

UPL LIMITED PARTNERSHIP

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019



Fairfield Waters Development Project

PARTNERSHIP REPORT

I am pleased to report on the performance of the UPL Limited Partnership (the Limited Partnership) for the 2018/19 financial year. The Limited Partnership had yet another strong year achieving a profit of \$1.472m and positioning itself for its future growth.

During the year the Limited Partnership completed the six remaining settlements of its "Fairfield Waters" development, comprising of twenty homes.

Sales and construction aspects of the 'Parkview' project continued throughout the year. We achieved the first six settlements, with many more of the twenty four properties positioned to be completed and settled in the first quarter of 2019/20 financial year.

The Limited Partnership received resource consent approvals for its next two significant projects – Central Park on Copeland (in Eponi) and The Lane, Waterloo; comprising of thirty-four and twenty-seven 2/3 bedroom townhouses respectively.

Please see an outline of current and future projects on pages 3 and 4 of this report.

The Board and the management of the Limited Partnership continued to pursue its strategic focus during 2018/19, where the emphasis was on:

- 1.1 Developing land in a manner which maximises its value at a level of risk appropriate for the investment of funds; and,
- 1.2 Performing business undertakings in common with Urban Plus Limited with a view to deriving profits from development projects for the purposes of funding for growing the elderly housing portfolio.

Financial Performance

The Limited Partnership achieved a profit of \$1.472m for the 2018/19 financial year on revenues of \$5.907m.

Whilst the result did not achieve the budgeted profit of \$2.943m on budgeted sales of \$12.615m, the variances are solely due to the timing of project completion and settlement of sales. Completion and settlement will be achieved in the oncoming financial year.

For the future the Limited Partnership will continue to deliver quality, scale and affordable housing projects for 2019/20 and beyond.

The Market

The overall Wellington property market in 2019/20 continues to be particularly strong. Housing supply, particularly new houses, is tight. This combined with lower interest rates, has continued the upward pressure on market demand.

We continue on from last year's perspective that the Lower Hutt market will remain 'strong over the next year'. However it is uncertain as to when the housing market may soften. We have seen signs that the rate of sales has slowed somewhat over the last half of this financial year. But recent development's sales rates have indicated that our supply of affordable, medium density housing products is being well received in Lower Hutt.

Our focus will remain on prudent levels of debt and development choices which will enable us to manage through any softening in the market in the medium term.

We will be striving to achieve success in the 2019/20 year.



On behalf of the General Partner

Completed Projects:

FAIRFIELD WATERS DEVELOPMENT: GLEN EVANS CRES

The Fairfield Waters project was Urban Plus' first large scale development boasting twenty new homes across three broad housing styles; two-storey townhouses, single-storey homes and two-storey terraced housing.



Current Projects:

AVALON PARK DEVELOPMENT: PARKVIEW

An exciting new subdivision featuring x24 fee simple sections with a range of standalone, three bedroom family homes in the peaceful surrounds of Avalon Park. This project is set for completion in 2019.



CENTRAL PARK ON COPELAND, Eponi

A subdivision featuring x34, fee simple sections with a range of two and three bedroom townhouses close to local amenities. This project is expected to be very popular amongst first home buyers and young families and is already over 80% 'Sold Out'.



THE LANE, WATERLOO: BAUCHOP ROAD DEVELOPMENT

Similar to Central Park, this development will provide a mix of two and three bedroom townhouses (x27 in total), and will appeal to a wide range of people looking to secure quality new housing products. Currently, seven are already 'sold'.



