TĀMAKI REDEVELOPMENT COMPANY LIMITED
ANNUAL REPORT 2018-2019

Tāmaki is an awesome place to live

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PURPOSE OF ANNUAL REPORT

In accordance with the Crown Entities Act 2004 and the Public Finance Act 1989, this Annual Report takes our 2018-2019 (“FY19”) company objectives, as set out in the FY19 Statement of Performance Expectations (“SPE”), and publicly states and evaluates our performance against forecasts and targets contained in the FY19 SPE. This includes both financial reporting (actuals against budgets) and non-financial-reporting, performance against output measure targets and enabling project milestones.

In providing a consolidated account of our activities and expenditure in FY19, this Annual Report enables our shareholders, Members of Parliament, and the public to hold us accountable for our overall performance during the year. It also allows Parliament to assess and review our performance through the select committee process.

ABOUT TĀMAKI REDEVELOPMENT COMPANY

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

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

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

Tāmaki is ready for change and, through its shareholders, the Crown and Auckland Council, the Tāmaki Regeneration Company ("TRC")[1], is successfully leading a first-of-its-kind urban regeneration programme in New Zealand.

This redevelopment programme will see the majority of the existing state houses replaced with warm, dry state, affordable, KiwiBuild, and private market houses over the next 20 years.

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

We are achieving this and supporting the housing delivery programme by:

- Working in partnership with the community, public agencies, and the private sector to create quality jobs in Tāmaki and supporting our local people into employment, reducing the need for government support;
- Delivering shared ownership and affordable rental housing products. These products have been tailored to meet the demand profile of the Tāmaki community and support the Government's commitment to deliver innovative home ownership models within the state and broader community housing programme;
- Working with Kainga Ora to ensure the quality of housing and regeneration neighbourhoods being delivered in the area are consistent with the urban design approach and design guidelines for Tāmaki that were documented in the Tāmaki Precinct Masterplan;
- Supporting the Ministry of Education to implement the Tāmaki Education Change Plan. This long-term plan will improve education outcomes in Tāmaki and attract new families to the area;
- Developing an intensive support service for families with multiple and complex needs, called Whānau by Whānau, to tackle those factors that trap families in crisis and poverty, working both at an individual family level and at a systemic level;
- Implementing our destination marketing strategy to attract investment into the area, positioning Tāmaki as a location of choice and a thriving hub of enterprise, with two bustling town centres;

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

- Continuing to work closely with the Auckland Council family and Maungakiekie-Tāmaki Local Board on the revitalisation of town centres and employment zones in Tāmaki; and

- Utilising our tenancy management services arm, the Tāmaki Housing Association Limited Partnership[2] (Tāmaki Housing Association), to connect with tenants and residents, taking a personalised approach and spending time getting to know state housing whānau to understand their needs, and working with them to achieve their aspirations.

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

This trade-off is being identified and measured. We are using best practice insights to inform the strategic deliverables and measurements of outcomes, both fiscal and social. In 2017, we partnered with the University of Otago Wellington to develop a long-term Evaluation Framework and Plan for Tāmaki. This Evaluation Framework and Plan is now being implemented and will allow us to measure the impact of our activities on outcomes of the local population, over time.

We are also working with the New Zealand Institute of Economic Research to develop a Total Impact Reporting Tool, which will allow us to demonstrate the long-term net economic and social benefits that are forecast to be created by our activities within a given year. The Tool is consistent with Treasury's Living Standards Framework and government objectives to report against a wider set of wellbeing outcomes. By delivering effective social, economic, and environmental benefits for the Tāmaki community, TRC is a world leader of regeneration – an organisation that will learn, grow, and share its knowledge.

That journey has already begun. TRC collaborated with the Tāmaki community, Crown, and Auckland Council to produce a single set of outcomes for Tāmaki. Collectively, these outcomes provide a clear vision for the area, a vision that we will realise through partnership by agreeing priorities, working together, and aligning the delivery of social services to best meet the needs of Tāmaki families. By making the most of what's already great about Tāmaki and ensuring that families have the opportunities they need to thrive, Tāmaki's regeneration will create an awesome place to live.

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

REGENERATION PROGRAMME HIGHLIGHTS

- Homes – Delivered more than 500 homes since 2012, with 177 delivered in FY19.
- Shared Home Ownership – TRC's shared home ownership programme has kicked off, with the first whānau moving into their home in September 2019.
- Housing Independence – Through our Pathways to Housing Independence programme, 105 local families are mortgage-ready.
- Jobs – The Jobs and Skills Hub has supported almost 600 people into employment in the past 5 years, with 220 people supported into employment in the past year.
- Tenant Satisfaction – The Tāmaki Housing Association scored 88% for overall customer satisfaction in a recent survey of state housing tenants.
- Tāmaki Commitment – We have rehoused more than 200 families, always following our commitment that those who wish to stay in Tāmaki will have the opportunity to do so.
- Tāmaki Response – In 2018 we established this cross-agency co-design hub, which works to ensure more effective and efficient social services within Tāmaki and provides a platform for change across New Zealand.
- Maybury Green – We have converted 20 state houses in Glen Innes to green space, creating a safer, more accessible space for our community.
- Te Whare Piringa – We worked alongside the local community and partners to refurbish an old Scout Hall in Glen Innes and create a community space for all to use.
- Glenbrae Kids Early Learning Centre – During consultation, the Fenchurch community said they needed an early childhood centre, so TRC worked with partners to deliver Glenbrae Kids.

TĀMAKI REGENERATION STRATEGIC PRIORITIES

Tāmaki Regeneration Company (TRC) was set up to lead a first-of-its-kind urban regeneration programme in the East Auckland suburbs of Glen Innes, Point England and Panmure. Our long-term vision is that "Tāmaki is an awesome place to live" and our work is guided by four long-term strategic priorities for the regeneration programme: housing resources, social transformation, economic development, and placemaking.

These strategic priorities are defined in further detail below:

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

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

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

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

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

STRATEGIC PRIORITY – HOUSING RESOURCES

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

Our objective in this area is to optimise the use of land and existing houses to support and deliver improved social and economic outcomes, including better public housing options for Tāmaki; however, this is about more than just building houses, we are building communities. Mixed and blind tenure houses, coupled with great urban design and world-class tenancy management, are essential to regeneration outcomes.

To this end, we manage our significant asset base strategically, ensuring that we are maximising both financial and non-financial dividends for the Crown and community, while adhering to the overarching principles of the regeneration programme. During FY19, we met all four of our asset management targets, including establishing a baseline for the quality of our state houses at a portfolio level. This will allow us to measure the improvements to the portfolio, over time, via the housing redevelopment programme and the planned and reactive maintenance of our properties.

We are working closely with HLC (2017) Limited ("HLC") – the master developer for Tāmaki – to drive the supply of diverse housing stock to the Auckland market through the housing redevelopment programme, including state, affordable, and private market homes. During FY19, 177 new homes were delivered through the housing programme, an increase on delivery during the previous year (154). This included 51 new, warm, dry, and healthy state homes, and seven affordable properties. We also produced the Tāmaki Precinct Masterplan, which will now act as the overarching development framework for the area, providing for the consistent and coherent urban design approach to the development of Tāmaki. The Masterplan was developed in collaboration with HLC and in consultation with the Maungakiekie-Tāmaki Local Board, Auckland Council, and key community stakeholders.

Our tenancy management services arm, Tāmaki Housing Association, continues to deliver an innovative tenancy management service in Tāmaki, based on supporting successful tenancies and being responsive to each state housing whānau's needs. During FY19, we met all six of our tenancy management targets, including maintaining an 82% customer satisfaction rate across the year. This included an 88% customer satisfaction rate for the March 2019 quarter, the highest rate that we have achieved to date. This is a significant achievement that demonstrates the value of delivering tenancy management in accordance with values aligned with the communities we serve. In recognition of its outstanding performance, Tāmaki Housing Association was this year named a co-winner in the Australasian Housing Institute's Excellence in Social Housing category.

Rehousing is a key component of the regeneration programme in Tāmaki and we recognise that this can be a difficult time for whānau. When we require a state housing whānau's property for redevelopment purposes, we work with the whānau in a compassionate and flexible way, to ensure that we develop a rehousing plan that factors in their current needs as well as their aspirations for the future. Employing this model, our team successfully rehoused 43 state housing whānau during the year, always adhering to the Tāmaki Commitment, that those who wish to stay in Tāmaki will have the opportunity to do so.

We continue to manage our housing portfolio efficiently and effectively, improving the overall quality of our portfolio by replacing older houses and purchasing newly built state homes. We are upgrading existing houses using an asset lifecycle approach to ensure long-term sustainability in line with our redevelopment timeframes.

Acknowledging demand levels across Auckland, we keep vacancy periods to a minimum and maximise the number of public housing places available. This year, we will procure a new maintenance contractor, using this process to seek improvements in our approaches to customer service, property maintenance, and asset management. We will also assist HLC to finalise the Tāmaki Programme Business Case, which will set out the long-term forecast delivery of new housing stock in Tāmaki. Throughout this work, the welfare of our state housing whānau will always be central in our thinking.

Housing Resources: Performance against 2018-2019 Statement of Performance Expectations

OUTPUT MEASURE / ENABLING PROJECT	FY19 TARGET / MILESTONE	FY19 ACTUAL	STATUS	COMMENTARY
ASSET MANAGEMENT				
Portfolio average property condition	Baseline to be established	2.84[3]	Met	This baseline was established following a representative survey of TRC's housing portfolio, comprising an assessment of 87% of all properties within the portfolio by 30 June 2019.
Percentage of customers satisfied with repairs and maintenance	65%	67%	Met	
Percentage of lettable homes that are let	98%	99%	Met	
Average inter-tenancy void turnaround time (vacant to ready to let)	28 days	25 days	Met	
TENANCY MANAGEMENT				
Percentage of tenants who are affected by redevelopment and want to stay in Tāmaki that are rehoused within Tāmaki	100%	100%	Met	Forty-three state housing whānau, who wanted to stay in Tāmaki, were rehoused during the year. The Tāmaki Commitment was adhered to at all times throughout the rehousing programme in FY19.
STAR Customer Satisfaction Score	80%	82%	Met	
Rental debt older than 7 days as a percentage of monthly rental income	<5.0%	2.8%	Met	
Tenancy management cost per unit	<$2080pa	$1,922pa	Met	
Average number of days to let Tāmaki Housing Association property to applicants from the MSD register after it becomes available	15 days	7 days	Met	

[3] To assess the overall condition of our properties at a portfolio-level, we use a Condition Grade Index ("CGI") that measures the average condition grade of components, weighted by their gross replacement costs. This encompasses all the components that make up a property, (e.g., paths and fences, as well as stoves, toilets, and carpet) and is rolled up to provide an overall portfolio score. If the CGI is less than 2.0, it is likely that the average condition of properties across the portfolio are good to very good. If the CGI is greater than 2.5, then it is likely that properties across the portfolio are, on average, in poorer condition. Regardless of the CGI, all properties will meet the health and safety requirements expected of a state house.

OUTPUT MEASURE / ENABLING PROJECT	FY19 TARGET / MILESTONE	FY19 ACTUAL	STATUS	COMMENTARY
Percentage of urgent health and safety queries responded to within 4 hours	95%	97%	Met	
HOUSING SUPPLY				
Tāmaki Precinct Masterplan	Plan completed	Plan completed	Met	The Masterplan is now being implemented, with a series of activities planned for FY20.

Housing Resources: Revenue and Output Expenses

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

REVENUE AND OUTPUT EXPENSES	2018/19 ACTUAL	2018/19 BUDGET	DIFFERENCE
Revenue	(000s)	(000s)	($000s)
Crown	-	-	-
Other	76,746	66,234	10,512
Total Revenue	**76,746**	**66,234**	**10,512**
Expenditure	(101,353)	(183,744)	82,391
Net (Deficit)/Surplus	**(24,607)**	**(117,510)**	**92,903**

Commentary: Output revenue was higher than budget due to development sales realised, which were not finalised until after the FY19 budget was agreed. Fifty-million dollars of forecast expenditure for FY19 was earmarked for potential maintenance and upgrades associated with the new healthy homes standards. These regulatory standards came into effect on 1 July 2019 and, following the clarification of these new requirements and a survey of TRL's portfolio, the majority of this earmarked funding was not required. Additionally, inventory costs were lower than forecast as a result of TRL agreeing and executing an Umbrella Agreement with HLC during the year. Under the agreement, the risks and rewards of the inventory, which consisted of freehold land and gross work in progress of commenced developments, were passed on to HLC.

