



**URBAN PLUS GROUP**

**STATEMENT OF INTENT  
2018/19 – 2020/21**

## Contents

Purpose .....	3
Introduction .....	3
Urban Plus Contributions to Council and Community Outcomes .....	3
Our Business Objectives.....	4
Nature and Scope of Activities to be undertaken by the Company .....	6
The Performance Measures.....	7
Risk Management .....	9
The Board of Directors .....	9
Financial Forecasts .....	12
Statement of Accounting Policies .....	16
Urban Plus Registered Office and Contact Details for Key Officers.....	21

## Purpose

The purpose of this statement of intent is to:

- a. state publicly the activities and intentions of this council-controlled trading organisation for the year and the objectives to which those activities will contribute;
- b. provide an opportunity for shareholders to influence the direction of the organisation; and
- c. provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

This Statement of Intent covers the year 1 July 2018 to 30 June 2019 and forecasts for the following two financial years. It has been prepared in accordance with Section 64 (1) of the Local Government Act 2002.

## Introduction

Urban Plus Limited (UPL) is wholly owned by Hutt City Council (HCC) and operates as a Council Controlled Trading Organisation (CCTO) under the Local Government Act 2002. UPL was established effective 1 May 2007 with principle objectives as stated below under 'Our Business Objectives'.

UPL is a company registered under the Companies Act 1993 and is governed by the requirements of that Act and Section 6 of the Local Government Act 2002, and is covered by law and best practice. It also has responsibilities under the general law including the Resource Management Act 1991.

The Urban Plus Group comprises Urban Plus Limited (UPL), UPL Limited Partnership (UPLLP), formerly Fairfield Waters Limited and UPL Developments Limited (UPLDL), formerly Fairfield Limited Partnership.

## Urban Plus Contributions to Council and Community Outcomes

Desirable outcomes expressed by Hutt City Council are numbered below with UPL's comments included:

- 1. A safe community**  
The UPL portfolio of residential housing is predominantly occupied by those considered to be the 'low-income elderly'. We feel that an elderly presence in any community contributes to a safer community by having people present in residential areas during the working day. This passive security presence provides 'stability' and value to a community by having people in the area while those of younger age may be at work or school.
- 2. A strong and diverse economy**  
Providing appropriate accommodation for our elderly where they can retain independent living with dignity contributes significantly to community diversity by retaining the elderly in that community.
- 3. An accessible and connected city.**  
The elderly can contribute significantly to the community and families by being actively involved in the community. This connectivity with the community spans generations and encourages understanding and tolerance between young and old.
- 4. Healthy people**  
UPL has a significant role in providing warmer, dryer, healthier homes to the low-income elderly who may not be in a position to self-fund independent accommodation. This role, and the company's influence is expanding as increasing numbers of 'baby-boomers' retire. The forecast is for steadily growing numbers of the over 65's entering this sector as the population ages. The changing Lower

Hutt demographic will put increased pressure on UPL to provide an increased number of housing units in the future. UPL has a significant role to play in appropriately housing this growing and aging demographic.

**5. A healthy natural environment**

UPL aims to be a good community citizen in the widest sense taking responsibility for project management, material selection and disposal in a way that minimises harm and impact on the environment. We endeavour to apply best practise in terms of passive design (insulation, double glazing and where possible, positioning for solar gain) to minimise energy consumption promoting the concept of warmer, dryer healthier homes at minimal ongoing cost to the occupier.

**6. Actively engaged in community activities**

The provision of residential housing aimed at the low-income elderly is a community activity where we are using our skills, expertise and professionalism to assist those elderly that are in need of assistance in finding appropriate accommodation.

**7. Strong and inclusive communities**

Prior to embarking on any development, UPL considers the overall amenity value of the community including proximity to public transport, retail, medical centres, land contour etc. so our residents can live safely and in an engaged manner within the community retaining mobility and independence.

**8. A healthy built environment**

Our developments and management of the existing portfolio contribute to a healthy built environment by best practice property maintenance, developments that are sympathetic to community values, and are complimentary to desirable urban planning aspirations and planning rules. New properties are insulated, double glazed, warm, dry homes with accessibility issues minimised by passive design. It is recognised that those occupying warmer dryer homes are naturally healthier, consume less energy in keeping those homes warm, and enjoy reduced doctors / hospital visits with increased longevity.

