TĀMAKI REGENERATION

STATEMENT OF PERFORMANCE EXPECTATIONS

2019-2020

Tāmaki is an awesome place to live

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STATEMENT OF RESPONSIBILITY

In accordance with the Public Finance Act 1989 and the Crown Entities Act 2004, this Statement of Performance Expectations ("SPE") publicly states the activities and intentions of Tāmaki Redevelopment Company Limited (referred to as either "the company" or "TRC" interchangeably) and its subsidiaries for the 2019-2020 financial year ("FY20"), and the objectives that those activities will contribute to.

This SPE has had shareholder input, allowing our responsible Ministers and Auckland Council to participate in setting the direction for the company for the 2019-2020 financial year, and includes performance measures and targets as the basis of organisational accountability.

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

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

Evan Davies Chair	Dr. Susan Macken Deputy Chair
28 June 2019 Date	28 June 2019 Date

PURPOSE OF STATEMENT OF PERFORMANCE EXPECTATIONS

This document is TRC's Statement of Performance Expectations 2019-2020 and should be read in conjunction with our Statement of Intent 2018-2022, which describes our organisation and strategic intent in more detail, outlining how our operating environment is changing and how we are planning to respond to those changes.

The SPE is our 12-month operational plan, setting out our expected financial performance during the 2019-2020 financial year, along with appropriate output measures and enabling project milestones within each of our functional areas. These measures and milestones are designed to drive organisational performance and are linked to our strategic objectives and the long-term outcomes we contribute to.

In setting out these measures and milestones, our SPE provides a base against which our actual performance can be measured at year-end by our shareholders and by Parliament. We will also provide quarterly reports[1] to our

[1] Note that the Annual Report 2020 will serve as the Q4 Report for FY20.

shareholders, which will provide an overview of our performance over the previous three months against SPE measures and milestones.

ABOUT TĀMAKI REDEVELOPMENT COMPANY

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

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

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

Tāmaki is ready for change and, through its shareholders, the New Zealand Government and Auckland Council, the Tāmaki Regeneration Company ("TRC")[2], is mandated to lead a first-of-its-kind urban regeneration programme in Tāmaki.

As requested by the Crown in 2018, we are partnering with HLC (2017) Limited ("HLC"), a subsidiary company of Housing New Zealand Corporation, to deliver housing developments in Tāmaki. HLC acts as the master developer in Tāmaki and is now responsible for the delivery of new warm and dry homes in the area. This redevelopment programme will see 2,500 of the existing state houses replaced with at least 7,500 state, affordable, KiwiBuild, and private market houses over the next 20 years. TRC and HLC's shared objectives of delivering regeneration through high-quality urban design and placemaking have been strengthened through this partnership.

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

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

- Working in partnership with the community, public agencies, and the private sector to create jobs for local people, reducing the need for government support;
- 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 HLC 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 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;

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

- Implementing our marketing strategy to attract investment, positioning Tāmaki as a location of choice and a thriving hub of enterprise, with two bustling town centres; and

- Utilising our tenancy management services arm, the Tāmaki Housing Association Limited Partnership[3], 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 the commercial relationship with HLC and our mandate to maximise the economic and social returns for Tāmaki will require trading off some financial return for TRC.

This trade off will be identified and measured. We will use best practice insights to inform the strategic deliverables and measurements of outcomes, both fiscal and social. 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 will become a world leader of regeneration – an organisation that will learn, grow, and share its knowledge.

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

Last year, we established Tāmaki Response, alongside the Auckland District Health Board and Oranga Tamariki. This collaborative initiative aims to create more effective and efficient decision-making about social services within Tāmaki and provides a platform for change across New Zealand. Tāmaki Response's priorities are improving education provision, jobs and skills for Tāmaki residents, supporting families with young children (0-5 years), strengthening mental health provision, and supporting vulnerable 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.

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

OUR OPERATING ENVIRONMENT

Setting our direction requires us to understand the key factors influencing our operating environment and how these will change the way we will operate into the future. The Government has set out an ambitious housing programme, focussed on addressing the housing crisis in Auckland and transforming the housing and urban development sector. The delivery of affordable housing for first home buyers through the KiwiBuild programme is being complemented by significant boosts to state housing supply, the development of government-sponsored shared equity models, improvements to rental housing standards, and policies to reduce homelessness.

To support this programme, the Government has established a new Ministry of Housing and Urban Development (MHUD) and announced the creation of Kāinga Ora – Homes and Communities, a centralised housing and urban development authority. Kāinga Ora – Homes and Communities will consolidate Housing New Zealand, HLC, and parts of the KiwiBuild unit and will be responsible for leading urban development projects and managing public housing, delivering on the Government's vision of healthy, secure and affordable homes within diverse and thriving communities. Under this new regulatory regime, the monitoring function for TRC has been transferred from the Treasury to MHUD.

There is strong alignment between the priorities and outcomes of the Tāmaki regeneration programme and the Government's policy agenda to improve living standards and wellbeing for New Zealanders. The Government is committed to major investments in housing, health, education, and infrastructure, all of which are critical to, and supported by, the regeneration programme in Tāmaki. To this end, we are continuing to work closely with our partners across the public sector and in the community to deliver transformational programmes for Tāmaki whānau. Our work is also helping to reshape the social service system, regionally and nationally, based on a deep understanding of the barriers, enablers, and drivers of change for whānau.

Contribution to the Government's Policy Programme

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

The housing programme will be achieved via:

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

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

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

- **Creating system-wide change to ensure more efficient and effective collective decision-making about social services in Tāmaki** through the work of the Tāmaki Response, which we have established with our partners as an exemplar of cross-agency collaboration;

- **Providing system stewardship through the Tāmaki Response** and working with the community and our partners to develop sustainable strategies in education, health, and social services, delivering for community and the Crown and feeding into regional and national planning;

- **Ensuring that Tāmaki people have strong educational foundations, career skills, financial capability, knowledge, and employment opportunities,** to enable and empower them to progress their lives and achieve their aspirations; and

- **Directly supporting Tāmaki people into employment, training, and business opportunities through our jobs and skills hub and social enterprise programme,** thereby increasing human and social capital in the area and creating a thriving local economy in Tāmaki.