STRATEGIC PRIORITY – SOCIAL TRANSFORMATION

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

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

During FY19, the Tāmaki Jobs and Skills Hub, operated in partnership with the Auckland Business Chamber[4], successfully supported 220 people into employment, including 26 people that were placed into apprenticeships. The Hub was this year shortlisted for the State Services Commission's Better Outcomes award, which recognises organisations delivering ground-breaking outcomes in areas that matter most for the long-term wellbeing of New Zealanders. This recognition is a testament to the Hub's way of working, built on a foundation of manaakitanga, trust, and working with whānau to truly understand their career goals and life aspirations.

TRC has developed a bespoke range of affordable products across the housing continuum that are tailored to meet the needs of the Tāmaki community, as well as creating a pipeline of local whānau that are ready to progress into affordable housing properties as these are delivered. Affordable housing is a fundamental part of the regeneration programme, providing a stepping stone for whānau out of state housing and, ultimately, into home ownership. This year, 20 whānau progressed along the housing continuum through our programme, including six whānau that progressed into an affordable rental property and four whānau that progressed into a shared equity property.

We are also collaborating with our partners across the public sector and in the community to progress a number of innovative projects that will transform the service landscape in Tāmaki and create a wider impact across the system in education, health, and social service delivery. During FY19, we collaborated with the Manaiakalani Community of Learning, Ministry of Education (MoE), and Auckland District Health Board (ADHB) to produce a long-term Education Strategy for Tāmaki. The Strategy aims to develop a long-term plan for the collective delivery of better education outcomes in Tāmaki and has since been translated into an implementation/action plan across each organisation. Our project to establish an Early Years Hub in Panmure as an innovative centre of educational excellence, with co-located health and mentoring services for whānau, has also progressed well, with MoE committing up to $2 million for the construction of the facility.

Within the health and wellbeing space, we have been working in partnership with the ADHB and Auckland Kidney Society to design and build a quality local renal facility, to cater for the high incidence of renal failure and diabetes within the Tāmaki area. This year, an agreement was signed between TRC and ADHB, setting out the roles, responsibilities, and expectations for each party in relation to the Tāmaki Renal Dialysis Unit, as well as the key terms that will underpin leasing arrangements between TRC and ADHB. We have also worked with our Crown and Auckland Council partners, and a range of community stakeholders to develop a vision for a Wellbeing Hub in the Glen Innes town centre. The aspiration for the Wellbeing Hub is to create a service centre or precinct where services are clustered and connected with inbuilt manaakitanga, with the intention that this centre or precinct will significantly enhance wellbeing outcomes for Tāmaki locals.

[4] The Jobs and Skills Hub is also supported by the Ministry of Social Development and Ministry of Business, Innovation, and Employment.

Over the next year, we will continue to work with our partners to deliver key projects in education, health, and social services that prioritise outcomes for Tāmaki whānau and tamariki. This will include the establishment of an intensive support service for families with multiple and complex needs, called Whānau by Whānau, to tackle those factors that trap families in crisis and poverty. We will also commence the building phase for the Early Years Hub and Tāmaki Renal Dialysis Unit. Alongside this, we will continue to deliver our jobs and skills and affordable housing initiatives, supporting increasing numbers of residents into quality employment and whānau to progress along the housing continuum.

Social Transformation: Performance against 2018-2019 Statement of Performance Expectations

OUTPUT MEASURE / ENABLING PROJECT	FY19 TARGET / MILESTONE	FY19 ACTUAL	STATUS	COMMENTARY
Number of Tāmaki people who are employed through TRC initiatives	170	220	Met	The Tāmaki Jobs and Skills Hub successfully supported 220 people into employment during the year, including 26 people that were placed into apprenticeships.
Number of Tāmaki people who progress along the housing continuum	15	20	Met	Through TRC's Affordable Housing Programme, 20 whānau progressed along the housing continuum during the year, including six whānau that progressed into an affordable rental property and four whānau that progressed into a shared equity property.
Tāmaki Education Strategy	Strategy completed	Strategy completed	Met	The Tāmaki Education Strategy was completed. We are now working with our partners to implement the Strategy.
Early Years Hub	Letter of Commitment from MoE received	Letter of Commitment received	Met	In December 2018, MoE committed up to $2 million in funding for the construction of an Early Years Hub in Panmure, which will be a centre of educational excellence with co-located health and mentoring services for whānau.
Tāmaki Renal Dialysis Unit	Agreement to lease	Summary of Agreed Terms signed	Met	A Summary of Agreed Terms for the Tāmaki Renal Dialysis Unit was signed, setting out the key terms and leasing arrangements for the facility.
Wellbeing Hub Vision	Vision formulated with partners	Vision formulated	Met	A draft vision for a Wellbeing Hub in the Glen Innes town centre was formulated by TRC, Crown and Auckland Council partners, and a range of community stakeholders.

Social Transformation: Revenue and Output Expenses

REVENUE AND OUTPUT EXPENSES		2018/19 ACTUAL	2018/19 BUDGET	DIFFERENCE
	Revenue	(000s)	($000s)	($000s)
	Crown	-	-	-
	Other	15	205	(190)
	Total Revenue	**15**	**205**	**(190)**
	Expenditure	(4,173)	(7,170)	2,997
	Net (Deficit)/Surplus	**(4,158)**	**(6,965)**	**2,807**

Commentary: Output expenses were lower than budgeted due to Tāmaki Response collective impact projects having forecast third-party spend within their budgets were not expended due to these projects being delivered internally. Further, the Intensive Support Services project procurement was extended, in order to partner with both local and specialist providers, thereby building a better foundation for social service delivery within this space. The procurement has now been completed with implementation due to commence in FY20.

STRATEGIC PRIORITY – ECONOMIC DEVELOPMENT

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

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

During FY19, we partnered with Auckland Tourism, Events and Economic Development ("ATEED"), the Auckland Business Chamber, local businesses and landowners, the Maungakiekie-Tāmaki and Ōrākei Local Boards, and other key stakeholders to produce a long-term strategy for the Tāmaki Employment Precinct[5]. The intent of this project is to encourage investment into the Employment Precinct and help businesses capture the economic opportunity that the regeneration programme provides. In doing so, our aim is to create a thriving local economy with more diverse employment opportunities for residents, over time.

The revitalisation of town centres within Tāmaki is an integral part of the regeneration programme, with long-term projects underway to deliver better transport connectivity and community infrastructure in Glen Innes and Panmure. These projects aim to create thriving, attractive and sustainable town centres that draw on Tāmaki's outstanding natural features and strong community spirit, encouraging investment in retail and commercial space that will make Glen Innes and Panmure destinations of choice in Auckland's eastern suburbs. Over the past year, we completed a feasibility study assessing options to develop TRC-owned land on Line Road in Glen Innes.

Following the development of a destination brand strategy for Tāmaki in FY18, a brand strategy rollout plan was successfully executed in FY19. Destination brand marketing infrastructure was established during the year. Spring and summer awareness campaigns achieved increased awareness of Tāmaki, its suburbs, and its assets in the market, as well as a growing database of potential home buyers. The marketing programme aims to attract home buyers, business owners, investors, and delivery partners to take advantage of the residential and commercial investment opportunities that are being created through the housing redevelopment and regeneration programmes.

Over the next year, we will continue to work closely with the Maungakiekie-Tāmaki Local Board, Auckland Council family, and private sector on the revitalisation of town centres and employment zones in Tāmaki. As part of this, we will complete a spatial masterplan for the Tāmaki Employment Precinct, ensuring key attraction features and urban design outcomes will be delivered. We will also hold an innovation summit for local businesses to help address technological and customer challenges they face, drawing attention to Tāmaki's potential as a place of innovation, and investigate the potential for a physical centre of innovation in the area. Alongside this, we will continue to deliver our destination marketing programme, positioning Tāmaki as an attractive location for industry and talent.

[5] The Tāmaki Employment Precinct has been defined as the light industrial and business (mixed use) zoned land on the western side of the rail line in the Tāmaki Regeneration Area and light industrial and business (mixed use) zoned land on the eastern side of the rail line not covered by the Glen Innes or Panmure town centre projects.

Economic Development: Performance against 2018-2019 Statement of Performance Expectations

OUTPUT MEASURE / ENABLING PROJECT	FY19 TARGET / MILESTONE	FY19 ACTUAL	STATUS	COMMENTARY
Tāmaki Employment Precinct Strategy	Strategy completed	Strategy completed	Met	We partnered with ATEED and collaborated with our two local boards, the Auckland Business Chamber, businesses and landowners, and other key stakeholders to formulate a long-term Strategy for the Tāmaki Employment Precinct.
Tāmaki Destination Brand Project	Brand Strategy Rollout Plan for FY19 executed	Rollout Plan executed	Met	The Brand Strategy Roll Out Plan for FY19 was successfully executed, achieving increased awareness of Tāmaki in the market and a database of potential home buyers.
Line Road Feasibility Study	Study completed	Study completed	Met	A feasibility study assessing options to develop TRC-owned land on Line Road was completed.

Economic Development – Revenue and Output Expenses

REVENUE AND OUTPUT EXPENSES		2018/19 ACTUAL	2018/19 BUDGET	DIFFERENCE
	Revenue	(000s)	($000s)	($000s)
	Crown	-	-	-
	Other	-	-	-
	Total Revenue	-	-	-
	Expenditure	(795)	(1,317)	522
	Net (Deficit)/Surplus	(795)	(1,317)	522

Commentary: Output expenses were lower than budget due to forecast expenditure for the establishment of a deconstruction social enterprise not being expended due to the enterprise not progressing past a business case stage. Additionally, several activations planned for the Glen Innes town centre in FY19 will now be delivered in FY20 and delivery of the Tāmaki Employment Precinct Strategy was successfully completed under budget, due to ATEED committing resource to the project.

STRATEGIC PRIORITY – PLACEMAKING

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

The placemaking objective is the resin that holds together our other strategic priorities. Our objective in this area is to create safer and more connected neighbourhoods to support the social and economic development of Tāmaki and its diverse communities. We work with our partners, including HLC, the Auckland Council family, and the Tāmaki community to create the strong foundations that will allow current and future Tāmaki residents to flourish in a world-class environment. The Tāmaki that we are creating with our partners will be connected both physically, through the great transport infrastructure, and socially, through friendly, welcoming neighbourhoods and community facilities.

To achieve this, it is important that we ensure that regeneration neighbourhoods in Tāmaki demonstrate best practice in urban design, creating cohesive communities that are linked through a quality open space network and supported by social infrastructure that meets the needs of Tāmaki's changing population. During FY19, we established key foundational reference documents that set out how we will deliver on our placemaking aspirations. The Tāmaki Precinct Masterplan that was developed during the year defined the key moves that will be required to make Tāmaki a safe, sustainable, and connected community through creating or upgrading parks, reserves, street networks, and walkways.

One of our most visible moves in this area is the Maybury Green Project, which saw TRC-owned land bordering Maybury Reserve converted to green space during FY19. Twenty state houses on Taniwha Street in Glen Innes were demolished and removed from the site in October 2018, extending the existing Maybury Reserve and creating a safer, more accessible space for community use. The new open space was officially opened at a public event in May 2019 that was co-hosted with the Maungakiekie-Tāmaki Local Board and community organisations. The event was a huge success, with over 500 people attending, including many of our newer community members.

The Placemaking Strategy that we produced during the year complements the physical placemaking moves that we are undertaking by setting out how TRC and partners will deliver activations, events, and activities to bring public spaces to life, with the intent of creating a vibrant and socially cohesive community. Delivery of the placemaking strategy commenced during FY19, with a series of events and activations delivered across key locations in Tāmaki. We also acknowledged the diversity within our community, playing an active role in Chinese New Year celebrations and Cook Island, Māori, Samoan, and Tongan language week activities in Tāmaki.

