URBAN PLUS GROUP

STATEMENT OF INTENT
2019/20 – 2021/22

Contents

Purpose

The purpose of this statement of intent is to:

a. state publicly the activities and intentions of this council-controlled 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 2019 to 30 June 2020 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 Organisation (CCO) 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[1] 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 comply with all legislative and regulatory provisions relating to its operations and performance;

1.7 ensure all assets owned by it are maintained to the best applicable standards;

1.8 maintain an effective business continuance plan;

1.9 maintain a register of current Council policies relevant to its business and operations; and

1.10 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.

[1] '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. 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;
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; and
6. 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.

* Whilst the above items were provided historically to the shareholder, it is acknowledged that all Facilities Management, encroachment, road stopping and leasing services are to be phased out at UPL during the last quarter of 2018/19 Financial Year and absorbed by HCC as of 30 June 2019. These services will be managed entirely in-house by council officers as of 1 July 2019. All UPL Facilities Management contractual obligations with HCC will cease at that point in time.

Housing Typologies for Development Projects

Housing typologies for the Urban Plus Residential Portfolio

Historically, UPL's model was to intensify sites, both within its own existing portfolio and on land acquired via the market, with single bedroom unit developments. These generally were c. 40-48m^2 in total dwelling size, and catered for the majority of our tenant base.

Future-looking, UPL is looking at providing both one and two bedroom units where amenity value is high, and it is financially viable to do so. This may be both single or two storey layouts.

As our core tenant is the low income elderly, there is little need to produce a wider variety of housing or greater number of bedrooms per dwelling at this stage – however, if the shareholder provides a wider mandate, UPL will amend its design and specification accordingly.

Housing typologies for UPL Limited Partnership Developments

Previously, UPL's development entity provided a mix of housing typologies at its Fairfield Waters development by providing a mix of two and three bedroom 2-storey townhouses as well as three and four bedroom standalone homes. This variety appealed to a wide range of purchasers – from retirees and downsizers, to young professionals and families.

UPLLP's second major development, Parkview, provided a more generic product of twenty four single level townhouses with single (internally accessed) garages. The reasoning was to release a more accepted product to the market in Avalon rather than the multi-unit 2-storey townhouse design.

The next developments that are scheduled to commence mid-way through this calendar year are Central Park on Copeland in Epuni and The Lane in Waterloo. The developments are similar in that there are two and three bedroom townhouses, all with car-pads, being offered to the market at both developments. Central Park has an alternative three bedroom option with a single, internally accessed garage.

Another project in UPLLP's plans is to develop apartments in Petone. Current plans are to build forty-seven two bedroom apartments for the market (noting UPL's alternative fall-back position would be to build the apartments and retain within its residential housing portfolio for rental purposes). Petone's Jackson Street can demand high values in sales prices, and demand for apartments in this highly sought after location remains strong. However, at this stage, this project is on hold and as such is not included in UPL's financial forecasts.

As the housing market changes UPLLP will remain agile, and be flexible with what type of housing product it releases into the market. We will continue to align with the shareholder's Urban Growth Strategy (UGS) and its focus on meeting the UGS targets by 2032, as well as greater intensification on the valley floor.

UPL Residential Portfolio Growth

Successful acquisitions transacted this Financial Year

In terms of portfolio growth, UPL has been successful in acquiring strategic property in Petone. 17 Britannia Street, consisting of 27 bedsit units over three levels, was acquired in March 2019. Additionally, and more recently, another property in Britannia Street (former Te Omanga Hospice care facility) was purchased in early June 2019. This acquisition added a further 18 'units' to the housing portfolio tally – taking the total portfolio number to 189.

Both properties are situated in a high amenity area of Petone.

Officers continue to source potential portfolio acquisitions and submit competitive tenders accordingly.

Land earmarked for future Portfolio Growth

UPL has an unconditional agreement in place with HCC to purchase the former reserve land at Molesworth Street, Taita. Potentially over fifteen units could be built on-site to be retained within the portfolio (preferred option) or alternatively it could be a market-release development should portfolio objectives and targets be met prior / change.