**9. A well-governed city**

UPL contributes to good governance by adopting best industry practice in terms of design, project management, property maintenance, fiscal controls, and being a 'good corporate citizen. We strive to 'do-the-right-thing' in all or dealings and contractual matters.

**10. Urban Growth Strategy**

UPL will assist HCC in the Urban Growth Strategy by applying knowledge, experience, expertise and skill from within UPL as and when called upon to assist the shareholder wherever possible to invigorate growth, development, and property related assistance.

## Our Business Objectives

**Section 59 of the Local Government Act 2002 provides:**

**Principal objective of council-controlled organisation**

- (1) The principal objective of a council-controlled organisation is to:
  - (a) achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the statement of intent;
  - (b) be a good employer;
  - (c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates, and by endeavouring to accommodate or encourage these when able to do so; and

- (d) if the Council-controlled organisation is a council-controlled trading organisation, conduct its affairs in accordance with sound business practice.
- (2) In subsection 1.b, good employer has the same meaning as in clause 36 of Schedule 7 of the Local Government Act 2002.

**In addition to the statutory objective, the objectives of the Company are to:**

- 1.1 provide for the long term a growing portfolio of rental housing for the low-income elderly<sup>1</sup> consistent with, and to give effect to, Council's housing policy;
- 1.2 develop the housing portfolio in a manner which increases its property values;
- 1.3 ensure that the housing portfolio for the low-income elderly is appropriate for the changing needs of the community in terms of the objectives outlined in Council's housing policy;
- 1.4 operate as a successful and profitable undertaking;
- 1.5 purchase, develop, lease or sell the development property portfolio in a manner which maximises its value at a level of risk appropriate for the investment of funds;
- 1.6 manage Council's property assets in accordance with Council's policies (as applicable) and levels of service determined under contract with Council;
- 1.7 comply with all legislative and regulatory provisions relating to its operations and performance;
- 1.8 ensure all assets owned by it are maintained to the best applicable standards;
- 1.9 maintain an effective business continuance plan;
- 1.10 maintain a register of current Council policies relevant to its business and operations; and
- 1.11 assist Council when asked to do so in its endeavours in terms of the Urban Growth Strategy.

These objectives will be monitored and where in conflict, these objectives will be pursued giving greater weight to the interests of maximising value to the shareholders provided that in relation to the provision of social housing, value to the shareholders will include the consideration of social value.

---

<sup>1</sup> 'Low-income elderly' in this context relates to an applicant for a residential tenancy, that at the time of application, is able to demonstrate:

- i. that they are eligible for National Super (aged over 65 years – this being subject to review periodically by central Government)
- ii. that they have no other income
- iii. that they do not have cash or assets of such a magnitude that would mean they could make independent accommodation choices.

## Nature and Scope of Activities to be undertaken by the Company

The principal objective of the Company is to:

1. operate as a successful business, returning benefits to the shareholder;
2. own and operate a portfolio of rental housing to provide community housing for the low-income elderly in accordance with normal commercial guidelines and the housing policy of Council;
3. ensure that the housing portfolio for the low-income elderly is appropriate for the changing needs of the community in terms of the objectives outlined in Council's housing policy;
4. manage property and building assets of Hutt City Council in accordance with Council's policies (as applicable) and the terms and conditions of the contract for services agreed between the company and Council;
5. develop property in preparation for sale or lease, which are declared surplus to the needs of Hutt City Council and which provide an appropriate return for the costs and risks of development.
6. purchase, develop, lease or sell the development property portfolio in a manner which maximises its value at a level of risk appropriate for the investment of funds; and
7. otherwise become involved in property-related transactions and property-technical advisory services on a commercial basis that support the Shareholders' vision for the future development of the city. This specifically includes assisting with progressing the Urban Growth Strategic Objectives.

Section 59 of the Local Government Act 2002 also provides that the principal objectives of a council-controlled trading organisation include the objectives of its shareholders.