Over the next year, we will reach agreement with Auckland Council to vest the TRC-owned land bordering Maybury Reserve that we converted to green space, ensuring that this will continue to be a dedicated space for community use now and into the future. We will also market Tāmaki as a destination of choice, strengthen community resilience, and create social cohesion through the implementation of our placemaking strategy. This will include a full programme of events and activations across Tāmaki that we will deliver in collaboration with our partners, promoting healthy lifestyles and activities for whānau and enabling them to form connections within their community.

Performance against 2018-2019 Statement of Performance Expectations

OUTPUT MEASURE / ENABLING PROJECT	FY19 TARGET / MILESTONE	FY19 ACTUAL	STATUS	COMMENTARY
Percentage of neighbourhood designs that meet the agreed minimum standard under the Quality Neighbourhood Framework	100%	N/A	Not Measured	No new neighbourhood designs were completed during FY19; therefore, no neighbourhood designs were able to be assessed against the Quality Neighbourhood Framework during the year.
Placemaking Strategy	Strategy completed	Strategy completed	Met	The Placemaking Strategy was completed in November 2018. Key moves and initiatives in the Strategy are now being implemented in collaboration with partners.
Maybury Green Project	State houses bordering Maybury Reserve converted to green space	Houses converted to green space	Met	Twenty state houses on Taniwha Street bordering Maybury Reserve were demolished and removed from the site in October 2018, extending the existing Maybury Reserve and creating a safer, more accessible space for community use.

Placemaking – Revenue and Output Expenses

REVENUE AND OUTPUT EXPENSES		2018/19 ACTUAL	2018/19 BUDGET	DIFFERENCE
	Revenue	(000s)	($000s)	($000s)
	Crown	-	-	-
	Other	-	-	-
	Total Revenue	-	-	-
	Expenditure	(2,205)	(4,698)	2,493
	Net (Deficit)/Surplus	(2,205)	(4,698)	2,493

Commentary: Spatial placemaking costs were lower than budgeted for FY19 as forecast expenditure included costs to deliver community facilities (e.g. a community hall or an ECE facility) in new neighbourhoods. No new neighbourhood designs were progressed during FY19, as the timeframe to complete the Programme Business Case was extended; accordingly, funds tagged for new community facilities were not required during the year.

OTHER PERFORMANCE DISCLOSURES

Performance against 2018-2019 Vote Finance

OUTPUT MEASURE / ENABLING PROJECT	FY19 TARGET / MILESTONE	FY19 ACTUAL	STATUS	COMMENTARY
Payments are made consistent with the terms and conditions of the loan facility.	Achieved	Achieved	Met	The TRC Parent loan facility was fully repaid during the year, earlier than previously committed.

COMPANY DISCLOSURES

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

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

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

In May 2018, the Minister of Housing and Urban Development directed that TRC Legal Group partner with HLC to deliver the housing redevelopment programme in Tāmaki. This was a significant change in business structure, which required further work for TRC Legal Group to operationalise. The work programme and resultant budgets were also required to be reworked and therefore, the final Statement of Performance Expectations (SPE) for the year ending 30 June 2019, which was due to be published on 30 June 2018, was delayed. This constitutes a breach of the Crown Entities Act 2004. The SPE was finalised on 27 November 2018.The SPE for the year ending 30 June 2020 was finalised on 28 June 2019 in accordance with the Crown Entities Act 2004.

Changes to the composition of the Board during the year

The Board of Directors for all entities within the TRC Legal Group as at 30 June 2019 consisted of the following members:

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

During the 2019 financial year, the following changes occurred to the composition of the Board:

- John Robertson ceased as Chair of the Board on 19 August 2018.
- Evan Davies commenced as Chair of the Board on 20 August 2018.

Schedule of Board meeting attendance

The governance for TRC Legal Group is conducted by the Board of TRC Parent. The total number of TRC Parent Board meetings held in the last financial year was 9.

DIRECTOR	NO. OF MEETINGS ATTENDED (during the year out of a possible 9)
Evan Davies (Chair)	8
Dr. Susan Macken (Deputy Chair)	9
Diana Puketapu	7
Kerry Hitchcock	9
John Sax	9
Martin Udale	8

Board and committee remuneration

The Boards of TRL and THAGP received no remuneration during the year. The Board of TRC Parent received a total of $262k remuneration during the year, the breakdown of which can be found in TRC Group's financial statements on page 43.

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)

- Development of new social and private housing (TRL)

- Social and economic regeneration activities (TRC Parent)

Significant changes in the state of affairs

In December 2018, an Umbrella Agreement was signed between HLC and Tāmaki Regeneration Limited (TRL) relating to development of land at Tāmaki. This agreement formally appoints HLC as the "Master Developer" for the purpose of assisting TRL to achieve the Regeneration Objectives while TRL remains to have overall responsibility for the Tāmaki Regeneration programme.

Directors' interest in transactions and interests register changes

No directors' interests in transactions declared in any entity of TRC Legal Group. The full interest registers of the Board of TRC Parent, TRL and THAGP can be found on pages 21 to 24. 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 30 September 2018 to 30 September 2019

The total amount of insurance premium paid was $24k.

Employee salary band information

There are 30 employees of TRC Legal Group who earn a salary of more than $100,000. The breakdown of these employees into bands of $10,000 each is provided in the financial statements of TRC Group on page 44.

Good employer compliance

TRC Legal Parent has met its obligations to be a good employer and have adhered to the equal employment opportunities programme. A wellbeing programme was set up during the year, enabling employees to be proactive and responsive to their individual health and wellbeing needs.

Donations

TRC Legal Group made donations worth $15k during the year which were approved 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 $239k; and
- fees for assurance services of $8k; and

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

BOARD MEMBER	ENTITY	RELATIONSHIP
Evan Davies (Chair)	Capital Investment Committee	Chair
	Hospital Redevelopment Partnership Group	Chair
	Melanesian Mission Trust Board	Trustee
	Anglican Trust for Women and Children	Trustee
	Todd Property Group Limited (and all subsidiaries)	Director
	(Note sites that intercept with Tāmaki boundary	
	Inc Purchase Hill)	
	ATEED, an Auckland Council Company	Director
	BBIG Group	Director
	Auckland Arts Festival	Trustee
	Flinders Mines	Director
	Auckland City Mission	Trustee
	Tāmaki Redevelopment Company Limited	Director
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director
	Kōkako Farms Limited	Director and Shareholder
	Kimono Capital Limited	Director
	Western Hills Holdings Limited	Director
	Priory Pastoral Developments Limited	Director
	Verto Apartments General Partner Limited	Director
	Saltus Apartments General Partner Limited	Director
	Titanium Park Development Limited	Director
	Nel Farms Limited	Director
	Long Bay Village Limited	Director
	Altera Apartments General Partner Limited	Director
	Ilico Apartments General Partner Limited	Director
	Pegasus Town Limited	Director
	Kāpiti Coast Airport Holdings Limited	Director
	Bellus Apartments General Partner Limited	Director
	Stonefields Development Limited	Director
	Okura Holdings Limited	Director
	Ngunguru Coastal Investments Limited	Director
	TP Flatbush School Road Limited	Director
	Auckland Tourism Events and Economic Development Limited	Director
	Tall Oaks Holdings Limited	Director
	LLD Limited	Director

	Win Limited	Director
	Welch Securities Limited	Director and Shareholder
Dr. Susan Macken (Deputy Chair)	Kiwibank Limited	Chair
	Panuku Development Auckland Limited	Deputy Chair
	Tāmaki Redevelopment Company Limited	Deputy Chair
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director
	STG Limited	Director and Shareholder
	Blossom Bear Limited	Director and Shareholder
	Private Accounting Trustee Limited	Director and Shareholder
	Station Mews Apartments Limited	Director
	Spa Electrics Pty Limited (an Australia-based company)	Director
Diana Puketapu	Manawanui Support Limited	Director
	Ngāti Porou Holding Company Limited	Director
	Pohewa Limited	Director
	Napier Port Holdings Limited	Director
	Ngāti Porou Seafoods Limited	Director
	Ngāti Porou Fisheries Limited	Director
	Real Fresh Limited	Director
	Ngāti Porou Miere GP Limited	Director
	NZ Cricket	Director
	Tāmaki Redevelopment Company Limited	Director
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director
	Ngāti Porou Berries Limited	Director
	New Zealand Olympic Committee	Member
	Port of Napier Limited	Director
David John Sax	Kensington Park Limited.	Director
	Treetops Aviation Limited	Chairman
	Kensington Park Holdings Limited	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 Limited	Director
	Waterloo Park Limited	Director and Shareholder
	Kinloch Golf Limited	Director
	Kinloch Lodge Holdings Limited	Director
	Kinloch Club Limited	Director
	Kinlock Farms Holdings Limited	Director
	Kearoa (1999) Limited	Director
	New Zealand Agricultural Processors Limited	Director
	Southpark Property Investments Limited	Director
	Southpark Property Holdings Limited	Director
	Marsden City Development Limited	Director

	Frankel Holdings Limited	Director
	Taitokerau Fibre Networks Limited	Director
	Newmarket Holdings Limited	Director
	Tāmaki Redevelopment Company Limited	Director
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director
	Industrial Park Coolstores Limited	Director and Shareholder
	Autumn Park Limited	Director and Shareholder
	Fisk Holdings N.Z Limited	Director and Shareholder
	Fisk Investments (NZ) Limited	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	Director and Shareholder
	Karpall Properties Limited	Director and Shareholder
	Weddings and Honeymoons Of New Zealand Limited	Director and Shareholder
	William David Limited	Director and Shareholder
	Industrial Park Holdings Limited	Director and Shareholder
	Onethree Chesire General Partner Limited	Director and Shareholder
	Baldah Investments Limited	Director and Shareholder
	Kensington Park Services Limited	Director
	Challenge Communications Foundation Limited	Shareholder
	Domain Trustee Services No.2 Limited	Shareholder
	Replacement District Plan	Member
	Trustee of Rotorua Museum Trust	Shareholder
	Independent Hearings Panel, Christchurch	Trustee
Kerry Hitchcock	Tāmaki Redevelopment Company Limited	Director
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director
	Haven Funds Limited	Director and Shareholder
	Haumaru Auckland Limited	Director
	Charta Limited	Director and Shareholder
	Charta Funds Management Limited	Director and Shareholder
	Charta Management Holdings Limited	Director and Shareholder
	Kerry D Hitchcock Limited	Director and Shareholder
	Fidelta Group Limited	Director and Shareholder
	Northcote Rd 1 Holdings Limited (Smales Farm)	Director
	KH Family Trust	Trustee and Beneficiary
	J & K Family Trust	Trustee and Beneficiary
Martin Udale	Tallwood Holdings	Director
	Tall Wood Limited	Director

	Tallwood Design	Director
	Tallwood Assembly Limited	Director
	Tallwood Projects	Director
	Accessible Properties NZ Limited	Director
	Forest Group Limited	Director
	Tāmaki Redevelopment Company Limited	Director
	Tāmaki Regeneration Limited	Director
	THA GP Limited	Director
	New Ground Living (Hobsonville Point) Limited	Director
	Hobsonville Development GP Limited	Director
	TW Twenty Twenty Limited	Director
	Panuku Development Auckland Limited	Director
	Cardinal Trustees Limited	Director and Shareholder
	Essentia Consulting Group Limited	Director and Shareholder
	Fleming Urban Limited	Director and Shareholder
	KiwiRail Property Committee	Member

TAMAKI REDEVELOPMENT COMPANY LIMITED GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP
STATEMENT OF RESPONSIBILITY
For the year ended 30 June 2019

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 pages 7 to 18 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 2019.

