financial position has not been restated. However there has been a restatement within the trade and other receivables and the creditors and other payables notes. These restatements are provided below.

Trade and other receivables

	2016 VALUES PER:		
	2017 FINANCIAL STATEMENTS 000'S	2016 FINANCIAL STATEMENTS 000'S	DIFFERENCE 000'S
Receivable from development sales (exchange)	1,210	1,210	0
Receivable from Tāmaki Housing Association Limited Partnership (non-exchange)	1,138	3,448	(2,310)
Receivable from Tāmaki Redevelopment Company Limited (non-exchange)	0	0	0
Income-related rent subsidies receivable (non-exchange)	2,322	0	2,322
Receivable from tenants (non-exchange)	187	0	187
Prepayments (exchange)	108	108	0
GST receivable (exchange)	579	579	0
Less: provision for impairment	(199)	0	(199)
Total trade and other receivables	**5,345**	**5,345**	**0**

Creditors and other payables

	2016 VALUES PER:		
	2017 FINANCIAL STATEMENTS 000'S	2016 FINANCIAL STATEMENTS 000'S	DIFFERENCE 000'S
Creditors	818	818	0
Accrued expenses	1,711	1,899	(188)
Payable to Tāmaki Redevelopment Company Limited	1,357	1,357	0
Payable to Tāmaki Housing Association Limited Partnership	0	0	0
Revenue in advance	188	0	188
Total creditors and other payables	**4,074**	**4,074**	**0**

Statement of Cash Flows

	2016 VALUES PER:		
	2017 FINANCIAL STATEMENTS 000'S	2016 FINANCIAL STATEMENTS 000'S	DIFFERENCE 000'S
Receipts from development sales	4,898	4,898	0
Other revenue received	7,230	7,192	38
Rental income from tenants	4,547	0	4,547
Income related rental subsidies	8,217	0	8,217
Goods and services tax (net)	(3,927)	(3,927)	0
Payments to suppliers	(18,753)	(5,951)	(12,802)
Net cash flow from operating activities	**2,212**	**2,212**	**0**
Net (decrease) in cash and cash equivalents	**2,212**	**2,212**	**0**

TĀMAKI REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

2. INVENTORY COSTS

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Net movement in provision of write-down in inventories	18,820	24,460
Development costs expensed through surplus or deficit	92	525
Net cost of development sales	30,844	5,948
Total inventory costs	**49,756**	**30,933**

3. OTHER EXPENSES

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Fee paid to Audit New Zealand for audit of 2016/17 financial statements	87	0
Fee paid to Audit New Zealand for audit of 2015/16 financial statements	18	85
Fees to Audit New Zealand for assurance services	77	0
IT support and licence fees	118	47
Bad and doubtful debts	581	0
Power for communal areas in social housing	74	0
Recruitment and training	73	0
Rent	45	0
Other	54	52
Total other expenses	**1,127**	**184**

4. CASH AND CASH EQUIVALENTS

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Cash at bank and on hand	1,406	452
Total cash and cash equivalents	**1,406**	**452**

5. TRADE AND OTHER RECEIVABLES

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Receivables from development sales (exchange)	12,171	1,210
Receivable from Tāmaki Housing Association Limited Partnership (non-exchange)	1,995	1,138
Receivable from Tāmaki Redevelopment Company Limited (non-exchange)	5	0
Income-related rental receivable (non-exchange)	2,562	2,322
Receivable from tenants (non-exchange)	173	187
Prepayments (exchange)	56	108
GST receivable (exchange)	140	579
	17,102	5,544
Less: provision for doubtful debts	(12,235)	(199)
Total trade and other receivables	**4,867**	**5,345**

TĀMAKI REGENERATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

6. INVENTORIES

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Cost		
Balance at 1 July	118,176	0
Inventories acquired via capital contribution	0	98,605
Freehold land transferred to inventories	19,386	22,238
Land improvements	10,415	3,281
Cost of development sales	(30,844)	(5,948)
Balance at 30 June	**117,133**	**118,176**
Provision for write-down of inventories		
Balance at 1 July	24,460	0
Provisions made	39,495	26,640
Provisions reversed through cost of development sales	(20,675)	(2,180)
Balance at 30 June	**43,280**	**24,460**
Total inventories	**73,853**	**93,716**