Initiatives

Affordable Housing

To enable a chance for first home buyers to enter onto the property ladder, UPL released ten of its thirty four Central Park on Copeland townhouses at $550,000 each to the market. Purchasers had a set of requirements to qualify prior to contracts being deemed unconditional which targeted owner occupiers rather than investors. The company saw this as an affordable price point, which resulted in several sales and achieved its purpose for first home ownership in Lower Hutt.

Lowering Carbon Emissions

The shareholder has set a carbon zero objective, and as such UPL aims to align with this direction where possible. UPL has, and will continue to, incorporate features into its dwelling design and development site layouts that lower carbon emissions. Examples include using electricity or renewable sources of energy for space and water heating, minimising building waste, and making buildings ready for charging electric vehicles.

The Performance Measures

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

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 199 units by 30 June 2020 and to 220 units in the 2021/22 financial year.

1.8 By 30 June 2020, assess the performance of the rental housing portfolio against the HomeFit® standard.

1.9 Any rental housing units purchased and not already utilising electricity or renewable sources of energy for space heating, water heating, and cooking facilities, shall be converted to utilise only electricity or renewable sources of energy within five years of acquisition.

1.10 New rental housing units constructed by UPL to utilise only electricity or renewable sources of energy for space heating, water heating and cooking facilities.

** With market rents rising at greater than inflation, the current 85% target is becoming increasingly harder for our tenants to afford. It is likely the board will recommend a target of 80% for 2020/21 in the next Statement of Intent.*

Property Development

1.11 Capital expenditure within budget.

1.12 Operational expenditure within budget.

1.13 A return of not less than 10.0% after interest and tax on each project.

1.14 From 1 July 2019, any new developments not already resource consented as at 30 June 2019, shall only utilise electricity or renewable sources of energy for space heating, water heating and cooking facilities.

1.15 By 30 June 2020, at least one housing unit (standalone house or townhouse) shall achieve a certified HomeStar™ rating of at least six stars.

Professional Property Advice

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

UPL Developments Limited *(formerly Fairfield Waters Limited)*

1.17 Undertake, negotiate and execute tender processes for and on behalf of the Partnership and 'parent' company as required.

1.18 Facilitate civil and construction contracts for and on behalf of the Partnership and 'parent' company as required.

1.19 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.

1.20 Should UPLDL be used for future developments, the same performance measures apply as for Property Development (refer above).

1.21 Act as General Partner when a Limited Partnership structure is utilised for development projects.

UPL Limited Partnership *(formerly Fairfield Limited Partnership)*

1.22 Develop land in a manner which maximises its value at a level of risk appropriate for the investment of funds.

1.23 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.

1.24 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 2019/20 financial year or succeeding years.

Information to be provided to shareholders

In each year UPL shall comply with the reporting requirements specified for CCO'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 two major areas of operation; Rental Housing and Land Development, 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 two 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 CCO 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

For the year ended 30 June 2020, the estimated net value of the shareholder's investment in Urban Plus Group will be $31.120 million.

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.

UPL's first significant 'turn-key' residential development of mixed housing typologies, was completed in the first quarter of the 2018/19 Financial year, when the final six units were settled.

The project was completed towards the end of the 2017/18 financial year, and cost $7.7M, and realised a pre-tax net gain of $2.4M. This commercial development project was 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).

The next major residential development project currently underway is Parkview, in Avalon. The project consists of the construction of twenty four stand-alone townhouses – being released to market. An influx of contracts early on in January 2019 has meant this development is now Sold Out. It is anticipated that eight of all settlements will be completed in the 2018/19 financial year, with the remainder settling pre-Christmas 2019. This project is also being managed by UPL's subsidiary - UPL Limited Partnership.

The success of Fairfield Waters and Parkview developments 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 199 residential units by 30 June 2020.