Signed on behalf of the Board:

Director	Director
23 October 2019	23 October 2019

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
For the year ended 30 June 2019

	Notes	2019 Actual $000's	2019 Budget $000's	2018 Actual $000's
Revenue				
Management fee income	2	9,771	13,568	10,419
Dividend received		13,000	13,000	0
Other income		25	205	726
Total revenue		22,796	26,773	11,145
Expenditure				
Personnel costs		8,069	8,456	8,791
Consultants and professional fees		2,729	8,471	2,794
Contractors and temporary staff		540	79	773
Directors fees	15	262	385	288
Management fee expense		302	238	464
Utilities and insurance		73	121	102
Other expenses	3	3,936	6,814	2,822
Total expenditure		15,911	24,564	16,034
EBITDAF		6,885	2,209	(4,889)
Depreciation and amortisation expense	6, 7	184	389	346
EBIT		6,701	1,820	(5,235)
Interest income		43	330	15
Interest expense		813	1,351	481
Net finance income		(770)	(1,021)	(466)
Surplus/(deficit) for the year		5,931	799	(5,701)
Total comprehensive revenue and expense		5,931	799	(5,701)
Surplus/(deficit) for the year attributable to:				
Crown		3,499	471	(3,364)
Minority interest (Auckland Council)		2,432	328	(2,337)
Surplus/(deficit) for the year		5,931	799	(5,701)
Total comprehensive revenue and expense attributable to:				
Crown		3,499	471	(3,364)
Minority interest (Auckland Council)		2,432	328	(2,337)
Total comprehensive revenue and expense		5,931	799	(5,701)

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 FINANCIAL POSITION
As at 30 June 2019

	Notes	2019 Actual $000's	2019 Budget $000's	2018 Actual $000's
Assets				
Current assets				
Cash and cash equivalents	4	3,880	3,511	3,511
Trade and other receivables	5	241	190	14,016
Total current assets		4,121	3,701	17,527
Non-current assets				
Property, plant and equipment	6	143	0	260
Intangible assets	7	41	127	96
Total non-current assets		184	127	356
Total assets		4,305	3,828	17,883
Liabilities				
Current liabilities				
Creditors and other payables	8	2,867	15,528	3,882
Annual leave liability		407	510	510
Loan	9	8,109	0	3,000
Total current liabilities		11,383	16,038	7,392
Non-current liabilities				
Loan	9	0	0	23,500
Total non-current liabilities		0	0	23,500
Total liabilities		11,383	16,038	30,892
Net assets		(7,078)	(12,210)	(13,009)
Equity				
Ordinary shares - Crown		5,000	5,000	5,000
Ordinary shares - Auckland Council		3,500	3,500	3,500
Accumulated (deficit)		(15,578)	(20,710)	(21,509)
Total equity	10	(7,078)	(12,210)	(13,009)

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

The accompanying notes form part of these financial statements.

For and on behalf of the Board who authorise the issue of the financial statements on 23 October 2019.

Director
23 October 2019

Director
23 October 2019

TĀMAKI REDEVELOPMENT COMPANY LIMITED GROUP
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

	Notes	2019 Actual $000's	2019 Budget $000's	2018 Actual $000's
Balance at 1 July		(13,009)	(13,009)	(7,308)
Total comprehensive revenue and expense				
Surplus/(deficit) for the year		5,931	799	(5,701)
Total comprehensive income		5,931	799	(5,701)
Owners' transactions				
Capital contribution		0	0	0
Repayment of capital		0	0	0
Total contributions and distributions		0	0	0
Balance at 30 June	10	(7,078)	(12,210)	(13,009)

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 2019

	Notes	2019 Actual $000's	2019 Budget $000's	2018 Actual $000's
Cash flows from operating activities				
Management fee income		9,391	13,568	15,960
Receipts from other revenue		186	125	807
Interest received		43	330	16
Payments to suppliers		(8,320)	(15,118)	(9,779)
Payments to employees		(7,545)	(9,365)	(8,559)
Goods and services tax (net)		(180)	0	25
Interest paid		0	0	(432)
Net cash flow from operating activities		(6,425)	(10,460)	(1,962)
Cash flow from investing activities				
Purchase of property, plant and equipment		(4)	0	(55)
Purchase of intangible assets		(8)	(161)	(151)
Loan repayment from/(provided to) TRL		13,000	0	(10,000)
Net cash flow from investing activities		12,988	(161)	(10,206)
Cash flow from financing activities				
Loan repayment to/(provided from) Crown		(26,500)	(26,500)	15,000
Loan provided from TRL		8,109	25,472	0
Interest paid		(813)	(1,351)	0
Dividend received		13,000	13,000	0
Net cash flow from financing activities		(6,204)	10,621	15,000
Net increase in cash and cash equivalents		359	0	2,832
Cash and cash equivalents at the beginning of the year		3,511	3,511	679
Cash and cash equivalents at the end of the year	4	3,870	3,511	3,511

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

The accompanying notes form part of these financial statements.

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 51 to 77 of this Annual Report. This Annual Report also presents, on pages 84 to 89, an aggregated set of financial statements of the Tāmaki Redevelopment Company Limited Legal Group (TRC Legal Group, which comprises of TRC Group and TRL) that do not comply with generally accepted accounting practice in New Zealand (NZ GAAP). Such an aggregation has to be treated as a non-GAAP set of financial statements as it is not acceptable under PBE IPSAS 6 *Consolidated and Separate Financial Statements* to consolidate TRL into TRC Group.

The financial statements for TRC Group are for the year ended 30 June 2019. They were approved by the Board on 23 October 2019.

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

Basis of preparation

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

Statement of compliance

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

Functional and presentational currency

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

SIGNIFICANT ACCOUNTING POLICIES

Control and consolidation

Subsidiaries

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

Loss of control

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

1. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

Revenue from exchange transactions

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

Management fee income

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

Interest income

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

Dividend revenue

Dividend revenue is recognised when the right to receive payment has been established.

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.

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.

1. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment (cont'd)

Subsequent costs

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

Depreciation

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

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

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

Intangible assets

Software acquisition and development

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

Website development

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

Amortisation

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

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

Acquired computer software	3 years	33%
Developed computer software	4 years	25%

Impairment of property, plant and equipment and intangible assets

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

1. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

Impairment of property, plant and equipment and intangible assets (cont'd)

Non-cash-generating assets

Property, plant, and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where TRC Group would, if deprived of the asset, replace its remaining future economic benefit or service potential. If an assets carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount. For assets not carried at a revalued amount, the total impairment loss is recognised in surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Creditors and other payables

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

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.

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

TRC Group classifies all its financial assets and liabilities at amortised cost under the new accounting standard PBE IFRS 9 Financial Instruments on the basis that these financial instruments are non-derivative and constitute solely payments of principal and interest and the asset (or liability) are held to collect (or settle via) cash flows.

1. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

Financial instruments (cont'd)
TRC Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset 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 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.

Income tax
On 18 March 2019, a new tax bill was enacted which gives certain Crown-controlled companies listed in schedule 4A of the Public Finance Act 1989 their own income tax exemption, of which all entities within the TRC Legal Group are included. TRC Legal Group has also assessed the retrospective tax position based on indication from IRD's operations team that an IRD challenge on this front is unlikely. Accordingly, these financial statements have been prepared on the basis that all entities in the TRC Legal Group are tax exempt for the 2019 and all previous income years.

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

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

Budget figures
The budget figures are derived from the statement of performance expectations as approved by the Board on 27 November 2018. The budget figures were prepared in accordance with NZ GAAP. Some budget figures has been restated in order to achieve fair comparison between prior year and current year figures. The amounts restated are disclosed in note 11.

1. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

Critical accounting estimates and assumptions

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

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

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

Critical accounting judgements

A critical accounting judgement made in the preparation of these accounts is that THALP is acting as an agent (tenancy and property manager) for TRL. A 'deed of lease and appointment of property manager' agreement sets out the roles and responsibilities between THALP and TRL. THALP is essentially providing a tenancy and property management service to TRL in return for a management fee. In March 2019, TRL and THALP signed a new deed of lease (replacing the lease entered into in December 2017) which sets out that THALP will receive a per property per week management fee. Under both the old and new deeds of lease, THA receives a per property per week management fee. TRL under both the old and the new deed of lease is entitled to the full rental income collected by THALP and must pay for the full property maintenance costs.

Factors that indicate THALP is acting as a principal

THALP is a Community Housing Provider (CHP) and is registered as a social housing landlord per CHP regulations. THALP therefore has the relationship with the Ministry of Social Development and the Ministry of Housing and Urban Development (HUD) from October 2018, with regards to charging and collecting the IRRS subsidy and letting of tenants through the Ministry's 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. THALP management fee is dependent on it collecting rents and to that extent bears credit risk.

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 tenant occupancy risk from the subleasing arrangement.

The Board 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.

2. MANAGEMENT FEE INCOME

	2019 Actual $000's	2018 Actual $000's
Management services provided by THALP to TRL	5,406	5,227
Management services provided by TRC Parent to TRL	4,365	5,192
Total management fee income	9,771	10,419

Management services provided by THALP to TRL
THALP act as an agent on behalf of TRL in providing its tenancy and property management services to state housing tenants. The management fee income that THALP recognises from TRL is based on a per property per week number.

3. OTHER EXPENSES

	2019 Actual $000's	2018 Actual $000's
Fees to Audit New Zealand for audit of 2018/19 financial statements	110	0
Fees to Audit New Zealand for audit of 2017/18 financial statements	29	95
Fees to Audit New Zealand for audit of 2016/17 financial statements	0	23
Fees to Audit New Zealand for assurance services	8	1
IT support and licence fees	598	547
Printing and stationery	188	169
Telephones and mobiles	153	164
Marketing and collateral	1,067	230
Rent	308	248
Motor vehicle expenses	156	157
Recruitment fees	278	233
Staff training	129	90
Legal expense	21	91
Travel expenses	57	81
Other	834	693
Total other expenses	3,936	2,822

4. CASH AND CASH EQUIVALENTS

	2019 Actual $000's	2018 Actual $000's
Cash at bank and on hand	3,880	3,511
Total cash and cash equivalents	3,880	3,511

5. TRADE AND OTHER RECEIVABLES

	2019 Actual $000's	2018 Actual $000's
Trade receivables	2	9
Receivable from TRL	0	826
Loan provided to TRL	0	13,000
Prepayments	222	181
GST receivable	17	0
Total trade and other receivables	241	14,016

Loan provided to TRL

TRC Parent provided a loan facility to TRL in previous financial years. This loan has now been paid off by TRL in December 2018. The loan was provided to TRL when operating cash flows from the tenancy and property management function were insufficient to fund the capital commitments for buyback of state housing and capital development works. The loan was unsecured and was provided at nil interest. Repayment of the loan was 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 30 June 2017	298	280	726	1,304
Balance at 30 June 2018 and 1 July 2018	322	304	733	1,359
Additions during the year	4	0	0	4
Disposals during the year	0	0	0	0
Balance at 30 June 2019	326	304	733	1,363
Accumulated depreciation				
Balance at 30 June 2017	186	133	521	840
Balance at 30 June 2018 and 1 July 2018	256	178	665	1,099
Depreciation charge for the year	55	43	22	121
Disposals during the year	0	0	0	0
Balance at 30 June 2019	311	221	687	1,220
Carrying Amounts				
Balance at 30 June 2017	112	147	205	464
Balance at 30 June 2018 and 1 July 2018	66	126	68	260
Balance at 30 June 2019	15	83	46	143

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. (2018: nil).

7. INTANGIBLE ASSETS

	Acquired software Actual $000's	Developed software Actual $000's	Total Actual $000's
Cost			
Balance at 30 June 2017	100	0	100
Balance at 30 June 2018 and 1 July 2018	251	0	251
Additions during the year	8	0	8
Balance at 30 June 2019	259	0	259
Accumulated amortisation			
Balance at 30 June 2017	68	0	68
Balance at 30 June 2018 and 1 July 2018	155	0	155
Amortisation charge for the year	63	0	63
Balance at 30 June 2019	218	0	218
Carrying Amounts			
Balance at 30 June 2017	32	0	32
Balance at 30 June 2018 and 1 July 2018	96	0	96
Balance at 30 June 2019	41	0	41

There are no restrictions over the title of TRC Group's intangible assets, nor are any intangible assets pledged as security for liabilities. (2018: nil).

8. CREDITORS AND OTHER PAYABLES

	2019 Actual $000's	2018 Actual $000's
Creditors	481	1,074
Accrued expenses	727	257
Payable to TRL	1,659	2,387
GST Payable	0	164
Total creditors and other payables	2,867	3,882

9. LOAN

	2019 Actual $000's	2018 Actual $000's
Loan from TRL	8,109	0
Loan facility from Capital Markets	0	3,000
Loan (current portion)	8,109	3,000
Loan facility from Capital Markets	0	23,500
Loan (non - current portion)	0	23,500
Total loan	8,109	26,500

9. LOAN (CONT'D)

TRC Parent had a loan facility from Capital Markets of $200m out of which the net drawdown at previous balance date was $26.5m. In the 2019 financial year, TRL obtained a crown preference share arrangement primarily for funding its state housing buybacks. The initial capital drawdown allowed TRL to pay back its outstanding loan balance of $13m to TRC Parent. This arrangement also resulted in the settlement of the $26.5m balance of the $200m loan facility that TRC Parent had with Capital Markets. TRC Parent therefore was obtaining its funding from TRL during the financial year from short term loans.