In order to meet our objectives we focus our work activity on asset planning and development, capital project management, operations management, risk management, staff development and corporate governance.

### Other

UPL will continue to be involved in property-related transactions on a commercial basis that support the Shareholders' vision for the future development of the city.

UPL will continue to provide a wide range of strategic property advice and property consultancy when required to the Shareholder. Work has included:

1. advice and general direction for Making Places projects;
2. commercial leasing management advice for HCC property and subsidiaries;
3. management of the road-side reserves estate'
4. road stopping and licenses;
5. specific property advice (example – Community Facilities Trust – long-term maintenance planning);
6. assist with strategic property acquisition as directed by the Shareholder.

## The Performance Measures

The Company will meet the following measures for the next three years:

### Facilities Management

- 1.1 Capital expenditure within budget.
- 1.2 Operational expenditure within budget.
- 1.3 Achieve not less than a 20% net profit margin.
- 1.4 Resident satisfaction with public halls greater than or equal to peer average, subject to Council funding.
- 1.5 Resident satisfaction with UPL-managed public toilets greater than or equal to peer average, subject to Council funding.
- 1.6 Tenant satisfaction with Council-owned community buildings greater than or equal to 90%
- 1.7 Council satisfaction with facilities management not less than 90%.

### Rental Housing

- 1.1 Capital expenditure within budget.
- 1.2 Operational expenditure within budget.
- 1.3 Net Surplus before Depreciation and after Finance Expenses as a Proportion of the Net Book Value of Residential Land and Buildings at the Start of the Year – Greater than 3.5%.
- 1.4 Tenant satisfaction with the provision of the company's rental housing greater than or equal to 90%.
- 1.5 Percentage of total housing units occupied by low-income elderly greater than or equal to 85%.
- 1.6 Rentals charged shall not be less than 85% of 'market' rent.
- 1.7 Increasing the portfolio size to 220 units by 30 June 2020.

### Property Development

- 1.8 Capital expenditure within budget.
- 1.9 Operational expenditure within budget.
- 1.10 A return of not less than 10.0% after interest and tax on each project.

### Professional Property Advice

- 1.11 Achieve a market return on additional services provided to the shareholder.

### UPL Developments Limited (*formerly Fairfield Waters Limited*)

- 1.12 Undertake, negotiate and execute tender processes for and on behalf of the Partnership and 'parent' company as required.
- 1.13 Facilitate civil and construction contracts for and on behalf of the Partnership and 'parent' company as required.
- 1.14 Facilitate payment of contract progress claims for Board approved contracts as well as payments to other suppliers engaged to provide services or goods to defined development projects.
- 1.15 Should UPLDL be used for future developments, the same performance measures apply as for Property Development (refer above).
- 1.16 Act as General Partner when a Limited Partnership structure is utilised for development projects.

**UPL Limited Partnership** *(formerly Fairfield Limited Partnership)*

- 1.17 Develop land in a manner which maximises its value at a level of risk appropriate for the investment of funds;
- 1.18 To perform business undertakings in common with Urban Plus Limited with a view to profit from development projects for the purposes of funding for the elderly housing portfolio.
- 1.19 Should UPLLP be used for future developments, the same performance measures apply as for Property Development (refer above).

## Risk Management

### Health and Safety in Employment

UPL will maintain best industry practice with ongoing reviews of its Health and Safety policies to ensure they remain current and 'leading edge' in terms of compliance.

### Business Continuity

UPL will maintain a Business Continuity Plan for unforeseen circumstances so any event will have minimal impact on the day-to-day operation of the business.

### Insurances

UPL will maintain appropriate insurances to mitigate risk of portfolio damage, business interruption and professional indemnity. This will include Directors and Office Bearers cover where appropriate.

### Emergency preparedness

UPL will rehearse and maintain systems and procedures to best position itself to deal with emergency situations.

### Commercial Risk

UPL will manage its affairs in a manner that minimises commercial risk recognising that some risk will need to be taken to achieve targets.