Two further major developments in planning stage are Central Park on Copeland and The Lane, Waterloo. The first mentioned is a thirty-four townhouse development on part of the former Copeland Street Reserve land in Epuni. The latter is a twenty-seven townhouse development in Waterloo – on land currently owned by UPL. Both projects are expected to commence by the end of 2018/19 financial year and be completed by the end of 2020 calendar year.

Off-the-plan sales have already commenced for Central Park. Currently there are 28 confirmed sales. Marketing for 'The Lane' commenced in March 2019.

UPL has several other key projects in planning stage which align to its own SOI targets and will greatly assist the shareholder in its Urban Growth Strategy targets of an additional 6,000 homes by 2032.

The original target date for UPL to achieve 220 rental units was 30 June 2020. This target date will not be achieved based on the current development programme with only 199 units projected as at 30 June 2020. The target of 220 units is now expected to be achieved by December 2021. However during this time frame UPL will have developed and sold to the private market, 105 houses, the profits from which will fund the growth in UPL's rental portfolio without requiring ratepayer assistance.

The financial forecasts, the projected number of rental units, and the numbers of houses developed and sold to the market over the period covered by this SOI is based on the following 4 year development programme;

UPL Rental Portfolio	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	
SOI Year	Year -1	Year 0	Year 1	Year 2	Year 3	
Opening Number		151	189	199	217	
Boothby Street - purchase		7				
Bauchop Road		-12				to make way for **the Lane** development
51 & 53 Hall Crescent		-2				to make way for **Central Park** development
17 Britannia Street - purchase		27				
38 Britannia Street - purchase		18				
17 Britannia Street - build additional			10			
Molesworth Street - build				18		
The Next Development - build					20	
Jackson Street						
7 Britannia Street (current library site)						
Closing Number	**151**	**189**	**199**	**217**	**237**	

UPL Developments	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**	**<$550k**	**>$550k**
SOI Year	Year -1	Year 0	Year 1	Year 2	Year 3			
Fairfield Waters	14	6				20	6	14
Park View		8	16			24	0	24
Central Park on Copeland			34			34	10	24
the Lane				27		27	10	17
	14	14	50	27	0	105	26	79
Net contribution to Urban Growth Strategy target	**14**	**45**	**60**	**45**	**20**	**184**		

The original 220 rental units target could be achieved earlier but this would require additional funding from the shareholder either through an equity injection or approving increases to UPL's available credit lines, i.e., loans.

Until there is more certainty on what the shareholder wants to do with the current library site in Petone, this development opportunity has been excluded from UPL's financial forecasts. Similarly, until a decision has been made on UPL's Jackson Street site to either develop apartments to sell to the market or to build further units to be added to UPL's rental portfolio, this development opportunity has also been excluded from UPL's financial forecasts.

No provision has been made in the financial forecasts for possible gains from property revaluations. Any gains would not have any impact on cash/debt but would result in deferred tax liabilities which would remain until the underlying properties are sold by UPL.