7. PROPERTY, PLANT AND EQUIPMENT

	NOTES	LAND WORK IN PROGRESS ACTUAL $000'S	FREEHOLD LAND ACTUAL $000'S	RENTAL PROPERTIES ACTUAL $000'S	TOTAL ACTUAL $000'S
Cost					
Balance at 11 November 2015		0	0	0	0
Balance at 30 June 2016 and 1 July 2016		0	1,410,449	244,213	1,654,662
Additions during the year		2,392	17,287	12,006	31,685
Revaluations during the year	8B	0	151,188	63,070	214,258
Disposals during the year		0	0	(2,739)	(2,739)
Transfers to inventory		0	(19,386)	0	(19,386)
Balance at 30 June 2017		**2,392**	**1,559,538**	**316,550**	**1,878,480**
Accumulated depreciation					
Balance at 11 November 2015		0	0	0	0
Balance at 30 June 2016 and 1 July 2016		0	0	0	0
Depreciation charge for the year		0	0	35,271	35,271
Disposals during the year		0	0	(2,739)	(2,739)
Revaluations during the year		0	0	(32,532)	(32,532)
Balance at 30 June 2017		**0**	**0**	**0**	**0**
Carrying Amounts					
Balance at 11 November 2015		0	0	0	0
Balance at 30 June 2016 and 1 July 2016		0	1,410,449	244,213	1,654,662
Balance at 30 June 2017		**2,392**	**1,559,538**	**316,550**	**1,878,480**

There are no restrictions on TRL's property, plant and equipment.

8. INCOME TAXES

A. Amounts recognised in surplus or deficit

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Current tax expense		
Current year	(985)	985
	(985)	**985**
Deferred tax expense		
Origination and reversal of temporary differences	42,068	(42,068)
Change in recognised deductible temporary differences	0	0
Recognition of previously unrecognised tax losses	0	0
	42,068	**(42,068)**
Total tax expense	**41,083**	**(41,083)**

B. Amounts recognised in other comprehensive revenue and expense

	2017			2016		
	BEFORE TAX ACTUAL $000'S	TAX EXPENSE ACTUAL $000'S	NET OF TAX ACTUAL $000'S	BEFORE TAX ACTUAL $000'S	TAX EXPENSE ACTUAL $000'S	NET OF TAX ACTUAL $000'S
Revaluation of PPE	(151,188)	(74,386)	(225,574)	(265,664)	74,386	(191,278)
	(151,188)	**(74,386)**	**(225,574)**	**(265,664)**	**74,386**	**(191,278)**

C. Reconciliation of effective tax rate

	2017 ACTUAL %	2017 ACTUAL $000'S	2016 ACTUAL %	2016 ACTUAL $000'S
Profit before tax		**49,471**		**(146,724)**
Tax using the company's domestic rate	0.28	13,852	0.28	(41,083)
Tax effect of:				
Tax exempt income		(13,852)		0
Current period losses for which no deferred tax asset is recognised		0		0
Change in recognised deductible temporary differences		0		0
Prior-year adjustment		41,083		0
		41,083		**(41,083)**

In April 2014, TRC Parent was issued with a non-binding ruling from the IRD stating that it was a public authority for tax purposes and therefore exempt from income tax. In the 2016 financial year, the IRD subsequently informed TRC Parent that it took a contrary view to this position. TRC Parent submitted an application for a binding ruling which challenged the IRD's assumption, but this was unsuccessful. At the time the 2016 financial statements were prepared, although TRC Parent did not agree with this outcome, a decision was taken to accept the IRD's position rather than incur further cost. Subsequently the IRD approached TRC Parent to advise that it is reviewing whether certain Public Finance Act schedule 4A companies should be treated as being exempt from income tax. This review is ongoing but IRD has indicated that if TRC Parent and TRL are treated as non-exempt companies, this will be on a prospective basis from a date to be agreed. Therefore the 2017 financial statements have been prepared on the basis that the companies in the TRC Group are tax exempt for the 2017 and earlier years.