10. EQUITY

	Ordinary shares	
	2019 Actual $000's	2018 Actual $000's
Contributed capital		
Balance at 1 July	8,500	8,500
Balance at 30 June	**8,500**	**8,500**
Accumulated surplus/(deficit)		
Balance at 1 July	(21,509)	(15,808)
Total comprehensive revenue and expense	5,931	(5,701)
Balance at 30 June	**(15,578)**	**(21,509)**
Total equity	**(7,078)**	**(13,009)**

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.

11. BUDGET COMPARATIVES

For the purposes of clarity, some items in the budget that was approved by the Board and contained in the statement of performance expectations (SPE) have been reclassified to be consistent with the accounting policies applied in the preparation of these financial statements. A comparison is provided below to show the effect of the restatement.

11. BUDGET COMPARATIVES (CONT'D)

Statement of Comprehensive Revenue and Expense

	Budget values per: 2019 Financial Statements $000's	2019 SPE $000's	Difference $000's
Revenue			
Management fee income	13,568	15,396	(1,828)
Total revenue	13,568	15,396	(1,828)
Expenditure			
Personnel costs	8,456	9,365	(909)
Consultants and professional fees	8,471	10,305	(1,834)
Management fee expense	238	1,828	(1,590)
Utilities and insurance	121	0	121
Other expenses	6,814	4,430	2,384
Total expenditure	24,100	25,928	(1,828)
(Deficit)/surplus for the year	(10,532)	(10,532)	0

Statement of Financial Position

The statement of Financial Position has not been restated.

Statement of Cashflows

	Budget values per: 2019 Financial Statements $000's	2019 SPE $000's	Difference $000's
Cash flows from operating activities			
Interest received	330	0	330
Management fee income	13,568	39,040	(25,472)
Net cash flow from operating activities	13,898	39,040	(25,142)
Cash flow from financing activities			
Interest received	0	330	(330)
Loan provided from TRL	25,472	0	25,472
Net cash flow from financing activities	25,472	330	25,142
Cash and cash equivalents at the end of the year	39,370	39,370	0

12. COMMITMENTS

There are no capital commitments as at 30 June 2019. (2018: nil).

12. COMMITMENTS (CONT'D)

Operating leases as lessee

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

	2019 Actual $000's	2018 Actual $000's
Not later than one year	214	274
Later than one year not later than five years	180	322
Later than five years	0	0
Total non-cancellable operating leases	395	596

13. CONTINGENCIES

There are no contingent assets or contingent liabilities as at 30 June 2019. (2018: 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 provided unsecured loans to TRL at nil interest to fund its capital commitments through to December 2018 where there was insufficient operating cash flows from TRL's tenancy and property management function. TRC Parent previously had a $200m loan facility where it sourced the funds from. In the 2019 financial year, these loan balances have been settled and a loan provided from TRL to TRC Parent to fund its operations now that the external funding to the TRC Legal Group is the crown preference share arrangement through TRL. These transactions and balances are not at arms' length. 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

	2019 Actual	2018 Actual
Board members		
Remuneration ($000's)	262	288
Full-time equivalent members	0.65	0.87
Leadership team		
Remuneration ($000's)	1,678	1,806
Full-time equivalent members	5.51	6.36
Total key management personnel remuneration ($000's)	1,940	2,094
Total full-time equivalent personnel	6.16	7.23

14. RELATED PARTY TRANSACTIONS (CONT'D)

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

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

15. BOARD MEMBER REMUNERATION

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

	2019 Actual $000's	2018 Actual $000's
Evan Davies (Chair)	61	0
Dr. Susan Macken (Deputy Chair)	46	43
Diana Puketapu	37	35
Martin Udale	37	35
Kerry Hitchcock	37	35
John Sax	37	35
John Robertson	10	73
Matthew Harker	0	32
Total Board member remuneration	262	288

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 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. (2018: 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.

16. EMPLOYEE REMUNERATION

	2019 Actual	2018 Actual
Total remuneration paid or payable:		
$370,000 - $379,999	1	0
$360,000 - $369,999	0	1
$320,000 - $329,999	0	1
$310,000 - $319,999	0	1
$260,000 - $269,999	1	0
$250,000 - $259,999	1	0
$230,000 - $239,999	0	2
$200,000 - $209,999	1	0
$190,000 - $199,999	1	2
$180,000 - $189,999	0	1
$160,000 - $169,999	5	2
$150,000 - $159,999	1	3
$140,000 - $149,999	3	2
$130,000 - $139,999	2	2
$120,000 - $129,999	4	3
$110,000 - $119,999	5	4
$100,000 - $109,999	5	4
Total employees with remuneration above $100,000	30	28

Four employees received a total of $177K payments related to their cessation (both redundancy and settlement). (2018: nil).

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.

18. FINANCIAL INSTRUMENTS

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

	2019 Actual $000's	2018 Actual $000's
Financial assets - loans and receivables		
Cash and cash equivalents	3,880	3,511
Trade and other debtors	241	14,016
Total loans and receivables	4,121	17,527
Financial liabilities measured at amortised cost		
Creditors and other payables	2,867	3,882
Loan	8,109	26,500
Total financial liabilities measured at amortised cost	10,976	30,382

19. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Statement of comprehensive revenue and expense

Total comprehensive revenue and surplus for the year were both $5.1m better than budget due to expenses which were $9.8m lower than budget offset by revenue which were $4.6m lower than budget. Total revenues were lower than budget due to less expenses incurred by TRC Parent on behalf of TRL, especially on professional fees in relation to bank financing which did not eventuate due to slower development activity. Total expenses were lower than budget due to significantly lower social and economic regeneration expenses as a result of the delayed implementation of the intensive support services and projects within Tāmaki response. These projects required TRC Parent to liaise with other government entities in order to align service delivery in Tāmaki and to specifically focus service delivery for those Tamaki residents who have the highest need for those services.

Statement of financial position

Total equity was $5.0m lower than budget as at balance date due to the higher surplus for the year. This was represented by variances in total assets, which were higher than budget by $0.4m and total liabilities, which were lower than budget by $4.6m.

Total assets were higher than budget primarily due to higher cash and cash equivalents.

Total liabilities were lower than budget due to $12.6m lower payable as a result from lower expenditure, offset with $8.0m higher intercompany loan. As explained in note 9, TRC Parent was obtaining its funding from TRL during the financial year from short term loans.

Statement of cash flows

Net cash of $3.9m is close to budget of $3.5m. This was due to a combination of lower operating cash outflows offset by lower intercompany loans required from TRL. Operating cash outflows are lower than budget due to lower consultants and professional fees and some favourable working capital movements compared to budget.

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 2019

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 27 to 45, that comprise the statement of financial position as at 30 June 2019, 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 including the statement of accounting policies and other explanatory information; and
- the performance information of the Group on pages 7 to 18.

In our opinion:

- the financial statements of the Group on pages 27 to 45:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information on pages 7 to 18:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2019, 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 23 October 2019. 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 Group for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board of Director is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

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

The annual report also includes other information. The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 5, 19 to 24 and 84 to 89 but does not include the audited financial statements and the performance information, and our two auditor reports thereon.

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

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

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

Independence

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

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

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

TAMAKI REGENERATION LIMITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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TĀMAKI REGENERATION LIMITED
STATEMENT OF RESPONSIBILITY
For the year ended 30 June 2019

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 pages 7 to 18 of this Annual Report.

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

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

In our opinion, these financial statements and non-financial performance reporting fairly reflect the financial position and operations of the Tāmaki Regeneration Limited for the year ended 30 June 2019.

Signed on behalf of the Board:

Chair
23 October 2019

Deputy Chair
23 October 2019

TĀMAKI REGENERATION LIMITED
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
For the year ended 30 June 2019

	Notes	2019 Actual $000's	2019 Budget $000's	2018 Actual $000's
Revenue				
Development sales		13,179	5,895	13,708
Income-related rent subsidies		44,787	42,327	43,322
Rental income from tenants		18,754	18,013	17,997
Recoveries from property damage		120	0	115
Other income		16	0	59
Total revenue		76,856	66,235	75,201
Expenditure				
Consultants and professional fees		1,125	1,358	4,335
Contractors and temporary staff		635	605	1,247
Legal expense		708	306	534
Management fee expense		9,771	14,375	10,419
Inventory costs	2	15,637	41,349	67,771
Repairs and maintenance		17,601	21,079	15,946
Healthy homes provision expense		0	48,508	0
Utilities and insurance		10,400	10,156	9,517
Other expenses	3	616	86	907
Total expenditure		56,493	137,822	110,676
EBITDAF*		20,363	(71,587)	(35,475)
Depreciation	7	45,446	42,936	43,285
(Gain)/loss on revaluation of rental properties		0	0	(9,844)
EBIT		(25,083)	(114,523)	(68,916)
Interest income		393	0	7
Interest expense		9	3,767	0
Net interest income		384	(3,767)	7
(Deficit) before tax		(24,699)	(118,290)	(68,909)
Tax expense		0	0	0
(Deficit) for the year	10	(24,699)	(118,290)	(68,909)
Other comprehensive revenue and expense				
Gain/(loss) on revaluation of freehold land		(45,057)	0	11,522
Gain/(loss) on revaluation of rental properties		29,212	0	40,298
Total other comprehensive revenue and expense	10	(15,845)	0	51,820
Total comprehensive revenue and expense	10	(40,544)	(118,290)	(17,089)

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

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

The accompanying notes form part of these financial statements.

TĀMAKI REGENERATION LIMITED
STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	2019 Actual $000's	2019 Budget $000's	2018 Actual $000's
Assets				
Current assets				
Cash and cash equivalents	4	52,760	49,040	180
Trade and other receivables	5	13,167	20,950	6,469
Inventories	6	1,328	8,831	72,412
Total current assets		67,255	78,821	79,061
Non-current assets				
Property, plant and equipment	7	1,884,872	1,851,837	1,875,706
Total non-current assets		1,884,872	1,851,837	1,875,706
Total assets		1,952,127	1,930,658	1,954,767
Liabilities				
Current liabilities				
Creditors and other payables	8	10,576	54,503	8,014
Loan	9	0	0	13,000
Total current liabilities		10,576	54,503	21,014
Total liabilities		10,576	54,503	21,014
Net assets		1,941,551	1,876,155	1,933,753
Equity				
Ordinary shares - TRC Parent		0	0	0
Preference shares - Crown		1,692,503	1,704,853	1,631,161
Revaluation reserve		423,171	468,672	468,672
Accumulated (deficit)		(174,123)	(297,370)	(166,080)
Total equity	10	1,941,551	1,876,155	1,933,753

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

The accompanying notes form part of these financial statements.

For and on behalf of the Board who authorise the issue of the financial statements on 23 October 2019.

Director
23 October 2019

Director
23 October 2019

TĀMAKI REGENERATION LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

	Notes	Contributed capital Actual $000's	Revaluation reserve Actual $000's	Accumulated (deficit) Actual $000's	Total Actual $000's
Balance at 1 July 2018		1,631,161	468,672	(166,080)	1,933,753
Total comprehensive revenue and expense					
Surplus/(deficit) for the year		0	0	(24,699)	(24,699)
Other comprehensive revenue and expense		0	(15,845)	0	(15,845)
Realised revaluation reserve on PPE transferred to inventories		0	(29,656)	29,656	0
Total comprehensive revenue and expense		0	(45,501)	4,957	(40,544)
Owners' transactions					
Capital contribution		59,500	0	0	59,500
Dividend paid		0	0	(13,000)	(13,000)
Adjustment on derecognition on inventory	6	1,842	0	0	1,842
Total contributions and distributions		61,342	0	(13,000)	48,342
Balance at 30 June 2019	10	1,692,503	423,171	(174,123)	1,941,551

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

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

The accompanying notes form part of these financial statements.