Consolidated Statement of Financial Performance

For the Year Ended 30 June	2018	2019	2020	2021	2022
	Actual	Forecast	Budget	Plan	Plan
REVENUE					
Rental Revenue	1,733,859	1,874,135	2,359,821	2,577,884	3,093,788
Property Management Fees	451,883	340,000	-	-	-
Other Management Fees	31,032	-	-	-	-
Finance Revenue	109,709	73,286	-	-	-
Commercial Development Sales	10,045,523	7,068,954	27,927,681	15,010,000	-
Gain on Sale of Property, Plant and Equipment	25,313	365,040	-	-	-
Other Revenue	4,750	-	-	-	-
Total Revenue	**12,402,069**	**9,721,415**	**30,287,503**	**17,587,884**	**3,093,788**
EXPENSES					
Personnel Expenses	722,233	767,863	781,486	795,810	819,684
Rates	184,565	179,354	224,533	246,973	297,654
Repairs & Maintenance	187,477	188,201	228,746	244,278	285,831
Insurance	98,791	102,089	148,899	166,960	205,129
Specialist Services	180,063	106,000	106,000	106,000	108,120
Operational Contracts	74,962	72,250	72,250	72,250	73,695
HCC Support Costs	45,000	85,000	135,000	135,000	135,000
Other Operating Expenses	266,994	228,585	229,515	230,015	234,783
Asset Write-Offs	-	-	-	-	-
Agents Fees & Marketing	255,262	394,300	461,000	270,000	-
Cost of Commercial Development Sales	7,210,651	4,454,911	21,205,256	9,774,521	-
Total Expenses	**9,225,999**	**6,578,553**	**23,592,685**	**12,041,806**	**2,159,897**
OPERATING SURPLUS/(DEFICIT)	**3,176,070**	**3,142,862**	**6,694,818**	**5,546,078**	**933,892**
Depreciation	599,560	700,315	760,783	784,027	986,211
Finance Expenses	460,272	540,319	664,331	623,539	504,378
NET SURPLUS/(DEFICIT) before Tax	**2,116,238**	**1,902,228**	**5,269,704**	**4,138,512**	**(556,697)**
Income Tax (Expense)/Benefit	58,075	-	-	(1,043,601)	-
SURPLUS/DEFICIT after TAX	**2,174,313**	**1,902,228**	**5,269,704**	**3,094,911**	**(556,697)**
Other Comprehensive Revenue and Expenses					
Gain on Property Revaluation	1,290,431	-	-	-	-
Less: Tax on Revaluation	(309,521)	-	-	-	-
Total Other Comprehensive Revenue and Expenses	980,910	-	-	-	-
TOTAL COMPREHENSIVE REVENUE and EXPENSES	**3,155,223**	**1,902,228**	**5,269,704**	**3,094,911**	**(556,697)**

Consolidated Statement of Changes in Equity

For the Year Ended 30 June	2018	2019	2020	2021	2022
	Actual	Forecast	Budget	Plan	Plan
Balance at 1 July	**20,792,946**	**23,948,169**	**25,850,398**	**31,120,102**	**34,215,012**
Total Comprehensive Revenue and Expenses for the Year	3,155,223	1,902,228	5,269,704	3,094,911	(556,697)
Balance at 30 June	**23,948,169**	**25,850,398**	**31,120,102**	**34,215,012**	**33,658,315**

Consolidated Statement of Financial Position

As at 30 June	2018	2019	2020	2021	2022
	Actual	Forecast	Budget	Plan	Plan
ASSETS					
Current Assets					
Cash & Cash Equivalents	8,891,247	2,673,187	6,407,281	6,084,720	4,584,620
Debtors & Other Receivables	(5,687)	41,219	45,052	45,552	26,052
Inventories	2,696,491	8,661,375	6,116,261	(0)	(0)
Total current assets	11,582,052	11,375,780	12,568,594	6,130,272	4,610,672
Non-Current Assets					
Property, Plant & Equipment	25,013,012	26,968,029	28,548,209	35,631,163	42,751,713
Assets Under Construction	-	4,378,158	7,682,079	9,653,941	1,853,941
Loan to Related Party	-	-	-	-	-
Total non-current assets	25,013,012	31,346,188	36,230,288	45,285,104	44,605,654
TOTAL ASSETS	**36,595,064**	**42,721,968**	**48,798,883**	**51,415,376**	**49,216,326**
LIABILITIES					
Current Liabilities					
Creditors & Other Payables	1,251,696	1,476,371	2,283,582	761,564	162,812
Employee Entitlements	13,618	13,618	13,618	13,618	13,618
Other Liabilities	-	-	-	-	-
Total Current Liabilities	1,265,314	1,489,989	2,297,200	775,182	176,430
Non-Current Liabilities					
Employee Entitlements	33,550	33,550	33,550	33,550	33,550
Borrowings	9,000,000	13,000,000	13,000,000	13,000,000	13,000,000
Deferred Tax Liability	2,348,031	2,348,031	2,348,031	3,391,632	2,348,031
Total Non-Current Liabilities	11,381,581	15,381,581	15,381,581	16,425,182	15,381,581
TOTAL LIABILITIES	**12,646,895**	**16,871,570**	**17,678,781**	**17,200,364**	**15,558,011**
NET ASSETS	**23,948,169**	**25,850,398**	**31,120,102**	**34,215,012**	**33,658,315**
EQUITY					
Retained Earnings	(3,792,208)	(1,889,979)	3,379,725	6,474,635	5,917,938
Share Capital	15,300,000	15,300,000	15,300,000	15,300,000	15,300,000
Revaluation Reserve	12,440,377	12,440,377	12,440,377	12,440,377	12,440,377
TOTAL EQUITY	**23,948,169**	**25,850,398**	**31,120,102**	**34,215,012**	**33,658,315**
GEARING (Debt + overdraft : Debt + Equity)	**27%**	**33%**	**29%**	**28%**	**28%**