INTEREST REGISTER

Directors of General Partner	Interests
Brian Joseph Walshe (Chair)	Adelaide Commercial Limited, Director Burdan's Gate Properties Limited, Director Chan Fung Buildings Limited City Stay Apartments, Advisory Board Domet Investments Limited Gary Baker Trustees Limited, Director Kensway Property Consultants, Advisory Board Laura Fergusson New Zealand Limited Laura Fergusson Trust Pointhree Limited Scratch Design (NZ) Limited Seaview Marina Limited Te Omanga Hospice Trust The Integral Group Limited, Advisory Board UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director
David Bassett	BJB Forestry Partnership Guildford Pastoral Limited, Director H ₂ O New Zealand Limited, Director Hutt City Auto Services Limited Hutt City Council, Deputy Mayor The Terrace - Martinborough Limited, Director UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director Wellington Water Governance Committee, Chair
Hugh Nicholas Mackenzie	Christchurch Justice & Emergency Services Precinct's Disputes, Advisory Board HMAC Consulting Limited, Director Kensway Property Group, Advisory Board Medallion Trading Limited St Pauls Apartments Body Corporate, Advisory Board Shandon Golf Club, Board Member <i>(Removed November 2018)</i> UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director

STATEMENT OF SERVICE PERFORMANCE

Measure	Target 2019	Achievement 2019	Target 2018	Achievement 2018
To develop land in a manner which maximises its value at a level of risk appropriate for the investment of funds	Develop land in a manner which maximises its value at a level of risk appropriate for the investment of funds	Achieved	N/A New measure in 2018/19	N/A New measure in 2018/19
To perform business undertakings in common with Urban Plus Limited with a view to profit from development projects for the purposes of funding elderly housing portfolio	Perform business undertakings in common with Urban Plus Limited with a view to profit from development projects for the purposes of funding elderly housing portfolio	Achieved	N/A New measure in 2018/19	N/A New measure in 2018/19
Capital expenditure within budget*	\$9,648,446	Not Achieved \$11,720,294	\$7,421,346	Achieved \$5,685,421
Operational expenditure within budget**	\$23,706	Not Achieved \$350,940	\$395,458	Achieved \$294,344
Return after tax and interest***	10.0%	Achieved 24.9%	10.0%	Achieved 25.0%

* Capital expenditure relates to expenditure on property development projects. These properties developed for sale so are held as inventory rather than being capitalised at completion. This expenditure includes interest expenses.

** Operational expenditure excludes cost of commercial development sales.

*** The return after tax and interest is calculated by taking the company tax rate (28%) off the profit and dividing by cost of development sales and direct costs attributable to the development.

Independent Auditor's Report**To the readers of UPL Limited Partnership's financial statements
and performance information for the year ended 30 June 2019**

The Auditor-General is the auditor of UPL Limited Partnership (the limited partnership). The Auditor-General has appointed me, Andrew Clark, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the limited partnership, on his behalf.

Opinion

We have audited:

- the financial statements of the limited partnership on pages 12 to 20, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the limited partnership on page 6.

In our opinion:

- the financial statements of the limited partnership on pages 12 to 20:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the limited partnership on page 6 presents fairly, in all material respects, the limited partnership's actual performance compared against the performance targets and other measures by which performance was judged in relation to the limited partnership's objectives for the year ended 30 June 2019.

Our audit was completed on 19 September 2019. This is the date at which our opinion is expressed.

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



Basis for our opinion

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

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

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

Responsibilities of the General Partner for the financial statements and the performance information

The General Partner is responsible for the preparation and fair presentation of financial statements for the limited partnership that comply with generally accepted accounting practice in New Zealand. The General Partner is also responsible for preparing the performance information for the limited partnership.

The General Partner is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the General Partner is responsible on behalf of the limited partnership for assessing the limited partnership's ability to continue as a going concern. The General Partner is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the General Partner intends to liquidate the limited partnership or to cease operations, or has no realistic alternative but to do so.

The General Partner's responsibilities arise from the Local Government Act 2002 and the Limited Partnerships Act 2008.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the limited partnership's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner.
- We evaluate the appropriateness of the reported performance information within the limited partnership's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the General Partner and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the limited partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the limited partnership to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the limited

partnership to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the limited partnership audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The General Partner is responsible for the other information. The other information comprises the information included on pages 2 to 5, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

Other than the audit, we have no relationship with, or interests in, the limited partnership.