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

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

- **Belonging and participation:** We worked with community to develop a 'neighbourhood approach' to regeneration. The approach is underpinned by ongoing community involvement and participation and is committed to delivering outcomes based on community needs and aspirations.

- **Māori identity and wellbeing:** Over the past few years, we have deepened our relationships with mana whenua, establishing strategic partnerships with three local iwi. We continue to work closely with the Ruapotaka Marae, who sit at the heart of our Māori community, to enhance the well-being of whānau in Tāmaki.

- **Homes and places:** Over the next 20 years, the regeneration programme will see 2,500 existing state houses transformed into at least 7,500 new, warm, dry, and healthy state, affordable, KiwiBuild, and private market homes, as part of thriving mixed tenure communities in Tāmaki.

- **Transport and access:** We advocate for high-quality public transport infrastructure and services in Tāmaki, as the success of the transport linkages within Tāmaki, as well as between Tāmaki and other parts of the region, will contribute directly to the success of TRC's broad regeneration programme.

- **Environment and cultural heritage:** Each year, we collaborate with the community and local environmental groups to deliver the Omaru Creek Restorative Action Programme, bringing focus to the ways in which regeneration can improve environmental and biodiversity outcomes. We have also been working closely with Auckland Council on a comprehensive Stormwater Management Plan for Tāmaki, with the aim of improving water quality and environmental outcomes.

- Opportunity and prosperity: Through our Jobs and Skills Hub, we are enabling Tāmaki people to enter the workforce, helping them gain driver licences, access education and training opportunities, and supporting them into sustainable employment. We are also supporting local social enterprises that trade goods and services to achieve social, environmental, economic, and cultural outcomes.

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

OUR STRATEGIC FRAMEWORK

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

Our Strategic Priorities

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

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

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

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

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

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

STRATEGIC PRIORITY – HOUSING RESOURCES

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

Vision

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

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

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

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

Asset Management

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

The overall quality of our portfolio will be significantly improved over time, through both regeneration and the provision of cost-effective planned and responsive maintenance to achieve our desired levels of service across the housing portfolio. Our ability to successfully manage our tenancies is linked to our asset management maturity and the mechanisms that we have put in place to ensure that our tenants live in quality state housing.

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.

During the 2019/20 financial year, we will:

- Manage our housing portfolio efficiently and effectively, within a complex regeneration environment;
- Continue to improve the overall quality of our portfolio by purchasing newly built state houses and upgrading existing stock as required;

- Keep vacancy periods to a minimum and maximise the number of public housing places available, within the constraints of the redevelopment programme and rehousing schedule;
- Procure a new maintenance contractor, using the procurement process to seek improvements in our approaches to customer service, property maintenance, and asset management; and
- Ensure that state houses are suited to tenants' needs, as agreed with our Crown partners.

STRATEGIC FRAMEWORK	LINK	
Contributes to Tāmaki Outcomes Framework	• Tāmaki has quality housing • Tāmaki has great neighbourhoods	
Our Objectives What we are aiming to deliver	• Develop and own new quality state houses at an efficient build and whole-of-life cost • Ensure our state housing tenants live in houses that are fit for purpose	
Outputs – Desired Trends How we will know we are making progress	MEASURE	TARGET 19/20
	Portfolio average property condition (CGI)	**2.78**[4]
	Percentage of customers satisfied with repairs and maintenance	**65%**
	Percentage of lettable homes that are let	**98%**
	Average inter-tenancy void turnaround time (vacant to ready to let)	**28 days**
Enabling Projects What we need to do to support our objectives	PROJECT	MILESTONE 19/20
	Procurement of Maintenance Contractor The maintenance services that we deliver for our tenants is a primary contributor to their experience of dealing with Tāmaki Housing, and is also a major part of ensuring that our houses are good homes for our whānau to live in. The current maintenance contract expires on 30 June 2020, and this initiative will ensure that a new contract is in place by that date to continue a seamless service for our tenants and other stakeholders. We will also use this renewal opportunity to seek improvements in our approaches to customer service, property maintenance, and asset management.	**New contract in place**

Tenancy Management

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

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

[4] The milestone for this output measure in FY19 was to establish the baseline for the average condition of properties across the portfolio, based on a survey of our housing portfolio. This work is still in progress, with a representative survey of the portfolio completed and an interim baseline of 2.84 established by the end of FY19; accordingly, the FY20 target for this metric will be updated once the full survey results have been received and the baseline has been updated.

During the 2019/20 financial year, we will:

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

STRATEGIC FRAMEWORK	LINK	
Contributes to Tāmaki Outcomes Framework	• Tāmaki has quality housing • Tāmaki has great neighbourhoods	
Our Objectives What we are aiming to deliver	• Ensure our state housing tenants live in houses that are fit for purpose • Ensure tenant-landlord relationships are managed professionally, with tenants being treated respectfully throughout rehousing	
Outputs – Desired Trends How we will know we are making progress	MEASURE	TARGET 19/20
	Percentage of tenants who are affected by redevelopment and want to stay in Tāmaki who are rehoused within Tāmaki	100%
	STAR Customer Satisfaction Score	80%
	Rental debt older than 7 days as a percentage of monthly rental income	<5.0%
	Tenancy management cost per unit	<$2125pa[5]
	Average number of days to let Tāmaki Housing Association property to applicants from the MSD register after it becomes available	15 days
	Percentage of urgent health and safety queries responded to within 4 hours	95%

Housing Supply

As requested by the Crown, we are partnering with HLC to deliver housing developments in Tāmaki. HLC is accountable for the delivery of new warm and dry homes in Tāmaki, which will see 2,500 of the existing state houses replaced with 2,500+ new state houses, alongside an additional 5,000+ affordable, KiwiBuild, and private market houses over the next 20 years.

