URBAN PLUS LIMITED & GROUP

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

–The Lane – Waterloo Development – Eruera Love Lane, Waterloo

CHAIR & CHIEF EXECUTIVE REPORT

We are pleased to report on the year's activities and results despite it being affected by Covid-19 lockdown and its flow on effect to the construction industry.

This year saw a revised, and significantly broader, Statement of Intent which was mandated by our Shareholder, Hutt City Council. This provided for significantly wider outcomes in terms of housing supply and working more within partnerships alongside community housing providers and mana whenua. There was greater focus on becoming a development entity to provide housing outcomes to providers, rather than on retaining stock for our own portfolio.

Current Development Projects

We had planned to complete our two major development projects (Central Park on Copeland and The Lane - Waterloo) within the prior financial year however the impact of Covid-19 has meant deferring construction and some of our targeted settlements into the upcoming year. Not only did we experience time delays in construction, we also experienced minor additional costs over this period, however these did not have material impact on our budgets or operations.

Both projects saw the release of several properties well below market pricing to enable first home buyers opportunity to attain long term home ownership. These two bedroom townhouse properties were sold off the plans at $535,000 and $550,000 levels.

Upon completion, these current projects will deliver excellent profitability, which will provide the funds for future projects aimed for community housing providers, first home buyers and additional unit builds for our low income elderly social housing portfolio.

There was notable strain within the construction industry in terms of worker resourcing and attrition, as well as supply of materials and products. We perceive this as a nationwide issue that will only become more strained in future years due to several factors including the Covid-19 pandemic.

Residential Portfolio

In terms of our own housing portfolio, the number of units provided has remained at 189 with no increase during the year. However, our strategic aim over the upcoming years is to grow the portfolio – such as utilising infill opportunities as well as being active in the market for scale acquisitions.

Our Housing Manager undertook a portfolio-wide review in regards to Healthy Homes Standards, and work to address areas that did not exceed minimum threshold levels is programmed to commence in the 2022/23 financial year. This rollout will run for approximately eighteen months.

Property Development

The company successfully acquired three adjacent properties in Brook Street, Waterloo. Amalgamating these sites will provide over 2,000m^2 of developable land. The intent is to undertake a medium density residential development on the land in the upcoming one to two years and release housing to first home buyers and owner occupiers.

In terms of developing housing to community housing providers, UPL progressed two key projects – in Taita and Petone respectively. A partnership (gifted the name of Takai Here Tangata) between Hutt City Council, Te Rūnanganui o Te Āti Awa and Kahungunu Whānau Services was created and is the foundation for our Molesworth Street development. This project is viewed as the first of many for this partnership, and will see nineteen one and two bedroom homes being transferred to KWS ownership upon completion (planned for May 2022).

Our second project aligning with another community housing provider, Dwell Housing Trust, is in Petone. The company acquired 55 Britannia Street, Petone, last year and is a 1,447m^2 site which will provide fourteen homes (over four blocks) and enables a mix of ownership models such a long term rental (held by Dwell) and progressive home ownership for families.

Health & Safety

Health and Safety regulations and requirements continue as a key focus on the construction sites ensuring protocols and standards are adhered to by the various contractors and their teams.

Divestments

Our site on 126 Jackson Street, Petone, on which we planned approximately 52 units has not progressed as at year end due to the rapid escalation in vertical construction costs deeming the risk too great for UPL. This property has since been put to the market for others to develop for housing outcomes and we anticipate significant interest from developers. The proposed sale is planned for settlement early in the 2021/22 financial year.

UPL Chief Executive & Board of Directors

This year saw the most significant change in several years at both management and governance levels.

In December, Craig Walton finished his five year tenure as Chief Executive. Craig's property development experience and business acumen saw the company successfully take on scale, medium density projects which generated significant profit for the company to be redistributed into other projects for social housing outcomes. His successor, Daniel Moriarty, has led the Development arm of the company over the last thirteen years.

