

UPL LIMITED PARTNERSHIP

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



Central Park on Copeland Development Project (Ron Deal Way, Eponi)

PARTNERSHIP REPORT

I am pleased to report on the performance of the UPL Limited Partnership (the Limited Partnership) for the 2019/2020 financial year. The Limited Partnership has performed well achieving a profit of \$3,420,902 which was well short of the expected level but attributed to factors beyond our control. Consequently, a significant portion of the anticipated profit will now fall into the oncoming financial year.

During the year the Limited Partnership completed and settled the remaining properties within our successful Parkview housing development and made substantial progress on the developments at Central Park on Copeland (Epuni) and The Lane, (Waterloo), comprising of thirty four and twenty seven townhouses respectively. These developments covered both 2/3-bedroom townhouses. Completion and settlement will be within the current financial year.

The Board and the management of the Limited Partnership continue to pursue its strategic focus during the year with the emphasis on:

- 1.1 Developing land in a manner which maximises its value at an appropriate level of risk for the investment of funds; and
- 1.2 Carrying out business undertakings in common with Urban Plus Limited with a view to deriving profits from development projects for the purpose of funding the growth of our housing portfolio for the elderly.
- 1.3 Looking to establish relationships with HUDs and CHPs for the establishment of new opportunities of mutual benefit.

Financial Performance

The Limited Partnership achieved a profit of \$3,420,902 for the 2019/2020 financial year on revenues of \$11,098,798.

Whilst the result did not achieve the budgeted profit of \$5,726,111 on the budgeted sales of \$27,927,681, the shortfall and variance is solely due to the timing of project completion resulting in the settlement and the issue of titles now falling within the 2020/2021 financial year. The delays were due to timing issues in commencing construction along with the impact of the shutdown and stages of COVID-19. A degree of additional costs was incurred on account of COVID-19 but they were not significant in the overall scale of the projects with the main impact being timing delay for construction and then settlement.

For the future, we envisage the Limited Partnership continuing to deliver quality, scale and affordable housing projects for 2020/21 and beyond.

The Market

Currently the overall Wellington Region property market continues to be strong. Housing supply is tight and the demand for affordable housing increasing. This combined with the lowest interest rates experienced in all our lifetime, has continued the upward pressure on market demand.

Whilst noting a degree of increasing difficulty in buyers securing funding from the banks, the demand for affordable homes exceeds supply at this point in time, giving us confidence for the continuation of identifying and sourcing development projects covering medium density housing projects.

Our focus will remain on prudent asset management and development choices which will drive the continual success of the Limited Partnership for our Stakeholders.



On behalf of the General Partner

Completed Projects:

PARKVIEW DEVELOPMENT: JESSIE DONALD WAY & AVALON PARK DRIVE

The Parkview project featured x24 fee simple sections with a range of standalone, three bedroom family homes in the peaceful surrounds of Avalon Park. This project was completed in the 2020 financial year.



Current Projects:

THE LANE - WATERLOO DEVELOPMENT: WATERLOO

An exciting new subdivision featuring x27 fee simple sections with a range of standalone, two and three bedroom townhouses in Waterloo. This project is sold out and is set for completion in 2021. *SU*



CENTRAL PARK ON COPELAND, EPUNI

A subdivision featuring x34, fee simple sections with a range of two and three bedroom townhouses close to local amenities. This project has sold out and was very popular amongst first home buyers and young families. This project is set for completion in early 2021.