Our commitment to the Tāmaki community is that there will be at least the same number of state houses in the area at the end of the redevelopment programme that existed before it commenced. The nature of housing redevelopment means that the total number of public housing places available in Tāmaki will fluctuate as old state houses are demolished and new ones are built, but our aim is to continue to provide approximately 2,500 public housing places in Tāmaki throughout the redevelopment programme.

HLC share our objectives of delivering regeneration through high-quality urban design and placemaking. This is a long-term partnership and we are continuing to deepen our relationship with HLC, to ensure organisational alignment that

[5] The baseline for this metric is $2080pa in Q1 2018$, linked to the Auckland Rents component of the Consumer Price Index. This is consistent with the indexation process that we use when reviewing our market rents with the Ministry of Social Development and Ministry of Housing and Urban Development.

will deliver the best outcomes for the Crown and community. To this end, we have entered into a partnership with HLC, formally agreeing the principles and commercial arrangements that will govern the development programme.

We will continue to hold HLC to account for their delivery of quality new housing in Tāmaki, ensuring that the redeveloped homes and neighbourhoods enable the broader regeneration objectives of the Crown and our community. This year, we will assist HLC to finalise the Tāmaki Programme Business Case, which will set out the long-term forecast delivery of new housing stock in Tāmaki. It is important to note that increasing housing supply is not the only thing that will be delivered by neighbourhood redevelopment. Neighbourhoods that are well designed and built lead to other outcomes that TRC is acountable for, such as improved social cohesion, increased perceptions of safety, improved physical and mental health, and greater civic and community participation.

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

During the 2019/20 financial year, we will:

- Carry out activities that were identified as key moves for FY20 in the Tāmaki Precinct Masterplan Implementation Plan, demonstrating to community and our partners that we are committed to delivering regeneration in a holistic and coherent way;
- Purchase 75[6] newly built state houses during the financial year, contributing to the renewal of our housing portfolio; and
- Assist HLC to finalise the Tāmaki Programme Business Case, which will set out the long-term forecast delivery of new housing stock in Tāmaki.

STRATEGIC FRAMEWORK	LINK	
Contributes to Tāmaki Outcomes Framework	• Tāmaki has quality housing • Tāmaki has great neighbourhoods	
Our Objectives What we are aiming to deliver	• Develop and own new quality state houses at an efficient build and whole-of-life cost • Provide a continued supply of quality houses across the housing continuum	
Outputs – Desired Trends How we will know we are making progress	MEASURE	TARGET 19/20
	Number of new state houses purchased during the financial year	75[7]
Enabling Projects What we need to do to support our objectives	PROJECT	MILESTONE 19/20
	Tāmaki Precinct Masterplan During FY19, we produced the Tāmaki Precinct Masterplan as the overarching framework for the consistent and coherent urban	**Activities in the Implementation Plan for FY20 delivered**

[6] This figure refers to the number of state houses that are forecast to be practically complete during FY20 that Tāmaki Regeneration Limited has committed to purchase, noting that the final financial transaction on some of these properties may be executed in FY21.
[7] See previous footnote.

STRATEGIC FRAMEWORK	LINK	
	design approach to the development of Tāmaki. Following approval of the Masterplan last year, the milestone for this project in FY20 is to carry out the activities in the Implementation Plan for this financial year.	
	Programme Business Case Assist HLC to finalise the Tāmaki Programme Business Case ("PBC") in FY20. The PBC will set out the forecast long-term delivery of new housing stock in Tāmaki (public, KiwiBuild, and market housing), the forecast net cost of that housing, and the forecast financial implications for TRC in relation to Crown funding requirements.	Programme Business Case completed

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		2019/20 PROSPECTIVE UNAUDITED
	Revenue	**($000s)**
	Crown	-
	Other	69,106
	Total Revenue	**69,106**
	Expenditure	92,114
	Net (Deficit)	**(23,008)**

STRATEGIC PRIORITY – SOCIAL TRANSFORMATION

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

Vision

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

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

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

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

Social Transformation

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

Tāmaki Response was set up in 2018 as a specialist hub that puts Tāmaki whānau and tamariki at the heart of social services. Tāmaki Response leads the design component within the TRC Social and Economic Regeneration Programme, which is strongly aligned with the Government's priorities to raise living standards and wellbeing for families and reduce child poverty. Our work in this area is about improving outcomes for Tāmaki whānau by delivering more effective and joined-up social services targeted at those who will gain the most benefit from them.This work feeds directly into strategic planning at a regional and national level by the Auckland District Health Board, Oranga Tamariki, and the Crown's Social Investment Board, to help ensure support services are designed based on a deep understanding of community needs and enablers.

There are numerous whānau in Tāmaki who will struggle to access the opportunities created through the regeneration due the complexity of challenges they have in their life, the immediate needs facing them, such as housing and food insecurity, and an absence of support factors. Working with the local community and experts, we have developed the framework for an intensive support service, called Whānau by Whānau, to meet the needs of this group. We will find partners to deliver the service this year.

The service will ensure that the basic needs of the whānau are met – food, housing, and enough disposable income to get by (through debt consolidation). They will then be matched with a skilled practitioner, who will help them to develop and implement a plan to achieve their goals. The practitioners will empower the whānau, enhance whānau functioning, and navigate the system on their behalf, accessing and integrating services. Using the insights gained by understanding the lived experience of the whānau in the service, we will work with funders and service providers to redesign processes and services to drive wider system change.

We also want to ensure that there is a diverse supply of housing across the continuum that allows this unique slice of Auckland to thrive and provide opportunities for Tāmaki whānau to take up housing products that are affordable and meet their needs. To this end, we will continue to work with our partners to develop innovative affordable housing options that work in a Tāmaki context, sharing our knowledge and expertise in this area with government officials as they progress affordable housing schemes in other locations.