After nine years as UPL Chairman, Brian Walshe's tenure ceased at financial year-end. We acknowledge Brian's immense contribution, leadership, guidance and support to the other Directors and the UPL management team over this period. Brian has led the company through many changing housing, financial and political landscapes and has positioned the company extremely well for the future. He will be greatly missed, but we wish him well for the future.

We welcomed four new Directors at various times throughout the year – Pamela Bell and Peter Glensor joined the Board in October 2020. Pamela is a former winter Olympian, architect, creator of PreFabNZ, consultant and was unanimously appointed as successor to Brian Walshe as Urban Plus (Group) Chair in June 2021. Pamela commences as Chair as of 1 July 2021.

In March 2021, Cameron Madgwick and Peter Fa'afiu also joined the Board. Cameron Madgwick (Taranaki) has a strong legal background, and is currently Chief Executive of Gibson Sheat legal firm. Peter Fa'afiu currently resides in Auckland, has previously led the Tamaki regeneration project for Kainga Ora, has been a Chief Executive for a Council Controlled Organisation and is on several Boards mainly in the social realm.

Financial Performance

The Future

Whilst the full complement of our targeted settlements did not occur this financial year, the Company is well positioned now to achieve the broader SOI objectives set by the Shareholder. We have planned developments in train, new partnerships with mana whenua and community housing providers in place and we also have an outlook to widening our own provision of housing with accessible units on the horizon.

We also continue to utilise Homestar 6 methodology in all our design and construction aspects of residential development. Our aim is to act as a local leader and promote this sustainable and environmentally responsible way of construction in hope that it is embraced by others working within the industry.

Final thoughts

The efforts of our team have been excellent over the year and in particular over the very trying and difficult time experienced on account of COVID-19. Their dedication and efforts ensured smooth running of the Company during the year helping position the Group for an exciting growth period ahead. Our sincere thanks to them all.

To our Board members, Hugh Mackenzie, Keri Brown, Peter Glensor, Cameron Madgwick and Peter Fa'afiu - thank you for your valued contribution.

Pamela Bell
Chair
30 November 2021

Daniel Moriarty
Chief Executive
30 November 2021

Current Projects:

THE LANE - WATERLOO DEVELOPMENT: WATERLOO

An exciting new subdivision featuring twenty-seven (27) 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 late 2021.

CENTRAL PARK ON COPELAND, EPUNI

A subdivision featuring thirty-four (34), 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 late 2021.

BROOK STREET, WATERLOO

Resource consent has just been submitted for UPL's next 'for market release' medium-density development in Waterloo. This project will provide discounted two- and three-bedroom townhouses to first home buyers and owner-occupiers in a highly sought-after location.

BRITANNIA STREET, PETONE

This project is earmarked for on-sell to a Community Housing Provider (CHP) upon completion. Comprising a mix of fourteen (14) one-, two- and three-bedroom units, resource consent has recently been submitted to council. Completion

MOLESWORTH STREET, TAITA

Urban Plus is pleased to be working with Kahungunu Whanau Services and Te Atiawa on a Community Housing project in Taita. The residential subdivision features 19 fee simple sections with a range of one-bedroom homes and two-bedroom townhouses. Resource and Building Consents have been granted by Hutt City Council and construction on site work is underway.