Andrew Clark
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

FINANCIAL STATEMENTS

Statement of Compliance and Responsibility

The Board and management of UPL Limited Partnership (the Limited Partnership) confirm that all statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been complied with.

Responsibility

The Board and management of the Limited Partnership accept responsibility for the preparation of the annual Financial Statements and the Statement of Service Performance and the judgements used in them.

The Board have authority to sign these financial statements.

The Board and management of the Limited Partnership accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board and management of the Limited Partnership, the annual Financial Statements and the Statement of Service Performance for the year ended 30 June 2019 fairly reflect the financial position and operations of the Limited Partnership.



Brian Walshe
Chairman



David Bassett
Director

19 September 2019

19 September 2019

Statement of Comprehensive Income for the Year Ended 30 June 2019

	Notes	Actual 2019	Budget 2019	Actual 2018
Revenue				
Finance revenue		9,875	-	4,874
Sale of commercial developments		5,897,555	12,615,000	8,041,199
Total revenue		5,907,430	12,615,000	8,046,073
Expenses				
Cost of commercial development sales		4,084,792	9,648,446	5,685,421
Fees for the audit of the financial statements		25,408	15,422	15,422
Specialist services		3,917	-	-
Marketing expenses		308,813	-	255,262
Rates		-	-	6,772
Finance expenses		-	-	-
Other expenses		12,802	8,284	16,888
Total expenses		4,435,732	9,672,152	5,979,765
Profit / (Loss)		1,471,698	2,942,848	2,066,308
Total comprehensive income		1,471,698	2,942,848	2,066,308

Explanations of the major variances against budget are provided in note 10. The accompanying notes form part of these statements.

Statement of Changes in Equity for the Year Ended 30 June 2019

	Actual 2019	Budget 2019	Actual 2018
Balance at 1 July	1,996,982	-	(69,326)
Total comprehensive income for the year	1,471,698	2,942,848	2,066,308
Balance at 30 June	3,468,680	2,942,848	1,996,982

Explanations of the major variances against budget are provided in note 10. The accompanying notes form part of these statements.

Statement of Financial Position as at 30 June 2019

	Notes	Actual 2019	Budget 2019	Actual 2018
Current assets				
Cash & cash equivalents	2	1,064	-	1,755,963
Debtors and other receivables	2	-	342,848	168
Inventories	3	9,403,302	2,600,000	1,767,800
Total current assets		9,404,366	2,942,848	3,523,931
Total Assets		9,404,366	2,942,848	3,523,931
Current liabilities				
Trade & other payables	2	558,870	-	74,037
Borrowings from related parties	4	4,995,261	-	392,000
Other liabilities	5	381,555	-	1,060,912
Total current liabilities		5,935,686	-	1,526,949
Total liabilities		5,935,686	-	1,526,949
Net assets		3,468,680	2,942,848	1,996,982
Equity				
Accumulated funds		3,468,680	2,942,848	1,996,982
Total equity		3,468,680	2,942,848	1,996,982

Explanations of the major variances against budget are provided in note 10. The accompanying notes form part of these statements.



Statement of Cash Flows for the Year Ended 30 June 2019

	Actual 2019	Budget 2019	Actual 2018
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Interest received	10,043	-	4,706
Receipts from sales of commercial developments	5,897,555	12,615,000	8,041,199
	5,907,598	12,615,000	8,045,905
<i>Cash was applied to:</i>			
Payments to suppliers	(322,728)	(18,000)	(283,614)
Interest paid	(113,313)	(33,446)	(150,224)
Cost of commercial developments	(11,150,360)	(10,515,000)	(5,578,542)
	(11,586,401)	(10,566,446)	(6,012,290)
Net cash flows from operating activities	(5,678,803)	2,048,554	2,033,615
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Advance from Urban Plus Limited	9,332,261	-	829,192
Proceeds from borrowings	-	-	-
	9,332,261	-	829,192
<i>Cash was applied to:</i>			
Repayment of borrowings	(5,408,357)	(2,048,554)	(1,108,000)
	(5,408,357)	(2,048,554)	(1,108,000)
Net cash flows from financing activities	3,923,904	(2,048,554)	(278,000)
Net increase / (decrease) in cash & cash equivalents	(1,754,899)	-	1,754,807
Cash & cash equivalents at the beginning of the year	1,755,963	-	1,156
Cash & cash equivalents at the end of the year	1,064	-	1,175,963