During the 2019/20 financial year, we will:

- Provide system stewardship through the Tāmaki Response, undertaking deep research within the community to shape key projects in education, health, and social services;
- Establish 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;
- Enhance education and employment opportunities for Tāmaki residents through our strategic influence and jobs and skills initiatives;
- Commence the building phase for the Early Years Hub, an innovative centre of early learning excellence that will have co-located support services for whānau to access; and
- Equip Tāmaki whānau with the financial knowledge and tools to be able to transition out of the need for state housing, over time.

STRATEGIC FRAMEWORK	LINK	
Contributes to Tāmaki Outcomes Framework	• Tāmaki whānau are connected in their community • Tāmaki whānau have health and wellbeing • Tāmaki whānau are economically independent	
Our Objectives What we are aiming to deliver	• Support Tāmaki residents into education and employment opportunities • Provide affordable housing options for Tāmaki whānau • Support families with an integrated social service system, which enables them to achieve their aspirations	
Outputs – Desired Trends How we will know we are making progress	MEASURE	TARGET 19/20
	Number of Tāmaki people who are employed through TRC initiatives	185
	Number of Tāmaki people who progress along the housing continuum	5
Enabling Projects What we need to do to support our objectives	PROJECT	MILESTONE 19/20
	Intensive Support Service TRC is leading the establishment of an intensive support service to tackle those factors that trap families with complex and multiple needs in crisis and poverty, working both at an individual family level and at a systemic level. The milestone for this project in FY20 is selection of partners to deliver the service, with the selection achieved through a procurement process.	Service Providers selected

STRATEGIC FRAMEWORK	LINK	
	Early Years Hub TRC is working with the Ministry of Education, Tāmaki Primary School, the Tāmaki community, and an investment partner to deliver an Early Childhood Education centre with additional space for use by community and a range of social service providers. The milestone for this project in FY20 is commencement of the building phase of the facility.	Building phase of Early Years Hub commenced

Revenue and Output Expenses		2019/20 PROSPECTIVE UNAUDITED
	Revenue	**($000s)**
	Crown	-
	Other	71
	Total Revenue	**71**
	Expenditure	4,842
	Net (Deficit)	**(4,771)**

STRATEGIC PRIORITY – ECONOMIC DEVELOPMENT

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

Vision

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

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

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

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

Economic Development

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

These projects will create thriving, attractive, and sustainable town centres that encourage investment in retail and commercial space, making Glen Innes and Panmure destinations of choice in Auckland's eastern suburbs. The physical transformation of the town centres and other work we do in this area is being complemented by a destination brand project, positioning Tāmaki as an attractive investment opportunity for individual, commercial, and institutional investors.

Last year, 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 key stakeholders to produce an Employment Precinct[8] Strategy. The intent of this project is to encourage investment into the Employment Precinct and capture the economic opportunity that the regeneration programme provides for businesses. In doing so, our aim is to create a thriving local economy with better and more diverse employment opportunities for residents, over time.

[8] The 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.

During the 2019/20 financial year, we will:

- Work with ATEED, the Auckland Business Chamber, local businesses and landowners, investment and innovation experts, the Maungakiekie-Tāmaki and Ōrākei Local Boards, and other stakeholders to progress key moves to encourage investment and development in the Tāmaki Employment Precinct;
- Promote Tāmaki as a global, innovative, and inclusive location that provides a range of investment opportunities; and
- Continue to work closely with the Auckland Council family and Maungakiekie-Tāmaki Local Board on the revitalisation of commercial precincts in Tāmaki (acknowledging that these are long-term projects).

<table>
<tr><th>STRATEGIC FRAMEWORK</th><th colspan="2">LINK</th></tr>
<tr><td>Contributes to
Tāmaki Outcomes Framework</td><td colspan="2">• Tāmaki whānau are economically independent
• Tāmaki has a thriving economy</td></tr>
<tr><td>Our Objectives
What we are aiming to deliver</td><td colspan="2">• Develop vibrant town centres that meet the needs of our future population, while maintaining the Tāmaki culture
• Encourage investment in Tāmaki</td></tr>
<tr><td rowspan="2">Enabling Projects
What we need to do to support our objectives</td><td>PROJECT</td><td>MILESTONE 19/20</td></tr>
<tr><td>Tāmaki Employment Precinct Project
During FY19, we partnered with ATEED, the Auckland Business Chamber, local businesses and landowners, the Maungakiekie-Tāmaki and Ōrākei Local Boards, and key stakeholders to develop a long-term Strategy for the Tāmaki Employment Precinct, designed to support businesses to grow, encourage development and investment in the Employment Precinct, and drive improved employment outcomes for locals. Following completion of the Strategy last year, the milestone for the project this year is to carry out the activities in the Implementation Plan for FY20.</td><td>Activities in the Implementation Plan for FY20 delivered</td></tr>
</table>

Revenue and Output Expenses		2019/20 PROSPECTIVE UNAUDITED
	Revenue	**($000s)**
	Crown	-
	Other	24
	Total Revenue	**24**
	Expenditure	1,431
	Net (Deficit)	**(1,407)**

STRATEGIC PRIORITY – PLACEMAKING

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

Vision

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

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

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

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

Placemaking

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

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

One of our most visible moves in this area will be progressing the Maybury Green Project, which saw TRC-owned land bordering Maybury Reserve converted to green space last year, extending the existing reserve and creating a safer and more accessible space for the community to enjoy. This year, we will work with Auckland Council to agree a process for vesting the land, ensuring that it will be maintained as a recreational space now and into the future. We will also hold a series of activations and events on the site during the year, to promote healthy lifestyles and activities for Tāmaki whānau.