	Contributed capital	Revaluation reserve	Accumulated (deficit)	Total
	Actual $000's	Actual $000's	Actual $000's	Actual $000's
Balance at 1 July 2017	1,631,161	416,852	(97,171)	1,950,842
Total comprehensive revenue and expense				
(Deficit) for the year	0	0	(68,909)	(68,909)
Other comprehensive revenue and expense	0	51,820	0	51,820
Total comprehensive revenue and expense	0	51,820	(68,909)	(17,089)
Owners' transactions				
Capital contribution	0	0	0	0
Return of value to the Crown	0	0	0	0
Total contributions and distributions	0	0	0	0
Balance at 30 June 2018	1,631,161	468,672	(166,080)	1,933,753

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 2019

	Notes	2019 Actual $000's	2019 Budget $000's	2018 Actual $000's
Cash flows from operating activities				
Receipts from development sales		16,954	5,895	16,983
Rental income from tenants		18,613	18,013	17,997
Income-related rent subsidies		44,787	42,327	43,447
Other revenue received		787	0	174
Receipt for transfer of WIP to HLC		41,896	46,275	0
Payments to suppliers		(72,788)	(72,129)	(58,192)
Goods and services tax (net)		5,090	(2,829)	(1,970)
Interest received/(paid)		384	(3,767)	0
Net cash flow from operating activities		55,723	33,785	18,439
Cash flow from investing activities				
Purchase of freehold land and rental properties		(28,534)	(45,617)	(29,665)
Net cash flow from investing activities		(28,534)	(45,617)	(29,665)
Cash flow from financing activities				
Loan drawn from TRC Parent		0	0	10,000
Dividend paid to TRC Parent		(13,000)	(13,000)	0
Equity contribution		59,500	73,692	0
Loan advance to TRC Parent		(8,109)	0	0
Loan repayments to TRC Parent		(13,000)	0	0
Net cash flow from financing activities		25,391	60,692	10,000
Net increase/(decrease) in cash and cash equivalents		52,580	48,860	(1,226)
Cash and cash equivalents at the beginning of the year		180	180	1,406
Cash and cash equivalents at the end of the year	4	52,760	49,040	180

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/(DEFICIT) WITH NET OPERATING CASH FLOWS
For the year ended 30 June 2019

	Notes	2019 Actual $000's	2019 Budget $000's	2018 Actual $000's
(Deficit) for the year		(24,699)	(118,290)	(68,909)
Adjustments for:				
Depreciation		45,446	42,936	43,285
Healthy homes provision expense		0	48,508	0
Gain on revaluation of rental properties and freehold land		0	0	(9,844)
Inventory costs		15,637	4,846	50,826
Interest received/(paid)		384	(3,767)	0
Changes in:				
Inventories		23,091	63,581	1,441
Trade and other receivables		(6,698)	(2,829)	(1,602)
Creditors and other payables		2,562	(1,200)	3,242
Net cash flow from operating activities		55,723	33,785	18,439

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

The accompanying notes form part of these financial statements.

1. STATEMENT OF ACCOUNTING POLICIES

Reporting entity

Tāmaki Regeneration Limited (TRL) is a public benefit entity (PBE) for financial reporting purposes. TRL was incorporated on 11 November 2015 and these financial statements are for the year ended 30 June 2019. They were approved by the Board on 23 October 2019.

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

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

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

The TRC Group comprises the parent entity Tāmaki Redevelopment Company Limited (TRC Parent) and its two subsidiaries Tāmaki Housing Association Limited Partnership (THALP) and THA GP Limited (THAGP). TRC Group's financial statements are presented on pages 25 to 45 of this Annual Report.

TRL cannot be included in the TRC Group's financial statements due to Crown (rather than TRC Parent) controlling TRL. This Annual Report also presents, on pages 84 to 89, an aggregated set of financial statements of the Tāmaki Redevelopment Company Limited Legal Group (which comprises of TRC Group and TRL) that do not comply with generally accepted accounting practice in New Zealand (NZ GAAP). Such an aggregation has to be treated as a non-GAAP set of financial statements as it is not acceptable under PBE IPSAS 6 *Consolidated and Separate Financial Statements* to consolidate TRL into TRC Group.

Basis of preparation

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

Statement of compliance

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

Functional and presentational currency

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

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.

1. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

Revenue from exchange transactions (cont'd)

Rental income from tenants

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

Revenue from non-exchange transactions

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

Rental income from tenants and income-related rent subsidies

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

Receivables

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

Inventories

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

Property, plant and equipment

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

Additions

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

Disposals

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

1. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment (cont'd)

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 properties are determined by the date they are scheduled to be demolished for redevelopment by HLC (2017) Limited on behalf of TRL under a Power of Attorney (PoA) arrangement (see below critical accounting estimates policy). The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Subsequent measurement

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

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

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

Impairment of property, plant and equipment

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

Non-cash-generating assets

Property, plant and equipment that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount.

1. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

Impairment of property, plant and equipment (cont'd)

Non-cash generating assets (cont'd)

The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where TRL would, if deprived of the asset, replace its remaining future economic benefit or service potential. If an assets carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount. For assets not carried at a revalued amount, the total impairment loss is recognised in surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in surplus or deficit.

Creditors and other payables

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

Provisions

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

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

Financial instruments

TRL classifies all its financial assets and liabilities at amortised cost under the new accounting standard PBE IFRS 9 *Financial Instruments* on the basis that these financial instruments are non-derivative and constitute solely payments of principal and interest and the asset (or liability) are held to collect (or settle via) cash flows. Note 20 covers the impact on these financial statements from the transitional arrangements to this standard.

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.

1. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

Income tax

On 18 March 2019, a new tax bill was enacted which gives certain Crown-controlled companies listed in schedule 4A of the Public Finance Act 1989 their own income tax exemption, of which all entities within the TRC Legal Group are included. TRC Legal Group has also assessed the retrospective tax position based on indication from IRD's operations team that an IRD challenge on this front is unlikely. Accordingly, these financial statements have been prepared on the basis that all entities in the TRC Legal Group are tax exempt for the 2019 and all previous income years.

Goods and services tax

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

Equity

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

Budget figures

The budget figures are derived from the statement of performance expectations as approved by the Board on 27 November 2018. The budget figures were prepared in accordance with NZ GAAP. Some budget figures has been restated in order to achieve fair comparison between prior year and current year figures. The amounts restated are disclosed in note 11.

1. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

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 2019. 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.

Impact of Umbrella Agreement

As directed by the shareholding Ministers in May 2018 terms were agreed and an Umbrella Agreement was signed on 21 December 2018 with HLC (2017) Ltd ("HLC") which sets out that HLC is to be the master developer of state houses held by TRL in the Tāmaki area. Under this agreement TRL will maintain legal ownership of the land but will vacate agreed properties upon the commencement of a development project ("Stage") and provide a Licence to Occupy ("LTO") and grant a Power of Attorney ("PoA") for and in favour of HLC to undertake their obligations which includes arranging demolition of existing properties, civil works to ready the land for development and the procurement of a developer to construct the new properties.

Based on terms and conditions agreed between HLC and the developer, TRL will sell and transfer legal title of the property to the developer. The developer will construct the new properties, of which TRL will buyback agreed state housing properties with the remaining developed properties sold into the open market or into affordable housing products by the developer.

When freehold land and rental properties are committed to a development project, that portion of the freehold land which will continue to be used for state housing post-development is kept in property, plant and equipment and revalued annually consistent with that class of asset. The remaining portion, which will eventually be sold off in the private sector by the developer is moved into inventories which are valued at cost or transfer value on initial recognition. This inventory is then derecognised upon the issuance of an LTO and PoA to HLC (see above) on the basis that all the risks and rewards of ownership transfer to HLC at that point. The net carrying value (book value of inventory less provision against that property if any) is derecognised and written off the inventory balance with a corresponding entry against equity in the Statement of Changes in Equity.

1. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

Critical accounting judgements

A critical accounting judgement made in the preparation of these accounts is that THALP is acting as an agent (tenancy and property manager) for TRL. A 'deed of lease and appointment of property manager' agreement sets out the roles and responsibilities between THALP and TRL. THALP is essentially providing a tenancy and property management service to TRL in return for a management fee. In March 2019, TRL and THALP signed a new deed of lease (replacing the lease entered into in December 2017). Under both the old and new deeds of lease, THA receives a per property per week management fee. TRL under both the old and the new deed of lease is entitled to the full rental income collected by THALP and must pay for the full property maintenance costs.

Factors that indicate THALP is acting as a principal

THALP is a Community Housing Provider (CHP) and is registered as a social housing landlord per CHP regulations. THALP therefore has the relationship with the Ministry of Social Development (MSD) and the Ministry of Housing and Urban Development (HUD) from October 2018, with regards to charging and collecting the IRRS subsidy and letting of tenants through the Ministry's 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. THALP management fee is dependent on it collecting rents and to that extent bears credit risk.

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 tenant occupancy risk from the subleasing arrangement.

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

Accounting standards issued but not yet effective

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 *Statement of Cash Flows* requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. TRL does not intend to early adopt the amendment.

PBE IPSAS 34-38

PBE IPSAS 34-38 replace the existing standards for interests in other entities (PBE IPSAS 6-8). These new standards are effective for annual periods beginning on or after 1 January 2019. TRL will apply these new standards in preparing the 30 June 2020 financial statements. No effect is expected as a result of this change.

PBE IPSAS 41 Financial Instruments

The XRB issued PBE IPSAS 41 *Financial Instruments* in March 2019. This standard supersedes PBE IFRS 9 *Financial Instruments*, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although TRL has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

1. STATEMENT OF ACCOUNTING POLICIES (CONT'D)

PBE FRS 48 Service Performance Reporting
PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. TRL has not yet determined how application of PBE FRS 48 will affect its statement of performance.

Standard early adopted
PBE IFRS 9 Financial Instruments
TRL has elected to early adopt PBE IFRS 9 because TRL's parent the Crown has early adopted the standard. The impact on TRL's financial assets and liabilities is immaterial. Further disclosures are made in note 18 to these financial statements.

2. INVENTORY COSTS

	2019 Actual $000's	2018 Actual $000's
Net movement in provision for write-down in inventories	(3,738)	51,205
Net cost of development sales	19,375	16,566
Total inventory costs	15,637	67,771

3. OTHER EXPENSES

	2019 Actual $000's	2018 Actual $000's
Fee paid to Audit New Zealand for audit of 2018/19 financial statements	92	0
Fee paid to Audit New Zealand for audit of 2017/18 financial statements	24	88
Fee paid to Audit New Zealand for audit of 2016/17 financial statements	0	12
Fees to Audit New Zealand for assurance services	0	26
IT support and licence fees	68	91
Bad and doubtful debts	41	224
Power for communal areas in state housing	76	63
Recruitment and training	29	21
Rent	0	46
Other	286	336
Total other expenses	616	907

4. CASH AND CASH EQUIVALENTS

	2019 Actual $000's	2018 Actual $000's
Cash at bank and on hand	52,760	180
Total cash and cash equivalents	52,760	180

5. TRADE AND OTHER RECEIVABLES

	2019 Actual $000's	2018 Actual $000's
Trade receivables	5,615	9,390
Receivable from THALP (non-exchange)	1,736	2,387
Loan advanced to TRC Parent (non-exchange)	8,109	0
Income related rental receivable (non-exchange)	1,099	961
Receivable from tenants (non-exchange)	429	426
Prepayments (exchange)	54	29
GST receivable (exchange)	0	2,026
Trade and other receivables at face value	17,042	15,219
Less: provision for doubtful debts	(3,876)	(8,750)
Total trade and other receivables	13,167	6,469

6. INVENTORIES

	2019 Actual $000's	2018 Actual $000's
Cost		
Balance at 1 July	166,898	117,133
Inventories acquired	11,075	15,832
Freehold land transferred (to)/from PPE	(34,988)	51,622
Inventories WIP sold to HLC*	(41,896)	0
Inventory disposed of	(10,856)	(17,689)
Freehold land derecognised*	(88,905)	0
Balance at 30 June	1,328	166,898
Provision for write-down of inventories		
Balance at 1 July	94,485	43,280
Provisions made	0	57,367
Provisions reversed through cost of goods sold	(3,738)	(6,161)
Provisions on inventory transferred to HLC reversed on derecognition*	(90,747)	0
Balance at 30 June	0	94,485
Total inventories	1,328	72,412

*$41,896k of WIP in inventory was sold at gross book value and $88,905k of freehold land in inventory was transferred for nil consideration to HLC under an Umbrella Agreement agreed and executed between HLC & TRL. The provision against this inventory of $90,747k was reversed on the transfer to HLC. The net difference of $1,842k being an over-provision based on opening balances is recognised through the Statement of Changes in Equity. In future years the transfers of inventory to HLC will reduce equity and will be in effect a return of preference share equity to the Crown.

7. PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress Actual $000's	Freehold land Actual $000's	Rental properties Actual $000's	Total Actual $000's
Cost				
Balance at 30 June 2017	2,392	1,559,538	316,550	**1,878,480**
Balance at 30 June 2018 and 1 July 2018	8,788	1,529,163	337,755	**1,875,706**
Additions during the year	14,356	13,551	14,411	**42,318**
Revaluations during the year	0	(45,057)	(12,931)	**(57,988)**
Disposals during the year	(6,829)	0	(3,322)	**(10,151)**
Transfers from/(to) inventories during the year	0	35,215	(227)	**34,988**
Balance at 30 June 2019	**16,315**	**1,532,872**	**335,685**	**1,884,872**
Accumulated depreciation				
Balance at 30 June 2017	0	0	0	**0**
Balance at 30 June 2018 and 1 July 2018	0	0	0	**0**
Depreciation charge for the year	0	0	45,446	**45,446**
Disposals during the year	0	0	(3,303)	**(3,303)**
Revaluations during the year	0	0	(42,143)	**(42,143)**
Balance at 30 June 2019	**0**	**0**	**0**	**0**
Carrying amounts				
Balance at 30 June 2017	2,392	1,559,538	316,550	**1,878,480**
Balance at 30 June 2018 and 1 July 2018	8,788	1,529,163	337,755	**1,875,706**
Balance at 30 June 2019	**16,315**	**1,532,872**	**335,685**	**1,884,872**

There are no restrictions on TRL's property, plant and equipment (2018: nil).

8. CREDITORS AND OTHER PAYABLES

	2019 Actual $000's	2018 Actual $000's
Creditors	1,874	6,435
Accrued expenses	4,032	0
Payable to TRC Parent	77	280
Payable to THALP	0	546
Revenue in advance	121	753
GST payable	4,472	0
Total creditors and other payables	**10,576**	**8,014**

9. LOAN

	2019 Actual $000's	2018 Actual $000's
Balance at 1 July	13,000	3,000
Unsecured loans drawn from TRC Parent during the year	0	10,000
Repayment of loan to TRC	(13,000)	0
Loan balance as at 30 June (current portion)	**0**	**13,000**
Total loan	**0**	**13,000**

9. LOAN (CONT'D)

TRL had a loan facility with TRC Parent which was paid off in full in December 2018. The loan was provided to TRL when operating cash flows from the tenancy and property management function were insufficient to find the capital commitments for buyback of state housing and capital development works. The loan was unsecured and provided at nil interest. Repayments of the loan were on request from TRC Parent.

10. EQUITY

	Ordinary shares Actual $000's	Preference shares Actual $000's	Total Actual $000's
Contributed capital			
Balance at 30 June 2017	0	1,631,161	**1,631,161**
Balance at 30 June 2018 and 1 July 2018	0	1,631,161	**1,631,161**
Capital contribution	0	59,500	**59,500**
Return of value to the Crown	0	1,842	**1,842**
Balance at 30 June 2019	0	1,692,503	1,692,503
Accumulated (deficit) and revaluation reserve			
Balance at 30 June 2017	319,681	0	**319,681**
Balance at 30 June 2018 and 1 July 2018	302,592	0	**302,592**
(Deficit) for the year	(24,699)	0	**(24,699)**
Dividend paid	(13,000)	0	**(13,000)**
Total comprehensive revenue and expense	(15,845)	0	**(15,845)**
Balance at 30 June 2019	249,048	0	249,048
Total equity	249,048	1,692,503	1,941,551

All ordinary shares are held by TRC Parent all of which are unpaid and have no par value. There were no ordinary shares issued during the year. TRL may issue new shares which will rank pair pass 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 2016 in the exchange for property, plant and equipment, inventories and trade and other receivables previously held by Housing New Zealand. There were 59,500,000 preference shares issued during the in exchange of cash.

A large share of the preference shares that were issued in 2016 were in exchange of land. The risks and rewards of $88.9m of this land has been passed to HLC (2017) Ltd (HLC) during the 2019 financial year via issuance of an LTO under an umbrella agreement for nil accounting consideration. The value of the issued preference shares has been reduced by the corresponding value.

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.

10. EQUITY (CONT'D)

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

Capital management

TRL capital is in equity, which comprised ordinary shares contributed by TRC parent, preference share provided by Crown, revaluation reserves and accumulated deficit. Equity is represented in net assets. TRL is subject to the financial management and accountability provision of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives. TRL obtained the ability to co-borrow and be a co-guarantor on shared equity properties via Ministerial approval of the shared equity port programme in April 2019. 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. 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 in 2016 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.

11. BUDGET COMPARATIVES

For the purposes of clarity, some items in the budget that was approved by the Board and contained in the statement of performance expectations (SPE) have been reclassified to be consistent with the accounting policies applied in the preparation of these financial statements. A comparison is provided below to show the effect of the restatement.

Statement of Comprehensive Revenue and Expense

	Budget values per:		
	2019 Financial Statements $000's	2019 SPE $000's	Difference $000's
Expenditure			
Inventory costs	41,349	37,818	3,531
Repairs and maintenance	21,079	69,587	(48,508)
Healthy homes provision expense	48,508	0	48,508
Other expenses	85	3,616	(3,531)
Total expenditure	111,021	111,021	0
(Deficit) for the year	(111,021)	(111,021)	0

Statement of Financial Position

The statement of Financial Position has not been restated.

12. COMMITMENTS

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

Capital commitments

The future state housing buyback commitments are as follows:

	2019 Actual $000's	2018 Actual $000's
Not later than one year	45,337	53,857
Later than one year not later than five years	47,218	4,384
Later than five years	6,347	0
Total capital commitments	98,902	58,241

13. CONTINGENCIES

There were no contingent assets or contingent liabilities as at 30 June 2019.

In the 2018 financial statements TRL disclosed a contingent liability for costs to meet the Healthy homes regulations which were yet to be passed on signing of the 2018 financial statements. TRL's initial estimates were that it would need to spend between $4.4m and $59.6m to bring its state houses up to the new standards in the 2019 through 2022 financial years. TRL undertook an asset survey of the entire portfolio in 2019. The Healthy homes regulation passed in the 2019 financial year and as a consequence of this and the asset survey results, it was determined that some upgrades were required to properties but that no operating expenditure would be incurred in meeting the regulations.

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

HLC (2017) Limited (HLC) is wholly-owned subsidiary of Housing New Zealand Limited (HNZ) and HNZ is state owned enterprise. TRL is a Crown entity and hence, HLC and TRL are related parties. There was one non-arm's length transaction between TRL and HLC in 2019. As explained in note 6, TRL issued an LTO to HLC to the value of $88.9m of land for nil accounting consideration. This constituted an equity transfer to the Crown for the value of the original preference shares issued in 2016 in exchange for HNZ property, plant and equipment.

	2019 Actual $000's	2018 Actual $000's
Management fee expense paid to THALP	5,406	5,215

Key management personnel compensation

	2019 Actual	2018 Actual
Leadership Team		
Remuneration ($000's)	589	684
Full-time equivalent members	1.78	2.36

14. RELATED PARTY TRANSACTIONS (CONT'D)

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. (2018: nil)

15. BOARD MEMBER REMUNERATION

There was no remuneration paid to the Board of TRL during the year. The governance of TRL was conducted via the Board of TRC Parent (henceforth 'Board'), whose remuneration is outlined in its financial statements. There have been no payments made to committee members appointed by the Board who are not Board members during the financial year. TRC Parent has not provided a deed of indemnity to its Directors during the financial year. TRC Parent has taken out Directors' and Officers' Liability and Professional Indemnity insurance cover during the financial year which covers the directors of the Board in respect of the liability or costs of Board members and employees. No Board members received compensation or other benefits in relation to cessation (2018: nil).

16. EMPLOYEE REMUNERATION

TRL had no employees during the year as all TRL activities were conducted by employees of TRC Parent. Employees that were dedicated to TRL activities were directly recharged to TRL and employees that were partially assigned were on charged via management fee. Therefore TRL paid no employees more than $100,000 remuneration during the year and no employees received compensation or other benefits in relation to cessation (2018: nil).

17. EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

In May 2018, the Minister for Housing and Urban Development made a decision to transfer TRL's development activity to HLC (2017) Ltd. The Minister advised TRL and HLC to work on the detailed arrangements and advise of progress. HLC and TRL completed the formal transfer of development function on 28 February 2019. This significant event did not give rise to any adjustment in the 2018 financial statements. There were no other significant events after the 2018 balance date.

18. FINANCIAL INSTRUMENTS

Financial instrument categories

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

	2019 Actual $000's	2018 Actual $000's
Financial assets measured at amortised cost		
Cash and cash equivalents	52,760	180
Trade and other debtors	13,113	4,414
Total loans and receivables	65,873	4,594

18. FINANCIAL INSTRUMENTS (CONT'D)

Financial instrument categories (cont'd)

Financial liabilities measured at amortised cost		
Creditors and other payables	5,983	7,267
Loan	0	13,000
Total financial liabilities measured at amortised cost	5,983	20,267

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

(a) Interest rate risk
TRL's exposure to market risk for changes in interest rates relates primarily to any interest charged by creditors for overdue accounts which is managed through operating cashflows at a TRC Legal Group level.

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

(c) Credit Risk
Credit risk is the risk that a third party will default on its obligation to TRL, causing it to incur a loss. TRL is exposed to credit risk from cash with banks and receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Risk management
For receivables, TRL reviews the credit quality of customers before granting credit. It continues to monitor and manage receivables based on their ageing and adjusts the expected credit loss allowance accordingly.

Concentration of risk
TRL's cash and cash equivalents only include current and call accounts with a registered bank under the requirements of the Crown Entities Act 2004. All of TRL's banking is with one bank which has a credit rating of AA- as above. The only concentration of credit risk for financial liabilities is with TRC Parent due to loans advanced during the financial year. 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.

Security
No collateral or other credit enhancements are held for financial assets that give rise to credit risk.

Impairment
Cash and cash equivalents and receivables are subject to the expected credit loss model.

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

18. FINANCIAL INSTRUMENTS (CONT'D)

(c) Credit Risk (cont'd)

Credit quality of financial assets
The 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.

	2019 Actual $000's	2018 Actual $000's
Counterparties with credit rating		
Cash at Bank		
AA-	52,760	180
Total cash at bank	52,760	180
Counterparties without credit rating		
Counterparty with no defaults in the past	13,113	4,414
Counterparty with defaults in the past	0	0
Total receivables	13,113	4,414

(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 Government announced a $300m crown preference share arrangement at Budget 2018 which provides funds within 60 days which is managed prudently by continuously monitoring forecast and actual cash flow requirements. Currently TRL has significant cash reserves so liquidity risk is minimised. However, in future as this preference share facility is used up, bank financing will be used for short term funding to ensure liquidity is maintained. As at 30 June 2019 all of the contractual maturities (undiscounted cash flow) of TRL's financial liabilities are due within 5 years.

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

	Carrying amount $000's	Contractual cash flow $000's	Less than 6 months $000's	6 to 12 months $000's	More than a year $000's
2019					
Creditors and other payables	5,983	5,984	5,984	0	0
Loans	0	0	0	0	0
Total	5,983	5,984	5,984	0	0
2018					
Creditors and other payables	7,267	7,267	7,267	0	0
Loans	13,000	13,000	0	13,000	0
Total	20,267	20,267	7,267	13,000	0

19. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Statement of comprehensive revenue and expense

Total comprehensive revenue and expense was $77.7m ahead of budget for the year. This consisted of a $93.5m lower deficit for the year offset by a $15.8m loss on revaluation on rental properties and freehold land, which was due to no gain or loss budgeted for the revaluation because of a slowdown in the Auckland property market.