## The Board of Directors

The Board of Directors consists of three members, with the shareholder appointing council representation as director(s) and independent directors. Directors serve three-year terms. To ensure we have continuity of relevant knowledge, skills and experience, the expiry dates of terms of office are different for each director. Each director should ideally serve not more than two terms, or six years.

Name	Position	From
Brian Walshe	Board Chair	1 April 2012
Hugh Mackenzie	Director	1 April 2017
David Bassett	Director	15 December 2015

The Board is responsible for the proper direction, governance and control of UPL.

Unanimous approval of the Board is required for:

- 1.1 employment of staff and creation of new positions outside of resolved budget limits;
- 1.2 extraordinary transactions (entering into any contract or transaction except in the ordinary course of business);
- 1.3 delegation of Directors' powers to any person;
- 1.4 major transactions (entering into any major transaction);
- 1.5 disputes (commencing or settling any litigation, arbitration or other proceedings which are significant or material to the Company's business);
- 1.6 borrowings in a manner that materially alters the Company's banking arrangements, advancing of credit (other than normal trade credit) exceeding \$5,000 to any person except for making deposits with bankers, or giving of guarantees or indemnities to secure any person's liabilities or obligations;
- 1.7 sale of assets (sell or dispose of fixed assets for a total price per transaction exceeding \$100,000 or a series of transactions aggregated exceeds \$300,000); and

- 1.8 capital expenditure (other than in the ordinary course of doing business) at a total cost to the Company, per transaction, exceeding \$100,000 or a series of transactions aggregated exceeds \$300,000.

The Board will require the agreement of the shareholder for:

- 1.1 any changes to the constitution;
- 1.2 any increases in capital and the issue of further securities, share buybacks and financial assistance;
- 1.3 any alteration of rights attaching to shares;
- 1.4 any arrangement, dissolution, reorganisation, liquidation, merger or amalgamation of the Company; and
- 1.5 any 'major transactions' as that term is defined in the Companies Act 1993.

### **Ratio of consolidated shareholders' funds to total assets**

The target ratio for consolidated shareholders' funds to total assets is at least 50%. Consolidated shareholders' funds comprise share capital and accumulated reserves. Total assets comprise all tangible assets of the Company, the main component being housing and undeveloped land.

### **Accumulated profits and capital reserves**

There is no intention to pay a dividend in the 2018/2019 financial year or succeeding years.

### **Information to be provided to shareholders**

In each year UPL shall comply with the reporting requirements specified for CCTO's under the Local Government Act 2002 and the Companies Act 1993 and regulations.

In particular, it shall provide:

#### **Annually**

1. Annually report, within two months after the end of each financial year, which will include:
2. A Statement of Intent detailing all matters required under the Local Government Act 2002;
3. An annual budget for the coming financial year, broken out by the three major areas of operation; Rental Housing, Land Development and Facilities Management, including the assets employed and debt attributable to each area';
4. A written report on the financial operations of the Company to enable an informed assessment of its performance including a comparison against budget and the Statement of Intent and the Return on Equity and Return on Assets for the Period.
5. Financial statements comprising the Statement of Financial Position, Statement of Comprehensive Revenue and Expenses and Statement of Cash Flows.
6. A business plan indicating the nature of property development it proposes to undertake and the range of investment and estimated return it proposes to achieve
7. An assessment of the current market for rental housings and the appropriateness of the current housing portfolio to meet the needs of the low-income elderly.

#### **Half Yearly**

8. Six-monthly, within two-months of the end of the six month reporting period.

9. A written report on the operations of the Company by the three major areas of operation to enable an informed assessment of its performance including a financial comparison against budget and the Statement of Intent and the Return on Equity and Return on Assets for the Period.
10. Financial statements comprising the Statement of Financial Position, Statement of Comprehensive Revenue and Expenses and Statement of Cash Flows.
11. Progress on activities outlined in the agreed business plan.

### **Share acquisition**

There is no intention to subscribe for shares in any other company or invest in any other organisation. (NOTE: UPL has a subsidiary company UPL Developments Limited).

### **Compensation from local authority**

It is not anticipated that the company will seek compensation from any local authority other than in the context of normal commercial contractual relationships.