During the 2019/20 financial year, we will:

- Deliver key placemaking elements for FY20 set out in the Tāmaki Precinct Masterplan Implementation Plan;
- Market Tāmaki as a destination of choice, strengthen community resilience, and create social cohesion through the implementation of our Placemaking Strategy;

- Reach agreement with Auckland Council to vest the TRC land bordering Maybury Reserve that we converted to green space last year, creating a safer and more accessible space for community use; and
- Deliver events and activate spaces in Tāmaki for families and residents to form connections within their community.

STRATEGIC FRAMEWORK	LINK	
Contributes to Tāmaki Outcomes Framework	• Tāmaki has great neighbourhoods • Tāmaki whānau are connected in their community	
Our Objectives What we are aiming to deliver	• Create sustainable neighbourhoods that enhance Tāmaki's natural environment • Ensure quality transport connections that allow easy movement within Tāmaki and to and from other regional destinations • Provide Tāmaki residents a chance to shape Tāmaki and take advantage of its opportunities • Develop safe and welcoming neighbourhoods that support social cohesion and connectivity	
Outputs – Desired Trends How we will know we are making progress	MEASURE	TARGET 19/20
	Percentage of neighbourhood designs that meet the agreed minimum standard under the Quality Neighbourhood Framework	100%
	Number of events and activations delivered directly by TRC or in conjunction with partners	5
Enabling Projects What we need to do to support our objectives	PROJECT	MILESTONE 19/20
	Maybury Green Project During FY19, we removed housing from TRC land on Taniwha Street that borders Maybury Reserve, with the intention of ultimately vesting this land in Auckland Council as park land and extending the existing reserve to create a safer, more accessible open space for Tāmaki residents to enjoy. The milestone for this project in FY20 is to reach agreement with Auckland Council to vest the land. In addition, a series of activations and events will be held on the site during the year.	Agreement with Auckland Council to Vest Land

Revenue and Output Expenses		2019/20 PROSPECTIVE UNAUDITED
	Revenue	**($000s)**
	Crown	-
	Other	-
	Total Revenue	**-**
	Expenditure	2,590
	Net (Deficit)	**(2,590)**

PROSPECTIVE FINANCIAL INFORMATION

Tāmaki Redevelopment Company Limited Group
Statement of Prospective Comprehensive Revenue and Expense (Unaudited)
For the year ending 30 June 2020

	2020 Prospective Unaudited $000's
Revenue	
Management fee income	14,107
Dividend Received	11,340
Other income	95
Total revenue	**25,542**
Expenditure	
Personnel costs	9,399
Consultants and professional fees	5,398
Contractors and temporary staff	50
Directors fees	265
Legal expenses	420
Management fee expense	1,611
Other expenses	5,759
Total expenditure	**22,902**
EBITDAF	**2,640**
Depreciation and amortisation expense	101
EBIT	**2,539**
Finance income	0
Finance costs	0
Net finance income	**0**
Net surplus for the year	**2,539**
Total comprehensive revenue and expense	**2,539**
(Deficit) for the year attributable to:	
Crown	1,498
Minority interest (Auckland Council)	1,041
	2,539
Total comprehensive revenue and expense attributable to:	
Crown	1,498
Minority interest (Auckland Council)	1,041
	2,539

Tāmaki Redevelopment Company Limited Group
Statement of Prospective Financial Position (Unaudited)
As at 30 June 2020

	2020 Prospective Unaudited $000's
Assets	
Current assets	
Cash and cash equivalents	5,575
Trade and other receivables	458
Total current assets	**6,033**
Non-current assets	
Property, plant and equipment	6
Intangible assets	38
Total non-current assets	**44**
Total assets	**6,077**
Liabilities	
Current liabilities	
Creditors and other payables	2,157
Annual leave liability	381
Loan	10,872
Total current liabilities	**13,410**
Total liabilities	**13,410**
Net assets	**7,333**
Equity	
Ordinary shares - Crown	5,000
Ordinary shares - Auckland Council	3,500
Accumulated (deficit)	(15,833)
Total equity	**(7,333)**

For and on behalf of the Board who authorise the issue of the financial statements on 28 June 2019.

Evan Davies
Chair
28 June 2019

Dr Susan Macken
Director
28 June 2019

Tāmaki Redevelopment Company Limited Group
Statement of Prospective Changes in Equity (Unaudited)
For the year ending 30 June 2020

	2020 Prospective Unaudited $000's
Balance at 1 July	**(9,872)**
Total comprehensive revenue and expense	
Surplus for the year	2,539
Total comprehensive income	**2,539**
Owners' transactions	
Capital contribution	0
Repayment of capital	0
Total contributions and distributions	**0**
Balance at 30 June	**(7,333)**

Tāmaki Redevelopment Company Limited Group
Statement of Prospective Cash Flows (Unaudited)
For the year ending 30 June 2020

	2020 Prospective Unaudited $000's
Cash flows from operating activities	
Receipts from other revenue	95
Management fee income	13,907
Payments to suppliers	(15,943)
Payments to employees	(9,399)
Net cash flow from operating activities	**(11,340)**
Cash flow from investing activities	
Purchase of property, plant and equipment	0
Purchase of intangible assets	0
Net cash flow from investing activities	**0**
Cash flow from financing activities	
Interest received	0
Interest paid	0
Dividend Received	11,340
Loan repayment	0
Net cash flow from financing activities	**11,340**
Net increase in cash and cash equivalents	**0**
Cash and cash equivalents at the beginning of the year	5,575
Cash and cash equivalents at the end of the year	**5,575**

Statement of Accounting Policies

REPORTING ENTITY

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

These prospective financial statements do not include Tāmaki Regeneration Limited (TRL) due to Crown (rather than TRC Parent) controlling TRL. TRL's prospective financial statements are presented separately on pages 34 to 45 of this Statement of Performance Expectations. This document also presents an aggregated set of prospective financial statements of the Tāmaki Redevelopment Company Limited Legal Group (which comprises of TRC Group and TRL) that do not comply with generally accepted accounting practice in New Zealand (NZ GAAP). Such an aggregation has to be treated as a non-GAAP set of prospective financial statements as it is not acceptable under PBE IPSAS 6 Consolidated and Separate Financial Statements to consolidate TRL into TRC Group.