TRL has two key revenue streams being 1) development sales and 2) rental revenue from the state housing portfolio. Development sales are $7.2m higher than budget due to sales realised but uncertain at time of Budget. Income-related rent subsidies (IRRS) were $2.4m higher than budget because the market rent on the rental portfolio increased during the year and the number of rentals terminated to make land available for development was less than expected.

Management fees are primarily TRC staff costs and were $4.6m lower than budget due to TRC staff moving to HLC during the year.

Inventory cost is comprised of cost of goods sold and inventory write-down expense during the year in budget. The budget anticipated a higher level of write-down expense but as risk and rewards of all land in inventory to HLC during the year there was no need for a write-down. Reversal of opening balance of the provision went through retained earnings and as a result, inventory costs are $25.7m lower than budgeted.

Repairs and maintenance was $3.4m below budget as comprehensive maintenance plan was developed which refined the required maintenance costs.

Healthy homes provision expense were budgeted for $48.5m during the year to cover the cost to meet the Healthy homes regulation which were yet to be passed on budget approval in 2018. The Healthy homes regulation passed in 2019 and TRL determined that no operating expenditure will be incurred in meeting the regulations. As a result, no cost were incurred in 2019.

Depreciation was $2.5m higher than budgeted due to a handful of properties commencing redevelopment during the year which were assumed to have remaining useful lives that extended past this financial year.

Interest expense was $3.7m lower than budgeted. This is because no debt funding was obtained during 2019 as was expected. TRL issued $59.5m preference shares to Crown in exchange for cash in 2019. In addition, TRL has sold $41.8m of work in progress (WIP) to HLC during 2019. As a result there was no requirement of funding during 2019 which leads to a favourable variance between actual and budget in 2019.

The preference shares - Crown balance was $12.5m lower than budget. This is due to TRL not requiring as much funding for new state housing buyback due to slower development activity during the year.

Statement of financial position

Total current assets were lower than budget mainly due to derecognition of inventories transferred to HLC and positive variance in cash and cash equivalents because of the sale of WIP to HLC.

Property, plant and equipment (PPE) was $33.0m higher than budget. This was mainly due to land in inventory valued $30m which were not part of development project transferred back to PPE and progress payments were paid to developer in relation to new social housing buyback.

There was a favourable variance of $43.9m in total current liabilities mainly due to Healthy homes provision of $48.5 in budget which was not provided for 2019.

19. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET (CONT'D)

Statement of cash flows

Net cash flow from operating activities was $21.9m higher than budget mainly because of higher development sales, higher GST refunds and less interest paid than expected in 2019.

Cash flow from investing activities was $17.0m lower than budget due to slower development of properties than expected in 2019.

Net cash flow from financing activities was $35.3m lower than expected due to primarily the repayment of the $13.0m loan to TRC Parent, the dividend paid to TRC parent and an $8.1m of loan advanced to TRC Parent in 2019.

20. TRANSITION TO IFRS 9

TRL has transitioned from PBE IPSAS 29 *Financial Instruments* to PBE IFRS 9 *Financial Instruments* in the 2019 financial year and the impact of this transition is not material.

In accordance with the transitional provisions of PBE IFRS 9, TRL has elected not to restate the information for previous years to comply with PBE IFRS 9. The carrying amounts of financial assets and financial liabilities have not changed between the closing 30 June 2018 and the opening 1 July 2018 dates as a result of the transition to PBE IFRS 9.

The measurement categories for financial assets have changed from loans and receivables to amortised cost. The measurement categories for financial liabilities have not changed.

The accounting policy for measurement, recognition and derecognition of financial assets and liabilities is in the Statement of Accounting Policy at Note 1. The receivables accounting policy has been updated to reflect that the impairment of short-term receivables is now determined by applying an expected credit loss model.

TRL had no impact on the impairment losses calculated under the new expected credit loss model. The expected credit loss model was consistent with methodology used in previous years for tenant debtors. Development and intercompany debtors have also been assessed for impairment under the new model and no change to impairment was required at balance date.

Independent Auditor's Report

To the readers of Tāmaki Regeneration Limited's financial statements and performance information for the year ended 30 June 2019

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 for an appropriation, of the Company on his behalf.

Opinion

We have audited:

- the financial statements of the Company on pages 51 to 77, that comprise the statement of financial position as at 30 June 2019, 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 including the statement of accounting policies and other explanatory information; and
- the performance information of the Company on pages 7 to 18.

In our opinion:

- the financial statements of the Company on pages 53 to 77:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2019; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on pages 7 to 18:
    - presents fairly, in all material respects, the Company's performance for the year ended 30 June 2019, 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;
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 23 October 2019. 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. 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.

Other information

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

The annual report also includes other information. The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 5, 19 to 24 and 84 to 89, but does not include the financial statements and the performance information, and our two auditor reports thereon.

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

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

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

Independence

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

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

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

TAMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP FINANCIAL STATEMENTS (UNAUDITED/NON-GAAP) FOR THE YEAR ENDED 30 JUNE 2019

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TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP
STATEMENT OF RESPONSIBILITY
For the year ended 30 June 2019

We are responsible for the preparation of the aggregated TRC Group & TRL financial statements (non-GAAP) of the Tamaki 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:

Director	Director
23 October 2019	23 October 2019

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE (UNAUDITED)
For the year ended 30 June 2019

	2019 Actual Unaudited $000's	2019 Budget Unaudited $000's	2018 Actual Unaudited $000's
Revenue			
Development sales	13,179	5,895	13,708
Rental income from tenants	18,754	18,013	17,997
Income-related rent subsidies	44,787	42,327	43,322
Recoveries from property damage	120	0	115
Other income	41	205	785
Total revenue	76,881	66,440	75,927
Expenditure			
Personnel costs	8,069	9,262	8,791
Consultants and professional fees	3,854	9,829	7,129
Contractors and temporary staff	1,176	684	2,020
Directors fees	262	385	288
Legal expense	730	2,020	625
Inventory costs	15,637	41,349	67,771
Repairs and maintenance	17,616	69,600	15,971
Utilities and insurance	10,473	10,276	9,619
Other expenses	4,817	5,412	4,077
Total expenditure	62,634	148,817	116,291
EBITDAF	14,247	(82,377)	(40,364)
Depreciation and amortisation expense	45,630	43,325	43,631
(Gain)/loss on revaluation of rental properties	0	0	(9,844)
Total depreciation, amortisation and fair value adjustments	45,630	43,325	33,787
EBIT	(31,383)	(125,702)	(74,151)
Interest income	436	330	22
Interest costs	823	5,118	481
Net interest income	(387)	(4,788)	(459)
Surplus/(deficit) before tax	(31,770)	(130,490)	(74,610)
Tax expense	0	0	0
Surplus/(deficit) for the year	(31,770)	(130,490)	(74,610)
Other comprehensive revenue and expense			
Gain on revaluation of freehold land	(45,057)	0	11,522
Gain on revaluation of rental properties	29,212	0	40,298
Total other comprehensive revenue and expense	(15,845)	0	51,820
Total comprehensive revenue and expense	(47,615)	(130,490)	(22,790)

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP
STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2019

	2019 Actual Unaudited $000's	2019 Budget Unaudited $000's	2018 Actual Unaudited $000's
Assets			
Current assets			
Cash and cash equivalents	56,641	52,551	3,691
Trade and other receivables	3,546	4,272	4,271
Inventories	1,328	8,831	72,412
Total current assets	**61,515**	**65,653**	**80,374**
Non-current assets			
Property, plant and equipment	1,885,015	1,851,837	1,875,966
Intangible assets	41	127	96
Total non-current assets	**1,885,056**	**1,851,964**	**1,876,062**
Total assets	**1,946,571**	**1,917,618**	**1,956,436**
Liabilities			
Current liabilities			
Creditors and other payables	11,692	53,162	8,682
Annual leave liability	408	510	510
Loan	0	0	3,000
Total current liabilities	**12,100**	**53,672**	**12,192**
Non-current liabilities			
Loan	0	0	23,500
Total non-current liabilities	**0**	**0**	**23,500**
Total liabilities	**12,100**	**53,672**	**35,692**
Net assets	**1,934,471**	**1,863,946**	**1,920,744**
Equity			
Ordinary shares - Crown	5,000	5,000	5,000
Ordinary shares - Auckland Council	3,500	3,500	3,500
Preference shares - Crown	1,692,503	1,704,853	1,631,161
Preference shares offset	0	0	0
Revaluation reserve	423,171	468,672	468,672
Accumulated (deficit)	(189,703)	(318,079)	(187,589)
Total equity	**1,934,471**	**1,863,946**	**1,920,744**

For and on behalf of the Board who authorise the issue of the financial statements on 23 October 2019.

Director
23 October 2019

Director
23 October 2019

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the year ended 30 June 2019

	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 2018	1,639,661	468,672	(187,589)	1,920,744
Total comprehensive revenue and expense				
Surplus for the year	0	0	(31,770)	(31,770)
Other comprehensive revenue and expense	0	(15,845)	0	(15,845)
Reversal of revaluation reserve on PPE derecognition	0	(29,656)	29,656	0
Total comprehensive income	0	(45,501)	(2,114)	(47,615)
Owners' transactions				
Capital contribution	59,500	0	0	59,500
Adjustment to capital	1,842	0	0	1,842
Total contributions and distributions	61,342	0	0	61,342
Balance at 30 June 2019	1,701,003	423,171	(189,703)	1,934,471

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

	Actual Unaudited $000's	Actual Unaudited $000's	Actual Unaudited $000's	Actual Unaudited $000's
Balance at 1 July 2017	1,639,661	416,852	(112,979)	1,943,534
Total comprehensive revenue and expense				
Surplus for the year	0	0	(74,610)	(74,610)
Other comprehensive revenue and expense	0	51,820	0	51,820
Total comprehensive income	0	51,820	(74,610)	(22,790)
Owners' transactions				
Capital contribution	0	0	0	0
Repayment of capital	0	0	0	0
Total contributions and distributions	0	0	0	0
Balance at 30 June 2018	1,639,661	468,672	(187,589)	1,920,744

TĀMAKI REDEVELOPMENT COMPANY LIMITED LEGAL GROUP
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended 30 June 2019

	2019 Actual Unaudited $000's	2019 Budget Unaudited $000's	2018 Actual Unaudited $000's
Cash flows from operating activities			
Receipts from development sales	16,954	5,895	16,983
Rental income from tenants	18,613	17,933	17,997
Income-related rental subsidy	44,787	42,327	43,447
Interest received	427	330	16
Other revenue received	973	205	981
Receipt for transfer of WIP to HLC	41,896	46,275	0
Payments to suppliers	(71,717)	(47,398)	(52,011)
Payments to employees	(7,545)	(10,172)	(8,559)
Goods and services tax (net)	4,910	(2,829)	(1,945)
Interest paid	(813)	(5,118)	(432)
Net cash flow from operating activities	48,485	47,448	16,477
Cash flow from investing activities			
Purchase of property, plant and equipment	(28,538)	(45,779)	(29,716)
Purchase of intangible assets	(8)	0	(155)
Net cash flow from investing activities	(28,546)	(45,779)	(29,871)
Cash flow from financing activities			
Loan draw down	10,000	0	15,000
Loan repayment	(36,500)	(26,500)	0
Equity contribution	59,500	73,692	0
Net cash flow from financing activities	33,000	47,192	15,000
Net increase in cash and cash equivalents	52,939	48,861	1,606
Cash and cash equivalents at the beginning of the year	3,691	3,690	2,085
Cash and cash equivalents at the end of the year	56,630	52,551	3,691

1. STATEMENT OF ACCOUNTING POLICIES

Reporting entity

These financial statements are for the Tamaki Redevelopment Company Legal Group (TRC Legal Group) which comprises of:
• Tamaki Regeneration Limited (TRL); and
• Tamaki Redevelopment Company Limited Group (TRC Group) which further comprises of the parent Tamaki Redevelopment Company Limited (TRC Parent) and its two subsidiaries Tamaki 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 2019 in one set of financial statements. Such a presentation has to be treated as a non-GAAP set of financial statements as it is not acceptable under PBE IPSAS 6 *Consolidated and Separate Financial Statements* to consolidate TRL into TRC Group.

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

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

Statement of compliance

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

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

Functional and presentation currency

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

SIGNIFICANT ACCOUNTING POLICIES

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