8. INCOME TAXES (CONT)

D. Movement in deferred tax balances

	NET BALANCE AT 1 JULY 2016 $000'S	RECOGNISED IN (DEFICIT) $000'S	RECOGNISED IN OCRE $000'S	NET BALANCE AT 30 JUNE 2017 $000'S	DEFERRED TAX ASSETS $000'S	DEFERRED TAX LIABILITIES $000'S
Property, plant and equipment	(39,258)	(35,128)	74,386	0	0	0
Accruals and provisions	6,940	(6,940)	0	0	0	0
Tax losses carried forward	0	0	0	0	0	0
Net tax assets/ (liabilities)	**(32,318)**	**(42,068)**	**74,386**	**0**	**0**	**0**

	NET BALANCE AT 11 NOVEMBER 2015 $000'S	RECOGNISED IN (DEFICIT) $000'S	RECOGNISED IN OCRE $000'S	NET BALANCE AT 30 JUNE 2016 $000'S	DEFERRED TAX ASSETS $000'S	DEFERRED TAX LIABILITIES $000'S
Property, plant and equipment	0	35,128	(74,386)	(39,258)	0	(39,258)
Accruals and provisions	0	6,940	0	6,940	6,940	0
Tax losses carried forward	0	0	0	0	0	0
Net tax assets/ (liabilities)	**0**	**42,068**	**(74,386)**	**(32,318)**	**6,940**	**(39,258)**

9. CREDITORS AND OTHER PAYABLES

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Creditors	1,397	818
Accrued expenses	48	1,711
Payable to Tāmaki Redevelopment Company Limited	960	1,357
Payable to Tāmaki Housing Association Limited Partnership	2,157	0
Revenue in advance	210	188
Total creditors and other payables	**4,772**	**4,074**

10. LOAN

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Unsecured loan from TRC Parent	3,000	0
Loan (current portion)	**3,000**	**0**
Total loan	**3,000**	**0**

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 fund the capital commitments for buyback of social housing and capital development works. The loan is unsecured and provided at nil interest. Repayment of the loan is on request from TRC Parent.

11. EQUITY

	ORDINARY SHARES ACTUAL $000'S	PREFERENCE SHARES ACTUAL $000'S	TOTAL ACTUAL $000'S
Contributed capital			
Balance at 11 November 2015	0	0	0
Balance at 30 June 2016 and 1 July 2016	0	1,631,161	1,631,161
Balance at 30 June 2017	**0**	**1,631,161**	**1,631,161**
Accumulated (deficit)			
Balance at 11 November 2015	0	0	0
Balance at 30 June 2016 and 1 July 2016	85,637	0	85,637
Total comprehensive revenue and expense	234,044	0	234,044
Balance at 30 June 2017	**319,681**	**0**	**319,681**
Total equity	**319,681**	**1,631,161**	**1,950,842**

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 period. 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 period. 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.

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.

11. EQUITY (CONT)

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 social 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

12. COMMITMENTS

TRL has contractually committed to buy back social 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 also committed to capital works on land for specific development projects that have commenced at balance date.

CAPITAL COMMITMENTS

The future social housing buyback commitments and commitments for capital works are as follows:

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Not later than one year	41,633	32,400
Later than one year not later than five years	15,619	16,400
Later than five years	0	0
Total commitments	**57,252**	**48,800**

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

13. CONTINGENCIES

There were no contingent assets or contingent liabilities as at 30 June 2017 (2016: nil).

14. 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 is acting as an 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 the revenue required to ensure THALP does not record a net profit or a net loss for the period. This is not at arms' length as a result of the common governance arrangements and the decision to maximise the use of profits for development activity within TRL. The balances outstanding between TRL and the other entities within the TRC Legal Group are disclosed in notes 5, 9 and 10 of these financial statements.

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Management fee expense paid to THALP	4,942	1,684

Key management personnel compensation

	2017 ACTUAL	2016 ACTUAL
Leadership Team		
Remuneration ($000's)	830	465
Full-time equivalent members	2.93	1.99

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.

15. BOARD MEMBER REMUNERATION

There was no remuneration paid to the Board of TRL during the period. 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 period. TRC Parent has not provided a deed of indemnity to its Directors during the financial period. TRC Parent has taken out Directors' and Officers' Liability and Professional Indemnity insurance cover during the financial period 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.

TĀMAKI REGENERATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT)
FOR THE YEAR ENDED 30 JUNE 2017

16. EMPLOYEE REMUNERATION

TRL had no employees during the period 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 period and no employees received compensation or other benefits in relation to cessation.

17. EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date (2016: nil).

18. FINANCIAL INSTRUMENTS

Financial instrument categories

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

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
Financial assets – loans and receivables		
Cash and cash equivalents	1,406	452
Trade and other debtors	4,671	4,658
Total loans and receivables	**6,077**	**5,110**
Financial liabilities measured at amortised cost		
Creditors and other payables	4,514	2,175
Loan	3,000	0
Total financial liabilities measured at amortised cost	**7,514**	**2,175**

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 interest rate risk, 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 its exposure to the Crown Loan drawn down by TRC Parent which is utilised as required by TRL to fund operating activities. TRL are exposed to these risks of interest rates changes but has not hedged or managed this exposure in the financial year to 30 June 2017 as the loan balance of $3.0 million from TRC Parent is deemed immaterial.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

18. FINANCIAL INSTRUMENTS (CONT)

(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 assess organisations for credit worthiness prior to engagement. In addition, receivable balances are monitored on an ongoing basis. There is no collateral held as security against these financial instruments.

TRL assesses individual debtors for impairment monthly. Where the ageing of tenant debt is past due and no payment arrangement has been made or if the tenant is not contactable, this debt is considered impaired. Tenant debt collection is managed by THA as agent for TRL. Collection rates are monitored by management and Board of THALP and TRL. $64k of tenant debt was considered doubtful at balance date compared to the total balance of $173k and total revenue from tenants for the year of $17,966k. Where the ageing of other debts is over 60 days past due, the debt is considered impaired.

(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 2017 all of the contractual maturities (undiscounted cash flow) of TRL's financial liabilities are due within one year.

(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.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	2017 ACTUAL $000'S	2016 ACTUAL $000'S
COUNTERPARTIES WITH CREDIT RATING		
Cash at bank		
AA-	1,406	452
Total cash at bank	1,406	452
COUNTERPARTIES WITHOUT CREDIT RATING		
Receivables		
Counterparty with no defaults in the past	4,562	4,658
Counterparty with defaults in the past	109	0
Total receivables	4,671	4,658

NOTES TO THE FINANCIAL STATEMENTS (CONT)

FOR THE YEAR ENDED 30 JUNE 2017

18. FINANCIAL INSTRUMENTS (CONT)

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 amounts 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
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
2016					
Creditors and other payables	2,175	2,175	2,175	0	0
Loans	0	0	0	0	0
Total	2,175	2,175	2,175	0	0

19. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Statement of Comprehensive Revenue and Expense

Development sales were lower than budgeted due to timing of development projects leading to sales being pushed past the end of this financial year. This has also impacted on cost of goods sold which is lower than budgeted. Income-related rental subsidies were higher than budgeted due to higher than expected market rent increases most of which was borne through the subsidy and higher occupancy rates.

Depreciation was lower than budgeted as a result of project timing being forecast later than anticipated. Depreciation is calculated on estimated useful life of the rental property which is until the demolition of the property for redevelopment purposes. Gain on revaluation of rental properties and on freehold land was not budgeted for. Tax expense was reversed out from prior year due to the IRD's decision to allow all of the entities within the TRC Legal Group to be tax exempt for the 2016 and 2017 financial years.

Statement of Financial Position

Trade and other receivables is lower than forecast as a result of the lower development sales which also reflects in the higher inventories on hand at year-end. Current tax and deferred tax balances have also reversed out in line with the adjustment to tax expense over IRD decision over TRC Legal Group tax status. Property, plant and equipment is lower than budget as a result of revaluations not being forecast. Timing of development projects has impacted on transfers from PPE into inventory. Non-current loans are lower than budgeted due to lower loans required to be drawn from TRC Parent which results from less development costs due to timing.

Statement of Cash Flows

Receipts from development sales were lower than budgeted receipts but was larger as a proportion of revenue received. This was due to a large proportion of cash sales in this financial year. The timing of the sales which were budgeted to be on deferred settlement was impacted by project delivery. Payments to suppliers are lower due to lower than budgeted inventory costs. Purchase of property, plant and equipment are lower than budgeted due to lower than anticipated strategic land purchases during the period and slightly lower than anticipated buyback of social housing from developers.

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 2017

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 71 to 93, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Company on pages 10 to 29.

In our opinion:

- the financial statements of the Company on pages 71 to 93:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2017; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the performance information on pages 10 to 29:
  - presents fairly, in all material respects, the Company's performance for the year ended 30 June 2017, 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 2017. This is the date at which our opinion is expressed.