Explanations of the major variances against budget are provided in note 10. The accompanying notes form part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

REPORTING ENTITY

UPL Limited Partnership is a 100 percent owned council controlled organisation of Urban Plus Limited (UPL). The Limited Partnership was incorporated on 20 January 2017 and changed its name to UPL Limited Partnership on 4 May 2018. UPL Developments Limited is the General Partner to the partnership.

The primary objective of the Limited Partnership is to develop properties in the Hutt Valley area for profit.

The Limited Partnership has designated itself a for profit entity for financial reporting purposes.

The financial statements of the Limited Partnership are for the year ended 30 June 2019. The financial statements were authorised for issue by the Board of Directors on 19 September 2019.

BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared on a going concern basis.

The accounting policies have been applied consistently throughout the period.

These financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with NZ International Financial Reporting Standards Reduced Disclosure Regime, as appropriate for a profit oriented entity. The Limited Partnership is not considered large for the purposes determining the appropriate reporting tier and has opted to report as a Tier 2 entity applying NZIFRS with Reduced Disclosure Requirements.

Measurement base

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in New Zealand dollars. The functional currency is New Zealand dollars. The Limited Partnership has not entered into any foreign currency transactions.

NEW ACCOUNTING STANDARDS

UPL Limited Partnership adopted new and amended NZ IFRS Standards and Interpretations during the period including NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers, with no material impact on the accounting policies or disclosures of the Limited Partnership.

NZ IFRS 9 Financial Instruments replaces the guidance in NZ IAS 39 for the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

NZ IFRS 9 establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Trade and other receivables, and cash and cash equivalents that were previously classified as loans and other receivables under NZ IAS 39 are now classified at amortised cost. Application of the new standard has not had a material impact on the accounts.

NZ IFRS 15 Revenue from Contracts with Customers requires revenue recognition that reflects the transfer of promised goods or services to customers based upon the satisfaction of various performance obligations between parties.

Adoption of NZ IFRS 15 has not had a material impact on the recognition or measurement of revenue by UPL Limited Partnership, given that the organisation recognises revenue from the sale of property developments at a point in time. On settlement date, the risks and rewards and control of the property are transferred to the end buyer once agreed performance obligations have been satisfied.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Contracts with Customers includes property development sales, where revenue is recognised upon satisfaction of performance obligations. UPL Limited Partnership recognises revenue from the sale of property developments at a point in time, at which it transfers the risks and rewards and control of the property to the end buyer on an agreed settlement date. Expenses associated with property developments are recognised on settlement date.

Interest income is recognised using the effective interest method.

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.

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

UPL Limited Partnership is a flow-through entity for New Zealand Income Tax purposes. The profits and losses of the Limited Partnership are attributed directly to the partners.

Budget figures

The budget figures are those approved by the Board at the beginning of the year. The budget figures have been prepared in accordance with Tier 2 standards, using accounting policies that are consistent with those adopted by the Board for the preparation of the financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, the Limited Partnership has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the reporting period in which the revision is made and in any future periods that will be affected by those provisions. There have been no critical judgements made.

2. Categories of financial instruments

Accounting Policy

The Limited Partnership is party to financial instrument arrangements as part of its normal operations. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue and Expenses.

All financial instruments are recognised in the Statement of Financial Position on the basis of the Limited Partnership's accounting policies. All financial instruments disclosed on the Statement of Financial Position are recorded at amortised cost.

	2019	2018
Financial assets		
<i>Financial assets at amortised cost</i>		
Cash & cash equivalents	1,064	1,755,963
Debtors and other receivables	-	168
Total financial assets	1,064	1,756,131
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Other liabilities	381,555	1,060,912
Borrowings	4,995,261	392,000
Trade and other payables	558,870	74,037
Total financial liabilities	5,935,686	1,526,949

3. Inventory

Accounting Policy

Where development 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 profit / (loss) for the year.