INTEREST REGISTER

Urban Plus Limited	Interests
Directors	
Brian Joseph Walshe (Chair) (Directorship ceased 30 June 2021)	Azure Developments Limited (Trustee of sons Trust) Chan Fung Buildings Limited, Shareholder City Stay Apartments, Advisory Board Domet Investments Limited, Shareholder Gary Baker Trustees Limited, Director Kensway Property Consultants, Advisory Board (ceased 31st March 2021) Laura Fergusson New Zealand Limited Laura Fergusson Trust Pointhree Limited Scratch Design (NZ) Limited, Shareholder Seaview Marina Limited, Director Te Omanga Hospice Trust The Integral Group Limited, Advisory Board The Settlement Limited (Trustee of sons Trust) UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director
Hugh Nicholas Mackenzie	Christchurch Justice & Emergency Services Precinct's Disputes, Advisory Board (ceased 28 February 2020) Dunedin Hospital for the Ministry of Health, Disputes Advisory Board Member HMAC Consulting Limited, Director Kensway Property Group, Advisory Board (ceased 31st March 2021) Medallion Trading Limited, Shareholder St Pauls Apartments Body Corporate, Advisory Board UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director
Cr Keri-Anne Pania Brown	Arakura School Board Hutt City Councillor – Wainuiomata Ward Hutt Valley DHB Board Logistics Manager, Fulton Hogan / John Holland (Partner) Shea Pita Associates Limited, Associate Urban Plus (Mother is a tenant in Bell Road) UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director Wainuiomata Community Board
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 Neighbours Day Aotearoa - Trustee
Pamela June Bell (Chair) (from 1 October 2020) (Chair from 1 July 2021)	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 Lead 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 – Adjunct Professor at School of Architecture Seaview Marina - Director
Petelo (Peter) Fa'afiu (From 1 April 2021)	Amnesty International Movement / Amnesty International Charity Limited - Global Director Bledisloe Park Multi-sport centre, Board member Core Education Limited, Director Counties-Manukau Rugby Football Union, Independent Director Monte Cecilia Housing Trust, Bishop's Representative / Board Member Navigator Limited, Shareholder Pacific Media Network / National Pacific Radio Trust - Chair (term ends June 2021) Sacred Heart College (Auckland) Property Committee – Member UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director
Cameron Madgwick (From 1 April 2021)	Laura Fergusson Trust – Chair (Wellington) Laura Fergusson Trust – Trustee (NZ) Deputy Chair Laura Fergusson NZ Limited – Director and Deputy Chair GNS Strategic Science User Advisory Board Gibson Sheat Lawyers – Chief Executive UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director
Chief Executive	
Daniel Christopher Moriarty (from 1 January 2021)	DNA Family Trustee Limited, Shareholder DNA Holdings (2018) Limited, Director
Craig James Walton (to 31 December 2020)	Craig James Walton 2 Colombo Limited, Director 18 Constable Limited, Director Belgravia Capital Limited, Director BC Partners Limited, Director CDAJ Walton Trust CGW Limited, Director Cleat Street Limited, Director D T E Limited, Director Jubilee Road Limited, Director Mayfair Capital Limited, Director Middleton Capital Limited, Director Snowden Investments Limited, Director Trinity Partners Limited, Director Willis Capital Limited, Director