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

Basis for 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.

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.

INDEPENDENT AUDITOR'S REPORT (CONT)

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.
- 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.

INDEPENDENT AUDITOR'S REPORT (CONT)

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 Tāmaki Redevelopment Company Limited is responsible for the other information. The other information comprises the information included on pages 1 to 9, 30 to 42, 70 and 97 to 104, but does not include the information we audited, and our two auditor's reports thereon.

Our opinions on the information we audited do 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 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 undertaken by the Company, which is compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Company.

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

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

FOR THE YEAR ENDED 30 JUNE 2017

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

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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:

John Robertson
Chair
31 October 2017

Dr. Susan Macken
Deputy Chair
31 October 2017

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2017

	2017 ACTUAL UNAUDITED $000'S	2017 BUDGET UNAUDITED $000'S	2016 ACTUAL UNAUDITED $000'S
Revenue			
Development sales	14,498	77,497	3,768
Other revenue	1,295	200	7
Crown funding	3,190	3,190	3,370
Council funding	0	0	0
Management fee income	0	0	0
Rental income from tenants	17,966	17,528	4,543
Income-related rent subsidies	43,508	40,898	10,539
Total non exchange revenue	**80,457**	**139,313**	**22,227**
Expenditure			
Personnel costs	7,648	8,116	4,358
Inventory costs	49,756	100,707	30,933
Contractors and temporary staff	1,857	1,363	1,838
Directors fees	209	655	190
Repairs and maintenance	10,700	11,246	2,273
Management fee expense	2,249	1,965	612
Consultants and professional fees	8,091	8,406	5,928
GST provision expense/(reversal)	(2,562)	0	2,562
Loss on disposal of leasehold improvements	0	0	969
Utilities and Insurance	9,361	9,387	2,091
Other expenses	3,740	3,299	2,712
Total expenditure	**91,049**	**145,144**	**54,466**
EBITDAF*	**(10,592)**	**(5,831)**	**(32,239)**
Depreciation and amortisation expense	35,639	61,431	20,357
Loss on revaluation of rental properties	(95,602)	0	105,446
Total depreciation, amortisation and fair value adjustments	**(59,963)**	**61,431**	**125,803**
EBIT**	**49,371**	**(67,262)**	**(158,042)**
Finance income	27	100	45
Finance costs	307	1,243	33
Net finance income	**(280)**	**(1,143)**	**12**
Surplus/(deficit) before tax	**49,091**	**(68,405)**	**(158,030)**
Tax expense	41,083	0	(41,083)
Surplus/(deficit) for the year	**8,008**	**(68,405)**	**(116,947)**
Other comprehensive revenue and expense			
Gain on revaluation of freehold land	225,574	0	191,278
Total other comprehensive revenue and expense	**225,574**	**0**	**191,278**
Total comprehensive revenue and expense	**233,582**	**(68,405)**	**74,331**

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

** Earnings before interest and taxation.

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30 JUNE 2017

	2017 ACTUAL UNAUDITED $000'S	2017 BUDGET UNAUDITED $000'S	2016 ACTUAL UNAUDITED $000'S
Assets			
Current assets			
Cash and cash equivalents	2,085	14,892	6,654
Trade and other receivables	4,968	65,710	4,249
Inventories	73,853	37,257	93,716
Current tax asset	8	0	0
Deferred tax asset	0	0	6,940
Total current assets	**80,914**	**117,859**	**111,559**
Non-current assets			
Property, plant and equipment	1,878,944	1,479,502	1,655,299
Intangible assets	32	153	42
Total non-current assets	**1,878,976**	**1,479,655**	**1,655,341**
Total assets	**1,959,890**	**1,597,514**	**1,766,900**
Liabilities			
Current liabilities			
Creditors and other payables	4,420	1,483	5,409
Annual leave liability	436	216	234
Loan	3,000	3,000	0
GST provision	0	0	2,562
Current tax liability	0	0	985
Deferred tax liability	0	0	39,258
Total current liabilities	**7,856**	**4,699**	**48,448**
Non-current liabilities			
Loan	8,500	57,200	8,500
Total non-current liabilities	**8,500**	**57,200**	**8,500**
Total liabilities	**16,356**	**61,899**	**56,948**
Net assets	**1,943,534**	**1,535,615**	**1,709,952**
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	416,852	0	191,278
Accumulated (deficit)	(112,979)	(104,046)	(120,987)
Total equity	**1,943,534**	**1,535,615**	**1,709,952**

For and on behalf of the Board who authorise the issue of the financial statements on 31 October 2017.