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

These prospective financial statements for the year ending 30 June 2020 were approved by the Board on 28 June 2019.

PROSPECTIVE FINANCIAL STATEMENTS

These prospective financial statements have been prepared for the express purpose of meeting legislative requirements set out under the Crown Entities Act 2004 and the use of these statements for any other purpose may not be appropriate. The description of the principal activities and current operations of TRC Group including those activities and operations expected to be undertaken during the period covered by these prospective financial statements are outlined in the strategic priorities section of this document. The actual financial results achieved for the year ending 30 June 2020 are likely to vary from these prospective financial statements and the variations could be material.

BASIS OF PREPARATION

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

Statement of Compliance

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

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

Functional and presentation currency

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

SIGNIFICANT ACCOUNTING POLICIES

Control and consolidation

Subsidiaries

Subsidiaries are entities controlled by the TRC Parent. The TRC Parent controls an entity when it has the power to govern the financial and operating policies of the entity to benefit from its activities. The prospective financial statements from the date on which control commences until the date on which control ceases are consolidated into the TRC Parent's prospective financial statements. The TRC Parent owns 100% of the ordinary shares THAGP, which is the sole general partner in THALP. The TRC Parent is also the sole limited partner in THALP. As a result, both THAGP and THALP are consolidated into TRC Parent's prospective financial statements.

Loss of control

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

Revenue from exchange transactions:

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

Management fee income

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

Dividend income from TRL

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

Finance income

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

Receivables

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

Property, plant, and equipment

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

Additions

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

Disposals

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

Subsequent costs

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

Depreciation

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

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

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

Intangible assets

Software acquisition and development

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

Website development

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

Amortisation

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

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

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

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

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

Non-cash-generating assets

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

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written-down to the recoverable amount. For assets not carried at a revalued amount, the total impairment loss is recognised in surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Creditors and other payables

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

Borrowings

Intercompany loan

TRC Parent has an intercompany loan with its subsidiary TRL, that is unsecured with nil interest and repayable on demand in order for TRC Parent to fund its social and economic regeneration costs during the financial year. The loan 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

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

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

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

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

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

Financial instruments (cont'd)

Non-derivative financial assets - measurement

Loans and receivables

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

Non-derivative financial liabilities – measurement

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

Income tax

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

Goods and services tax

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

Commitments and contingencies are disclosed exclusive of GST.

Equity

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

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

Critical accounting estimates and assumptions

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

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

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

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

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

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

Critical accounting judgements

A critical accounting judgement made in the preparation of these prospective financial statements is that THALP is acting as an agent (tenancy and property manager) for TRL. A 'deed of lease and appointment of property manager' agreement sets out the roles and responsibilities between THALP and TRL. THALP is essentially providing a tenancy and property management service to TRL in return for a management fee. In March 2019, TRL and THALP signed a new deed of lease which sets out some minor changes in the roles and responsibilities of both parties to the deed. THALP will continue to receive a per property per week management fee and TRL is still entitled to the full rental income collected by THALP and must pay for the full property maintenance costs.

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

Critical accounting judgements (cont'd)

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

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

Assumptions, risks and uncertainties underlying the prospective financial statements

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

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

Assumption (source: Treasury)	Level of uncertainty	Risk	Financial impact
Average change in CPI: +2.0%	Moderate	That actual inflation is higher than forecast inflation	Movements in market prices will impact the Company's operating and transition costs as well as interest revenue.

The actual results achieved for the period covered by the prospective figures are likely to vary from actual results for the financial year 2020, and these variances could be material.

Factors that could lead to material differences between the prospective financial statements and the 2020 actual financial statements, in addition to the sources of uncertainty mentioned above, include decisions being made that alter the assumptions made above.

Tāmaki Regeneration Limited

Statement of Prospective Comprehensive Revenue and Expense (Unaudited)

For the year ending 30 June 2020

	2020 Prospective Unaudited $000's
Revenue	
Income-related rent subsidies	45,459
Rental income from tenants	19,447
Total revenue	**64,906**
Expenditure	
Consultants and professional fees	343
Contractors and temporary staff	140
Personnel costs	500
Legal expense	140
Management fee expense	12,496
Inventory costs	12,007
Repairs and maintenance	17,652
Utilities and insurance	10,547
Other expenses	215
Total expenditure	**54,040**
EBITDAF*	**10,866**
Depreciation	33,541
(Gain)/loss on revaluation of rental properties	0
EBIT	**(22,675)**
Finance income	0
Finance costs	300
Net finance costs	**(300)**
Tax expense	0
(Deficit) for the year	**(22,975)**
Total comprehensive revenue and expense	**(22,975)**

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

Tāmaki Regeneration Limited
Statement of Prospective Financial Position (Unaudited)
As at 30 June 2020

	2020 Prospective Unaudited $000's
Assets	
Current assets	
Cash and cash equivalents	24,750
Trade and other receivables	12,838
Inventories	82,770
Total current assets	**120,358**
Non-current assets	
Property, plant and equipment	1,851,136
Total non-current assets	**1,851,136**
Total assets	**1,971,494**
Liabilities	
Current liabilities	
Creditors and other payables	4,083
GST payable	4,344
Total current liabilities	**8,427**
Total liabilities	**8,427**
Net assets	**1,963,067**
Equity	
Ordinary shares - TRC Parent	0
Preference shares - Crown	1,690,661
Revaluation reserve	468,672
Accumulated (deficit)	(196,266)
Total equity	**1,963,067**

For and on behalf of the Board who authorise the issue of the financial statements on 28 June 2019.