NB: if a CCTO has undertaken to obtain or has obtained compensation from its shareholders in respect of any activity, this undertaking or the amount of compensation obtained will be recorded in:

1. the annual report of the council-controlled organisation; and
2. the annual report of the local authority.

### **Equity value of the shareholders' investment**

The net value of the shareholders' investment in the company is \$20.868 million as at 30 June 2017 for the parent and \$20.797m for the group. For the year ended 2018, the net value of the shareholder's investment in the company is estimated at \$23.034m.

## Financial Forecasts

Planning and programming for development projects will be based on exceeding the agreed minimum financial performance threshold of 10.0% after interest and tax (see section 1.15 above). Each development project will require the approval of the Board to ensure strategic fit and achievement of the minimum rate of return.

The current volatility of the property market and anticipated future interest rate increases has resulted in considerable uncertainty in terms of what projects will come available, and what sales might result from those projects. The financial statements within this Statement of Intent therefore exclude potential development projects. Details of potential development projects will be included in the regular reporting to the Board and shareholder.

The financial statements presented include the Fairfield Waters development, with construction of twenty town houses and homes. This project commenced late in the second half of 2016/17 financial year, and will be completed in late 2017/18.

The project will be completed towards the end of the 2017/18 financial year, and is estimated to cost \$7.7m, and realise a net gain, once all properties are sold, of \$2.4m. This commercial development project is being managed by UPL Developments Limited (*formerly Fairfield Waters Limited*) – a wholly owned subsidiary of UPL providing property development management services – through UPL Limited Partnership (*formerly Fairfield Limited Partnership*) – a partnership between UPL Limited Partnership (as General Partner) and UPL (as Limited Partner).

Over recent years, UPL has divested itself of a number of poorer performing housing-stock. This process is now complete. The Fairfield Waters development will enable UPL to not only strengthen its financial position, but also to reinvest the profits of the development in to its residential housing portfolio in order to achieve the company goal of 220 residential units to be added by 30 June 2020.

Avalon Park North residential development (Parkview) project follows Fairfield Waters with twenty four homes released for sale (off-the-plans) in the last quarter of 2017/18. Profits achieved from this development are reinvested back to the company to add to the company's portfolio for long term housing purposes for the elderly.

## Consolidated Statement of Financial Performance

	Budget 2018/19	Plan 2019/20	Plan 2020/21
<b>Revenue</b>			
Rental	1,773,535	1,818,351	1,853,331
Rental New Properties	0	210,960	1,431,720
Property management fees	340,000	340,000	340,000
Commercial development sales	12,615,000	11,500,000	0
<b>Total Revenue</b>	<b>14,728,535</b>	<b>13,869,311</b>	<b>3,625,051</b>
<b>Expenses</b>			
Personnel	736,064	749,940	764,102
Rates	185,580	189,540	193,608
R&M	296,980	296,980	296,980
Insurance	103,608	108,804	114,240
Specialist services	106,000	106,000	106,000
Operational contracts	72,250	72,250	72,250
Support	85,000	85,000	85,000
Other	212,965	213,395	213,395
COS - Com Developments	9,615,000	7,000,000	0
<b>Total Expenses</b>	<b>11,413,447</b>	<b>8,821,909</b>	<b>1,845,575</b>
<b>Operating Surplus / (Deficit)</b>	<b>3,315,088</b>	<b>5,047,402</b>	<b>1,779,476</b>
Depreciation	676,221	687,898	908,203
Finance expenses	456,438	477,918	479,021
<b>Surplus / (Deficit) before Tax</b>	<b>2,182,429</b>	<b>3,881,586</b>	<b>392,252</b>
Income Tax (Expenses) / Benefit	-23,390	-1,086,844	-109,831
<b>Surplus / (Deficit) after Tax</b>	<b>2,159,038</b>	<b>2,794,742</b>	<b>282,422</b>