INTEREST REGISTER

UPL Limited Partnership	Interests
Directors	
Brian Joseph Walshe (Chair)	Azure Developments Limited (Trustee in sons Trust) 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 The Settlement Limited (Trustee in sons Trust) UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director
Hugh Nicholas Mackenzie	Dunedin Hospital for the Ministry of Health, Disputes Advisory Board Member HMAC Consulting Limited, Director Kensway Property Group, Advisory Board Medallion Trading Limited St Pauls Apartments Body Corporate, Advisory Board UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director Christchurch Justice & Emergency Services Precinct's Disputes, Advisory Board (ceased 29 February 2020)
Cr Keri-anne Pania Brown	Hutt Valley DHB Board Arakura School Board Wainuiomata Community Board Logistics Manager, Fulton Hogan / John Holland (Partner) Urban Plus (Mother is a tenant in Bell Road) Shea Pita Associates Limited, Associate Hutt City Councillor – Wainuiomata Ward UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director
Cr David Bassett (Directorship ceased January 2020)	BJB Forestry Partnership Guildford Pastoral Limited, Director H ₂ O New Zealand Limited, Director Hutt City Auto Services Limited Hutt City Council, Councillor The Terrace - Martinborough Limited, Director UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director Wellington Water Governance Committee, Chair
Peter Edwin Glensor (from October 2020)	Common Life Limited, Director & Shareholder Hutt City District Licencing Committee, Member Lifewise Trust Board, Trustee Palmerston North Methodist Social Services, Board Member Problem Gambling Foundation, Board Member Shetland Society of Wellington, President Te Reo o Nga Tangata/The People Speak, Member UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director Wesley Community Action, Chairman

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Pamela June Bell
(from October 2020)

Brosnan Group*, Director

*Brosnan Group is made up of the below commercial construction companies:

- Brosnan Limited
- Brosnan Construction Limited
- Brosnan Construction Canterbury
- Brosnan Holdings Limited
- Bettabuilt NI Limited

ConCOVE, Board Member

Kainga Ora Home and Communities' Construction and Innovation Group –

Construction Plan Strategy

Opoly.app – Governance Advisor

Pamela Bell Innovation Consultant – Sole-trader

Project Bellbird Limited, Director & Shareholder

UPL Developments Limited, Director

UPL Limited Partnership, Director

Urban Plus Limited, Director

Victoria University of Wellington – Professor at School of Architecture



STATEMENT OF SERVICE PERFORMANCE

Measure	Target 2020	Achievement 2020	Target 2019	Achievement 2019
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	Develop land in a manner which maximises its value at a level of risk appropriate for the investment of funds	Achieved
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	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
Capital expenditure within budget.*	\$19,039,739	Achieved \$10,634,601	\$9,648,446	Not Achieved \$11,720,294
Operational expenditure within budget.**	\$616,717	Achieved \$356,794	\$23,706	Not Achieved \$350,940
A return of not less than 10.0% after interest and tax on each project.***	10.0%	Achieved 43.8%	10.0%	Achieved 24.9%
From 1 July 2019, any new developments not already resource consented as at 30 June 2019, shall only utilise electricity or renewable sources on energy for space heating, water heating and cooking facilities.	All developments consented after 30 June 2019 to utilise only electricity and renewable energy sources for space heating, water heating and cooking facilities	Achieved All developments consented after 30 June 2019 have only utilised electricity and renewable energy sources for space heating, water heating and cooking facilities	N/A New measure in 2019/20	N/A New measure in 2019/20
By 30 June 2020, at least one housing unit (standalone house or townhouse) shall achieve a certified HomeStar™ rating of at least six stars.	One or more units to achieve a HomeStar™ rating of at least six stars	Not Achieved A HomeStar™ rating application was submitted for one unit at The Lane, but the result of the application has not yet been received	N/A New measure in 2019/20	N/A New measure in 2019/20

* Capital expenditure relates to expenditure on property development projects. These properties are developed for sale and 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 2020

The Auditor-General is the auditor of UPL Limited Partnership (the limited partnership). The Auditor-General has appointed me, Stephen Usher, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and 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 2020, 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 2020; 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 2020.

Our audit was completed on 01 December 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the impact of Covid-19 on the limited partnership. 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.

Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the limited partnership as set out in note 12 to the financial statements.

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 on behalf of the limited partnership for preparing financial statements that are fairly presented and 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 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 during 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 that 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: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



Stephen Usher
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 2020 fairly reflect the financial position and operations of the Limited Partnership.