Evan Davies
Chair
28 June 2019

Dr. Susan Macken
Deputy Chair
28 June 2019

Tāmaki Regeneration Limited
Statement of Prospective Changes in Equity (Unaudited)
For the year ending 30 June 2020

	Contributed capital	Revaluation reserve	Accumulated (deficit)	Total
	2020	2020	2020	2020
	Prospective	Prospective	Prospective	Prospective
	Unaudited	Unaudited	Unaudited	Unaudited
	$000's	$000's	$000's	$000's
Balance at 1 July	**1,690,661**	**468,672**	**(161,951)**	**1,997,382**
Total comprehensive revenue and expense				
(Deficit) for the year	0	0	(22,975)	(22,975)
Other comprehensive revenue and expense	0	0	0	0
Total comprehensive income	**0**	**0**	**(22,975)**	**(22,975)**
Owners' transactions				
Capital contribution	0	0	0	0
Dividends paid	0	0	(11,340)	(11,340)
Repayment of capital	0	0	0	0
Total contributions and distributions	**0**	**0**	**(11,340)**	**(11,340)**
Balance at 30 June	**1,690,661**	**468,672**	**(196,266)**	**1,963,067**

Tāmaki Regeneration Limited
Statement of Prospective Cash Flows (Unaudited)
For the year ending 30 June 2020

	2020 Prospective Unaudited
Cash flows from operating activities	**$000's**
Rental income from tenants	19,447
Income-related rent subsidies	45,459
Goods and services tax (net)	0
Payments to employees	(500)
Payments to suppliers	(51,341)
Net cash flow from operating activities	**13,065**
Cash flow from investing activities	
Purchase of freehold land and rental properties	(27,853)
Net cash flow from investing activities	**(27,853)**
Cash flow from financing activities	
Funding costs	(300)
Dividend paid to TRC	(11,340)
Net cash flow from financing activities	**(11,640)**
Net increase in cash and cash equivalents	**(26,428)**
Cash and cash equivalents at the beginning of the year	51,178
Cash and cash equivalents at the end of the year	**24,750**

Tāmaki Regeneration Limited

Reconciliation of prospective deficit to net cash flows from operating activities to prospective (Unaudited)

For the year ending 30 June 2020

	2020 Prospective Unaudited $000's
(Deficit) for the year	**(22,975)**
Adjustments for:	
Funding costs	300
Depreciation	33,541
Changes in:	
Inventories	(186)
Trade and other receivables	2,385
Net cash from operating activities	**13,065**

Statement of Accounting Policies

REPORTING ENTITY

These prospective financial statements are for Tāmaki Regeneration Limited (TRL). TRL has determined that it is a public benefit entity (PBE) for financial reporting purposes. TRL is domiciled and operates in New Zealand. These prospective financial statements were approved by the Board on 28 June 2019.

TRL has prepared separate prospective financial statements as it is not part of the Tāmaki Redevelopment Company Limited Group (TRC Group). TRC Group's prospective financial statements are presented separately on pages 22 to 33 of this document. TRC Group comprises the parent entity Tāmaki Redevelopment Company Limited (TRC Parent) and its two subsidiaries Tāmaki Housing Association Limited Partnership (THALP) and THA GP Limited (THAGP). TRL cannot be included in the TRC Group's financial statements due to Crown (rather than TRC Parent) controlling TRL. This document also presents separately an aggregated set of prospective financial statements of the Tāmaki Redevelopment Company Limited Legal Group (which comprises of TRC Group and TRL) that do not comply with generally accepted accounting practice in New Zealand (NZ GAAP). Such an aggregation has to be treated as a non-GAAP set of financial statements as it is not acceptable under PBE IPSAS 6 *Consolidated and Separate Financial Statements* to consolidate TRL into TRC Group.

PROSPECTIVE FINANCIAL STATEMENTS

These prospective financial statements have been prepared for the express purpose of meeting legislative requirements set out under the Crown Entities Act 2004 and the use of these statements for any other purpose may not be appropriate. The description of the principal activities and current operations of TRL including those activities and operations expected to be undertaken during the period covered by these prospective financial statements are outlined in the strategic priorities section of this document. The actual financial results achieved for the year ending 30 June 2020 are likely to vary from these prospective financial statements and the variations could be material.

BASIS OF PREPARATION

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

Statement of Compliance

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

Functional and presentation currency

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

SIGNIFICANT ACCOUNTING POLICIES

Revenue from exchange transactions:

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

Development sales

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

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 THALP obtains control of the transferred asset (cash) and the transfer is free from conditions to refund or return the asset if the conditions are not fulfilled.

Rental income from tenants and income-related rent subsidies

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

Receivables

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

Inventories

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

Property, plant, and equipment

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

Property, plant, and equipment (cont'd)

Additions

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

Disposals

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

Subsequent costs

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

Depreciation

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

Subsequent measurement

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

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

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

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

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

Non-cash-generating assets

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

Creditors and other payables

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

Provisions

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

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

Financial instruments

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

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

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

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

Financial instruments (cont'd)

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

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

Non-derivative financial assets - measurement

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

Non-derivative financial liabilities – measurement

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

Income tax

The prospective financial statements have been prepared on the basis that the companies in the TRC Legal Group are tax exempt for the 2020 and earlier years.

Goods and services tax

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

Equity

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

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

Critical accounting estimates and assumptions

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

Critical accounting estimates and assumptions (cont'd)

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

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

Critical accounting judgements

A critical accounting judgement made in the preparation of these prospective financial statements is that THALP is acting as an agent (tenancy and property manager) for TRL. A 'deed of lease and appointment of property manager' agreement sets out the roles and responsibilities between THALP and TRL. THALP is essentially providing a tenancy and property management service to TRL in return for a management fee. In March 2019, TRL and THALP signed a new deed of lease which sets out some minor changes in the roles and responsibilities of both parties to the deed. THALP will continue to receive a per property per week management fee and TRL is still entitled to the full rental income collected by THALP and must pay for the full property maintenance costs.

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

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

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

Assumptions, risks and uncertainties underlying the prospective financial statements

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

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

Assumption (source: Treasury)	Level of uncertainty	Risk	Financial impact
Average change in CPI: +2.0%	Moderate	That actual inflation is higher than forecast inflation	Movements in market prices will impact the Company's operating and transition costs as well as interest revenue.