	2019	2018
Commercial property development at 1 July	1,767,800	1,814,946
Cost of Sales of Commercial Development Property	(4,084,792)	(5,685,421)
Additional Developments during the year	11,720,294	5,638,275
Commercial property development at 30 June	9,403,302	1,767,800

No inventory has been pledged as security for liabilities.

The Limited Partnership are obligated to promptly remedy any defects or faults in the construction of the properties it sells which arise from faulty workmanship or materials if notified of the fault by the purchaser within 12 months of the settlement date. The cost of this obligation is difficult to estimate but is not expected to be material.

4. Borrowings

Accounting Policy

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Limited Partnership has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing costs

Borrowing costs directly attributable to the construction of a 'qualifying asset' (the Limited Partnership's commercial developments intended for sale – inventory) are capitalised. Total interest capitalised in the year to 30 June 2019 was \$113,314 (2018: \$150,224). Once properties are sold the borrowing costs and other inventory associated with the sale are expensed on settlement as cost of sales.

	2019	2018
Loans from related parties	4,995,261	392,000
Total borrowings - current	4,995,261	392,000

5. Other liabilities

	2019	2018
Current Portion		
Due to related parties	381,555	1,060,912
Total other liabilities – current portion	381,555	1,060,912

6. Remuneration

Key management personnel consist of the Board members of the general partner. Board members receive no remuneration.

Due to the difficulty in determining the full-time equivalent for Board members, the full-time equivalent figure is taken as the number of Board members.

Board Members	2019	2018
B Walshe, Chair	1.00	1.00
D Bassett	1.00	1.00
H Mackenzie	1.00	1.00
	3.00	3.00

7. Related Party Disclosures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	2019	2018
Sales and purchases of goods and services		
Sale of property to an employee	-	804,258
Payment of management services	199,628	31,031
Payment of rates to Hutt City Council	-	6,772
Payment of interest to parent	113,313	150,224
Purchase of land from Hutt City Council	1,700,000	-
Purchase of 20A Bauchop Road from Urban Plus Limited	2,300,000	-
Purchase of 28 Freyberg Street from Urban Plus Limited	478,261	-

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2019	2018
Current payables (purchase of goods and services)		
Borrowings from parent	4,995,261	392,000
Advance from parent	381,555	1,060,912

8. Capital commitments and operating leases

CAPITAL COMMITMENTS

Capital commitments as at 30 June 2019 amounted to \$ nil (2018: \$ nil).

OPERATING LEASES AS LESSEE

The Limited Partnership had \$nil commitments for operating leases as at 30 June 2019 (2018: \$nil).

OPERATING LEASES AS LESSOR

The Limited Partnership had \$nil commitments for operating leases as at 30 June 2019 (2018: \$nil).

9. Contingent liabilities and assets

CONTINGENT ASSETS

As at 30 June 2019 the Limited Partnership had no contingent assets, (2018: \$nil).

CONTINGENT LIABILITIES

As at 30 June 2019 the Limited Partnership had no contingent liabilities, (2018: \$nil).

10.Explanation of major variances against budget

STATEMENT OF FINANCIAL PERFORMANCE

Overall, the Limited Partnership achieved a profit of \$1.472m, compared with the budgeted profit of \$2.943m. The shortfall against budget is largely due to fewer than anticipated properties from the Parkview development settling before 30 June 2019. Hence revenue and expenses for the year were lower than planned.

Of the 24 Parkview properties, 12 were budgeted to be settled in the 2018/19 financial year, however construction timeframe changes meant that only 6 were settled before 30 June 2019. The remaining 18 properties are scheduled to settle by the end of November 2019.

STATEMENT OF FINANCIAL POSITION

Inventories and borrowings are higher than planned due to the timing delays in the settlement of the Parkview properties.

11.Events after balance date

There have been no significant events since balance date.