Brian Walshe
Chairman



Hugh Mackenzie
Director

30 November 2020

30 November 2020

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[Signature]

Statement of Comprehensive Income for the Year Ended 30 June 2020

Notes	Actual 2020	Budget 2020	Actual 2019
Revenue			
Finance revenue	11,977	-	9,875
Sale of commercial developments	11,086,822	27,927,681	5,897,555
Total revenue	11,098,798	27,927,681	5,907,430
Expenses			
Cost of commercial development sales	7,321,102	21,584,853	4,084,792
Fees for the audit of the financial statements	26,413	16,000	25,408
Specialist services	7,931	-	3,917
Marketing expenses	309,585	461,000	308,813
Rates	-	-	-
Finance expenses	-	139,597	-
Other expenses	12,865	120	12,802
Total expenses	7,677,896	22,201,570	4,435,732
Profit / (Loss)	3,420,902	5,726,111	1,471,698
Total comprehensive income	3,420,902	5,726,111	1,471,698

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 2020

	Actual 2020	Budget 2020	Actual 2019
Balance at 1 July	3,468,680	3,878,183	1,996,982
Total comprehensive income for the year	3,420,902	5,726,111	1,471,698
Balance at 30 June	6,889,582	9,604,294	3,468,680

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 2020

	Notes	Actual 2020	Budget 2020	Actual 2019
Current assets				
Cash & cash equivalents	2	978	5,015,005	1,064
Debtors and other receivables	2	-	-	-
Prepayments	2	149,673	-	-
Inventories	3	12,716,801	6,116,261	9,403,302
Total current assets		12,867,452	11,131,266	9,404,366
Total Assets		12,867,452	11,131,266	9,404,366
Current liabilities				
Trade & other payables	2	136,147	1,526,972	558,870
Borrowings from related parties	4	4,097,000	-	4,995,261
Other liabilities	5	180,453	-	381,555
GST Payable		1,564,270	-	-
Total current liabilities		5,977,870	1,526,972	5,935,686
Total liabilities		5,977,870	1,526,972	5,935,686
Net assets		6,889,582	9,604,294	3,468,680
Equity				
Accumulated funds		6,889,582	9,604,294	3,468,680
Total equity		6,889,582	9,604,294	3,468,680

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

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Statement of Cash Flows for the Year Ended 30 June 2020

	Actual 2020	Budget 2020	Actual 2019
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Interest received	11,977	-	10,043
Receipts from sales of commercial developments	11,086,822	27,927,681	5,897,555
	11,098,799	27,927,681	5,907,598
<i>Cash was applied to:</i>			
Payments to suppliers	(511,831)	(424,520)	(322,728)
Interest paid	(163,061)	(139,597)	(113,313)
Cost of commercial developments	(10,888,900)	(18,895,207)	(11,150,360)
	(11,563,792)	(19,459,324)	(11,586,401)
Net cash flows from operating activities	(464,992)	8,468,357	(5,678,803)
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Advance from Urban Plus Limited	10,631,168	7,600,000	9,332,261
Proceeds from borrowings	-	-	-
	10,631,168	7,600,000	9,332,261
<i>Cash was applied to:</i>			
Repayment of borrowings	(10,166,262)	(11,200,000)	(5,408,357)
	(10,166,262)	(11,200,000)	(5,408,357)
Net cash flows from financing activities	464,906	(3,600,000)	3,923,904
Net increase / (decrease) in cash & cash equivalents	(86)	4,868,357	(1,754,899)
Cash & cash equivalents at the beginning of the year	1,064	146,648	1,755,963
Cash & cash equivalents at the end of the year	978	5,015,005	1,064

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

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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 2020. The financial statements were authorised for issue by the Board of Directors on 30 November 2020.

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

NZ IFRS 16

UPL Limited Partnership has adopted new NZ IFRS 16 Leases accounting standard during the period, which has no material impact on the accounting or disclosures of the Limited Partnership.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

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.