## Consolidated Statement of Financial Position

	Budget 2018/19	Plan 2019/20	Plan 2020/21
<b>Current Assets</b>			
Cash	275,072	281,963	76,366
Debtors & Other Receivables	73,205	73,205	73,205
Inventories	3,075,762	475,762	475,762
<b>Total Current Assets</b>	<b>3,424,039</b>	<b>830,930</b>	<b>625,333</b>
<b>Non Current Assets</b>			
Property, Plant & Equipment	24,474,476	40,541,578	47,633,375
Assets Under Construction	9,345,000	6,680,000	0
Loan to Related Party	0	0	0
<b>Total Non Current Assets</b>	<b>33,819,476</b>	<b>47,221,578</b>	<b>47,633,375</b>
<b>Total Assets</b>	<b>37,243,515</b>	<b>48,052,508</b>	<b>48,258,708</b>
<b>Current Liabilities</b>			
Creditors & Other Payables	88,203	89,000	89,792
Employee Entitlements	30,764	30,764	30,764
Other Liabilities	338,934	338,934	338,934
<b>Total Current Liabilities</b>	<b>457,901</b>	<b>458,698</b>	<b>459,490</b>
<b>Non Current Liabilities</b>			
LT Employee Entitlements	26,295	26,295	26,295
Borrowings	9,500,000	16,450,000	17,350,000
Deferred Tax Liability	2,066,096	3,129,550	2,152,537
<b>Total Non Current Liabilities</b>	<b>11,592,391</b>	<b>19,605,845</b>	<b>19,528,832</b>
<b>Total Liabilities</b>	<b>12,050,292</b>	<b>20,064,543</b>	<b>19,988,322</b>
<b>Net Assets</b>	<b>25,193,222</b>	<b>27,987,964</b>	<b>28,270,386</b>
Retained Earnings	-2,856,646	-61,904	220,518
Share Capital	15,300,000	15,300,000	15,300,000
Revaluation Reserve	12,749,868	12,749,868	12,749,868
<b>Total Equity</b>	<b>25,193,222</b>	<b>27,987,964</b>	<b>28,270,386</b>

## Consolidated Statement of Cash Flows

	Budget 2018/19	Plan 2019/20	Plan 2020/21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Receipts from Rents	1,773,535	2,029,311	3,285,051
Receipts from Management Fee	340,000	340,000	340,000
Receipts of Other Revenue	0	0	0
Interest Received	0	0	0
Receipts from Sale of Commercial Developments	12,615,000	11,500,000	0
<b>Cash was applied to:</b>			
Payments to Employees	-736,064	-749,940	-764,102
Payments to Suppliers	-1,234,508	-1,071,172	-1,080,681
Interest Paid	-456,438	-477,918	-479,021
Purchase of Assets held for Commercial Developments	-10,515,000	-4,400,000	0
Tax Payable	-224,000	-23,390	-1,086,844
<b>Net Cash Flows from Operating Activities</b>	<b>1,562,525</b>	<b>7,146,891</b>	<b>214,403</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Sale of Property, Plant & Equipment	0	0	0
<b>Cash was applied to:</b>			
Purchase and construction of Property, Plant & Equipment	-9,345,000	-14,090,000	-1,320,000
Loan to Related Parties	0	0	0
<b>Net Cash Flows from Investing</b>	<b>-9,345,000</b>	<b>-14,090,000</b>	<b>-1,320,000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Advance from Hutt City Council			
Proceeds from Borrowings	500,000	6,950,000	900,000
<b>Cash was applied to:</b>			
Repayment of Advance from Hutt City Council			
Repayment of Borrowings			
<b>Net Cash Flows from Financing</b>	<b>500,000</b>	<b>6,950,000</b>	<b>900,000</b>
<b>NET INCREASE / (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>-7,282,475</b>	<b>6,891</b>	<b>-205,597</b>
CASH & CASH EQUIVALENTS at Beginning of YEAR	7,557,547	275,072	281,963
<b>CASH &amp; CASH EQUIVALENTS at End of YEAR</b>	<b>275,072</b>	<b>281,963</b>	<b>76,366</b>

# Statement of Accounting Policies

UPL will apply the following accounting policies consistently during the year and apply these policies to the statement of intent. In accordance with the New Zealand Institute of Chartered Accountants Financial Reporting Standard 42 (FRS 42), the following information is provided in respect of the statement of intent.