Consolidated Statement of Cash Flows

For the Year Ended 30 June	2018	2019	2020	2021	2022
	Actual	Forecast	Budget	Plan	Plan
CASH FLOWS from OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Rent and Leases	1,733,859	2,275,393	2,845,048	3,066,944	3,123,348
Receipts from Management Fees	482,915	340,000	-	-	-
Receipts from Other Revenue	4,750	-	-	-	-
Interest Received	109,709	134,747	139,597	1,740	-
Receipts from Commercial Development Sales	10,045,523	7,068,954	27,927,681	15,010,000	-
	12,376,756	9,819,095	30,912,327	18,078,685	3,123,348
Cash was applied to:					
Payments to Employees	(722,233)	(767,863)	(781,486)	(795,810)	(819,684)
Payments to Suppliers	(799,863)	(2,654,339)	(1,787,226)	(1,751,578)	(1,451,649)
Interest Paid	(460,272)	(540,319)	(664,331)	(623,539)	(504,378)
Tax Paid	-	-	-	-	(1,043,601)
Costs of Commercial Development Sales	(1,783,404)	(10,375,380)	(18,895,207)	(5,280,629)	-
	(3,765,772)	(14,337,901)	(22,128,249)	(8,451,555)	(3,819,313)
Net Cash Flows from Operating Activities	**8,610,984**	**(4,518,806)**	**8,784,077**	**9,627,129**	**(695,965)**
CASH FLOWS from INVESTING ACTIVITIES					
Cash was provided from:					
Sale of Property, Plant and Equipment	2,847,663	3,595,261	-	-	-
	2,847,663	3,595,261	-	-	-
Cash was applied to:					
Purchase and Construction of Property, Plant and Equipment	(60,301)	(9,294,515)	(5,049,983)	(9,949,690)	(804,136)
	(60,301)	(9,294,515)	(5,049,983)	(9,949,690)	(804,136)
Net Cash Flows from Investing Activities	**2,787,362**	**(5,699,254)**	**(5,049,983)**	**(9,949,690)**	**(804,136)**
CASH FLOWS from FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from Borrowings	-	4,000,000	3,750,000	7,900,000	-
	-	4,000,000	3,750,000	7,900,000	-
Cash was applied to:					
Repayment of Borrowings	-	-	(3,750,000)	(7,900,000)	-
Repayment of Advance from Hutt City Council	(149,379)	-	-	-	-
	(149,379)	-	(3,750,000)	(7,900,000)	-
Net Cash Flows from Financing Activities	**(149,379)**	**4,000,000**	**-**	**-**	**-**
NET INCREASE/(DECREASE) in CASH and CASH EQUIVALENTS	**11,248,967**	**(6,218,061)**	**3,734,094**	**(322,561)**	(1,500,100)
Cash and Cash Equivalents at the Beginning of the Year	(2,357,720)	8,891,247	2,673,187	6,407,281	6,084,720
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**8,891,247**	**2,673,187**	**6,407,281**	**6,084,720**	**4,584,620**

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 2019 to 30 June 2020. Comparative projected figures for the year ended 30 June 2021 and 30 June 2022 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

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