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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 Income.

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.

	2020	2019
Financial assets		
<i>Financial assets at amortised cost</i>		
Cash & cash equivalents	978	1,064
Debtors and other receivables	-	-
Prepayments	149,673	-
Total financial assets	150,651	1,064
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Other liabilities	180,453	381,555
Borrowings	4,097,000	4,995,261
Trade and other payables	136,147	558,870
Total financial liabilities	4,413,600	5,935,686

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.

	2020	2019
Commercial property development at 1 July	9,403,302	1,767,800
Cost of Sales of Commercial Development Property	(7,321,102)	(4,084,792)
Additional Developments during the year	10,634,601	11,720,294
Commercial property development at 30 June	12,716,801	9,403,302

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 2020 was \$169,625 (2019: \$113,314). Once properties are sold the borrowing costs and other inventory associated with the sale are expensed on settlement as cost of sales.

	2020	2019
Loans from related parties	4,097,000	4,995,261
Total borrowings - current	4,097,000	4,995,261

5. Other liabilities

	2020	2019
Current Portion Due to related parties	180,453	381,555
Total other liabilities – current portion	180,453	381,555

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	2020	2019
B Walshe, Chair	1.00	1.00
D Bassett	-	1.00
H Mackenzie	1.00	1.00
K Brown	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:

	2020	2019
Sales and purchases of goods and services		
Payment of management services	180,765	199,628
Payment of interest to parent	163,061	113,313
Purchase of land from Hutt City Council	485,000	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
Purchase of Part of 51 Hall Crescent from Urban Plus Limited	122,609	-

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

	2020	2019
Current payables (purchase of goods and services)		
Borrowings from parent	4,097,000	4,995,261
Advance from parent	180,453	381,555

8. Capital commitments

CAPITAL COMMITMENTS

Capital commitments as at 30 June 2020 amounted to \$nil (2019: \$nil).

9. Contingent liabilities and assets

CONTINGENT ASSETS

As at 30 June 2020 the Limited Partnership had no contingent assets, (2019: \$nil).

CONTINGENT LIABILITIES

As at 30 June 2020 the Limited Partnership had no contingent liabilities, (2019: \$nil).

10.Explanation of major variances against budget

STATEMENT OF FINANCIAL PERFORMANCE

Overall, the Limited Partnership achieved a profit of \$3.421m, compared with the budgeted profit of \$5.726. The shortfall against budget is largely due to all 34 Central Park settlements being delayed until after 30 June 2020 which were budgeted to occur before. This was partially offset by the 6 Parkview settlements that occurred during the year that were budgeted to fall into 2018/19. Hence revenue and expenses for the year were lower than planned.

12 Parkview properties and 34 Central Park properties were budgeted to be settled in the 2019/20 financial year, however construction timeframe changes meant that 18 Parkview properties and no Central Park properties were settled. All Parkview properties are now sold and all 34 Central Park properties are scheduled to settle by the end of January 2021.

STATEMENT OF FINANCIAL POSITION

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

11.Events after balance date

Since balance date the Limited Partnership has entered contracts to purchase four properties in the Hutt Valley area to the value of \$5.429m. At the time of signing two have settled and two are unconditional awaiting settlement.

12.Impact of COVID-19

The COVID-19 emergency and subsequent lockdown has had minimal impact on the operations of UPL LP. Consideration at both an operational and executive level resulted in the following notable impacts being identified:

Construction sites were closed down during alert level 4 but were reopened for all other alert levels under strict social distancing and safety protocols in accordance with government guidance. This resulted in a delays against construction schedules, however since work has resumed, operational hours at construction sites were increased in order to minimize these delays.

Sale are considered to be unaffected with the risk of adverse financial situations of buyers caused by COVID-19 resulting in settlement defaults considered to be low. Since the emergence of COVID-19 there has been one default, however a replacement sales contract was in place with a new buyer within a month.