## Cautionary note

The statement of intent's forecast financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

## Nature of prospective information

The financial information presented consists of forecasts that have been prepared on the basis of best estimates and assumptions on future events that Urban Plus Limited expects to take place.

## Statement of compliance with International Financial Reporting Standard

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for public benefit entities.

## Reporting entity

UPL is a company registered under the Companies Act 1993 and a council-controlled trading organisation as defined by Section 6 of the Local Government Act 2002. Hutt City Council is the only shareholder. The company was incorporated in New Zealand in 13 December 1996 as De Luien Developments Limited, changed its name to Centre City Plaza Limited on 27 June 1997, changed its name to Hutt Holdings Limited on 20 January 2003 and finally changed its name to Urban Plus Limited on 25 May 2007.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

For purposes of financial reporting, UPL is a public benefit entity.

## Reporting period

The reporting period covers the 12 months from 1 July 2018 to 30 June 2019. Comparative projected figures for the year ended 30 June 2020 and 30 June 2021 are provided.

## Specific accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The measurement basis applied is historical cost.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless otherwise stated.

## Judgements and estimations

Preparing financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

### **Debtors and other receivables**

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

### **Revenue**

Revenue is measured at the fair value of consideration received.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Sales of goods are recognised when a product is sold to the customer. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

Property sales are recognised on settlement date, along with the related expenses

Interest income is recognised using the effective interest method.

### **Property, plant and equipment**

On transition to NZ IFRS assets were recorded at cost less accumulated depreciation and impairment losses.

#### **Revaluation**

Land and buildings are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

#### **Additions**

Expenditure of a capital nature of \$500 or more has been capitalised. Expenditure of less than \$500 has been charged to operating expenditure. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to UPL and the cost of the item can be measured reliably.

### 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 recognised in the Statement of Comprehensive Income.

### 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 UPL and the cost of the item can be measured reliably.

### Depreciation

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

Estimated economic lives	Years	Rate
Buildings	5 - 65	1.54% - 20.00%
Plant and equipment	8 - 11	9.09% - 12.50%
Leasehold improvements	4 - 5	20.00% - 25.00%

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 associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by UPL, are recognised as an intangible asset.

### 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 period is recognised in the Statement of Comprehensive Income.

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

Estimated economic lives	Years	Rate
Computer software	2.8	36%

## Impairment of non-financial assets

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The total impairment loss is recognised in the Statement of Comprehensive Income.

## Goods and services tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables. 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 Statement of Financial Position.

Commitments and contingencies are disclosed exclusive of GST.

## Employee entitlements

### Short-term entitlements

Employee benefits that UPL expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

UPL recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that UPL anticipates it will be used by staff to cover those future absences.

UPL recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

## Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

### Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

## Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

## Income tax

Income tax for the period is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

## Property intended for sale

Property previously held but now being sold as it is no longer required is classified as a property held for sale.

This classification is used where the carrying amount of the property will be recovered through sale, the property is available for immediate sale in its present condition and sale is highly probable.

Property held for sale is recorded at the lower of the carrying amount and fair value less costs to sell. From the time a property is classified as held for sale, depreciation is no longer charged on the improvements.

Where property is held for sale or for development for sale, in the ordinary course of business, it is classified as inventory. Such property is recorded at the lower of cost and net realisable value (selling price less costs to complete and sale costs). Any write-downs to net realisable value are expensed in the net surplus/(deficit) for the year.

## Leased assets

### Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under these leases are expensed in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease payment.

### Finance Leases

The Company has not entered into any material finance leases.

## Financial instruments

The Company is party to financial instrument arrangements as part of its normal operation. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Income.

All financial instruments are recognised in the Statement of Financial Position on the basis of the Company's accounting policies. All financial instruments disclosed on the Statement of Financial Position are recorded at fair value other than those specifically identified in the Notes to the financial statements.

# Urban Plus Registered Office and Contact Details for Key Officers

Registered office	30 Laings Road, Lower Hutt 5010
Contact details for Chairman and Chief Executive	Private Bag 31912, Lower Hutt 5040
Telephone	04 569 1000