John Robertson
Chair
31 October 2017

Dr. Susan Macken
Deputy Chair
31 October 2017

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2017

	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 2016	**1,639,661**	**191,278**	**(120,987)**	**1,709,952**
Total comprehensive revenue and expense				
(Deficit) for the year	0	0	8,008	8,008
Other comprehensive revenue and expense	0	225,574	0	225,574
Total comprehensive income	**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**

	BUDGET UNAUDITED $000'S	BUDGET UNAUDITED $000'S	BUDGET UNAUDITED $000'S	BUDGET UNAUDITED $000'S
Balance at 1 July 2016	**1,639,661**	**0**	**(35,641)**	**1,604,020**
Total comprehensive revenue and expense				
(Deficit) for the year	0	0	(68,405)	(68,405)
Other comprehensive revenue and expense	0	0	0	0
Total comprehensive income	**0**	**0**	**(68,405)**	**(68,405)**
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**	**0**	**(104,046)**	**1,535,615**

	ACTUAL UNAUDITED $000'S	ACTUAL UNAUDITED $000'S	ACTUAL UNAUDITED $000'S	ACTUAL UNAUDITED $000'S
Balance at 1 July 2015	**8,500**	**0**	**(4,040)**	**4,460**
Total comprehensive revenue and expense				
(Deficit) for the year	0	0	(116,947)	(116,947)
Other comprehensive revenue and expense	0	191,278	0	191,278
Total comprehensive income	**0**	**191,278**	**(116,947)**	**74,331**
Owners' transactions				
Capital contribution	1,631,161	0	0	1,631,161
Repayment of capital	0	0	0	0
Total contributions and distributions	**1,631,161**	**0**	**0**	**1,631,161**
Balance at 30 June 2016	**1,639,661**	**191,278**	**(120,987)**	**1,709,952**

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2017

	2017 ACTUAL UNAUDITED $000'S	2017 BUDGET UNAUDITED $000'S	2016 ACTUAL UNAUDITED $000'S
Cash flows from operating activities			
Receipts from Crown	3,190	3,190	3,370
Receipts from development sales	14,498	36,759	4,898
Rental income from tenants	18,002	17,728	4,546
Income-related rental subsidy	43,268	40,898	8,218
Interest received	27	100	45
Other revenue received	1,476	0	297
Payments to suppliers	(49,530)	(76,208)	(16,315)
Payments to employees	(7,444)	(9,029)	(4,023)
Goods and services tax (net)	814	0	(3,872)
Net cash flow from operating activities	**24,301**	**13,438**	**(2,836)**
Cash flow from investing activities			
Purchase of property, plant and equipment	(31,832)	(55,840)	(2,242)
Purchase of intangible assets	(38)	(117)	(49)
Net cash flow from investing activities	**(31,870)**	**(55,957)**	**(2,291)**
Cash flow from financing activities			
Loan drawdown	3,000	51,700	8,500
Net cash flow from financing activities	**3,000**	**51,700**	**8,500**
Net increase in cash and cash equivalents	**(4,569)**	**9,181**	**3,373**
Cash and cash equivalents at the beginning of the year	6,654	5,711	3,281
Cash and cash equivalents at the end of the year	**2,085**	**14,892**	**6,654**

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

FOR THE YEAR ENDED 30 JUNE 2017

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 2017 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 most appropriate way to describe and present such a set of financial statements is as a non-GAAP aggregation. 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 period.

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.

TRC Group and TRL are both non-publicly accountable and non-large public benefit entities as defined by the External Reporting Board. For that reason, the TRC Legal Group's aggregate of TRC Group & TRL's financial statements (non-GAAP) have been prepared in under the same Tier as both TRC Group and TRL. That is, 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
John Robertson (Chair)
Dr. Susan Macken (Deputy Chair)
Martin Udale
John Sax
Kerry Hitchcock
Diana Puketapu
Matthew Harker

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 2017 audit.

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

insightcreative.co.nz

TĀMAKI REGENERATION

TĀMAKIREGENERATION.CO.NZ