The actual results achieved for the period covered by the prospective figures are likely to vary from actual results for the financial year 2020, and these variances could be material.

Factors that could lead to material differences between the prospective financial statements and the 2020 actual financial statements, in addition to the sources of uncertainty mentioned above, include decisions being made that alter the assumptions made above.

Tāmaki Redevelopment Company Limited Legal Group
Statement of Prospective Comprehensive Revenue and Expense
For the year ending 30 June 2020

	2020 Prospective Unaudited $000's
Revenue	
Other income	95
Rental income from tenants	19,447
Income-related rent subsidies	45,459
Total revenue	**65,001**
Expenditure	
Personnel costs	9,899
Inventory costs	12,007
Contractors and temporary staff	190
Directors fees	265
Legal expense	560
Repairs and maintenance	17,652
Consultants and professional fees	5,741
Utilities and insurance	10,623
Other expenses	5,898
Total expenditure	**62,835**
EBITDAF	**2,166**
Depreciation	33,642
(Gain)/loss on revaluation of rental properties	0
Total depreciation, amortisation and fair value adjustments	**33,642**
EBIT	**(31,476)**
Finance income	0
Finance costs	300
Net finance costs	**(300)**
(Deficit) for the year	**(31,776)**
Total comprehensive revenue and expense	**(31,776)**

Tāmaki Redevelopment Company Limited Legal Group
Statement of Prospective Financial Position
As at 30 June 2020

	2020 Prospective Unaudited $000's
Assets	
Current assets	
Cash and cash equivalents	30,325
Trade and other receivables	2,407
Inventories	82,770
Total current assets	**115,303**
Non-current assets	
Property, plant and equipment	1,851,142
Intangible assets	38
Total non-current assets	**1,851,180**
Total assets	**1,966,682**
Liabilities	
Current liabilities	
Creditors and other payables	6,240
GST payable	4,327
Annual leave liability	381
Total current liabilities	**10,948**
Total liabilities	**10,948**
Net assets	**1,955,734**
Equity	
Ordinary shares - Crown	5,000
Ordinary shares - Auckland Council	3,500
Preference shares - Crown	1,690,661
Revaluation reserve	468,672
Accumulated (deficit)	(212,099)
Total equity	**1,955,734**

For and on behalf of the Board who authorise the issue of the financial statements on 28 June 2019.

Evan Davies
Chair
28 June 2019

Dr. Susan Macken
Deputy Chair
28 June 2019

Tāmaki Redevelopment Company Limited Legal Group
Statement of Prospective Changes in Equity
For the year ending 30 June 2020

	Contributed Capital 2020 Prospective Unaudited $000's	Revaluation Reserve 2020 Prospective Unaudited $000's	Accumulated (deficit) 2020 Prospective Unaudited $000's	Total 2020 Prospective Unaudited $000's
Balance at 1 July	**1,699,161**	**468,672**	**(180,323)**	**1,987,510**
Total comprehensive revenue and expense				
(Deficit) for the year	0	0	(31,776)	(31,776)
Other comprehensive revenue and expense	0	0	0	0
Total comprehensive income	**0**	**0**	**(31,776)**	**(31,776)**
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	**1,699,161**	**468,672**	**(212,099)**	**1,955,734**

Tāmaki Redevelopment Company Limited Legal Group
Statement of Prospective Cash Flows
For the year ending 30 June 2020

	2020 Prospective Unaudited $000's
Cash flows from operating activities	
Rental income from tenants	19,247
Income-related rental subsidy	45,459
Other revenue received	95
Payments to suppliers	(53,177)
Payments to employees	(9,899)
Net cash flow from operating activities	**1,725**
Cash flow from investing activities	
Purchase of property, plant and equipment	(27,853)
Purchase of intangible assets	0
Net cash flow from investing activities	**(27,853)**
Cash flow from financing activities	
Interest received	0
Interest paid & funding costs	(300)
Net cash flow from financing activities	**(300)**
Net increase in cash and cash equivalents	**(26,428)**
Cash and cash equivalents at the beginning of the year	56,753
Cash and cash equivalents at the end of the year	**30,325**

Tāmaki Redevelopment Company Limited Legal Group
Notes to the Prospective Financial Statements (Unaudited)
For the year ending 30 June 2020

REPORTING ENTITY

These prospective financial statements are for the Tāmaki Redevelopment Company Legal Group (TRC Legal Group) which comprises of:
- Tāmaki Regeneration Limited (TRL); and
- Tāmaki Redevelopment Company Limited Group (TRC Group) which further comprises of the parent Tāmaki Redevelopment Company Limited (TRC Parent) and its two subsidiaries Tāmaki Housing Association Limited Partnership (THALP) and THA GP Limited (THAGP).

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

BASIS OF PREPARATION

The prospective financial statements of the TRC Legal Group are a non-GAAP aggregated set of prospective financial statements. TRC Group consists of TRC Parent, THALP and THAGP. As TRC Parent controls THALP and THAGP it is required by NZ GAAP to consolidate THALP and THAGP into the TRC Group. The Directors of TRC Parent note that while TRC Parent holds 100% of the ordinary shares of TRL, the Crown holds 100% of the preference shares in TRL. The rights and obligations attached to the preference shares result in the Crown having control of TRL, meaning that it inconsistent with NZ GAAP to consolidate TRL into TRC Group. The Directors of TRC Parent wish to present a view of the forecast financial position of TRC Legal Group and its prospective results for the year ended 30 June 2020 in one set of prospective financial statements. Such a presentation has to be treated as a non-GAAP set of prospective financial statements as it is not acceptable under PBE IPSAS 6 Consolidated and Separate Financial Statements to consolidate TRL into TRC Group.

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

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

Statement of compliance

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

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

Functional and presentation currency

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

Significant accounting policies

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