KEY PERFORMANCE INDICATORS

Measure	Target 2021	Achievement 2021	Target 2020	Achievement 2020
Rental Housing				
1.1. Capital expenditure within budget.	Capital $264,956	**Achieved** $170,103	Capital $180,000	**Achieved** $30,151
1.2. Operational expenditure within budget. (1)	Operating $1,418,143	**Not Achieved** $1,448,736	Operating $1,024,407	**Not Achieved** $1,177,926
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%. (2)	3.5%	**Not Achieved** 2.1%	3.5%	**Not Achieved** 3.1%
1.4. Tenant satisfaction with the provision of the company's rental housing greater than or equal to 90%. (3)	90%	**Achieved** 100%	90%	**Achieved** 95%
1.5. Percentage of total housing units occupied by low-income elderly greater than or equal to 85%.	85%	**Not Achieved** 73.6% identified NZ National Superannuation as their primary source of income. The existing tenants at the recently acquired 17 Britannia St have lowered this percentage. (4)	85%	**Not Achieved** 75.7% identified NZ National Superannuation as their primary source of income. The existing tenants at the recently acquired 17 Britannia St have lowered this percentage. (4)
1.6. Rentals charged shall not be less than 80% of "market" rent.	80%	**Not Achieved** 71% Weekly increases of $60-$80 per week were required to meet the 80% target, after discussion with the Board, only a minimal increase was seen as appropriate	85%	**Not Achieved** 76.0%
1.7. Increase the portfolio size to 220 units by December 2023.	220 units by December 2023	**Not Achieved** Number of units remains at 189, however the 220 target is expected to be achieved by December 2023	220 units by 30 June 2021	**Not Achieved** Number of units remains at 189, however the 220 target is expected to be achieved by 30 June 2021
1.8. By 30 June 2021, assess the performance of the rental housing portfolio against the HomeFit® standard.	Assess the performance of the rental housing portfolio against the HomeFit® standard	**Achieved**	Assess the performance of the rental housing portfolio against the HomeFit® standard	**Not Achieved** This assessment was to form part of the healthy homes compliance statement and will now be completed prior to the extended deadline of 1 December 2020 (5)
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.	Convert all purchased units that do not already do so, to utilise only electricity or renewable sources of energy for space heating, water heating, and cooking facilities within five years of acquisition	**N/A** No units in the existing portfolio utilise non-renewable energy sources No acquisitions were made during 2020/21	Convert all purchased units that do not already do so, to utilise only electricity or renewable sources of energy for space heating, water heating, and cooking facilities within five years of acquisition	**N/A** No units in the existing portfolio utilise non-renewable energy sources No acquisitions were made during 2019/20
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.	All units constructed by UPL to utilise only electricity or renewable sources of energy for space heating, water heating and cooking facilities	**N/A** No units were constructed during 20120/21	All units constructed by UPL to utilise only electricity or renewable sources of energy for space heating, water heating and cooking facilities	**N/A** No units were constructed during 2019/20

Measure	Target 2021	Achievement 2021	Target 2020	Achievement 2020
Property Development				
1.11. Capital expenditure within budget.	Capital $0	**Not Achieved** $2,381,155 This is largely caused by the Molesworth development project having not yet transferred to UPL LP	Capital $5,228,921	**Achieved** $653,108
1.12. Operational expenditure within budget. (1)	Operating $1,325,861	**Achieved** $1,184,729	Operating $1,410,547	**Achieved** $1,410,049
1.13. 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.	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 to utilise only electricity and renewable energy sources for space heating, water heating and cooking facilities	**N/A** No units were consented during 2019/20
1.14. By the year ending 30 June 2021, at least one housing unit (standalone house or townhouse) shall achieve a certified HomeStar™ rating of at least six stars. (5)	One or more units to achieve a HomeStar™ rating of at least six stars	**Not Achieved** A HomeStarTM design rating of six stars was achieved for the Molesworth Street project, but was not received until after 30 June 2021. (6)	One or more units to achieve a HomeStar™ rating of at least six stars	**Not Achieved** The UPL Limited Partnership sought to achieve this target for a unit at The Lane development, but were too far advanced to alter designs
1.15. A return of not less than 20% on Development Costs including Contingency on each commercial development project.	20%	**N/A** No commercial development projects were completed during 2020/21	**N/A** New Measure in 2020/21	**N/A** New Measure in 2020/21
1.16. A return of not less than 15% on Development Costs including Contingency on housing released to market as 'Affordable'.	15%	**N/A** No 'Affordable' housing development projects were completed during 2020/21	**N/A** New Measure in 2020/21	**N/A** New Measure in 2020/21
1.17. Value of divestment to Community Housing Provider (or socially-likeminded organisations) set at each project's Development Cost (includes contingency and GST) plus a margin of no less than 10%,	10%	**N/A** No divestments to Community Housing Providers were made during 2020/21	**N/A** New Measure in 2020/21	**N/A** New Measure in 2020/21
1.18. Long term public rental accommodation returns at no less that (or equal to) 3.5% after depreciation.	3.5%	**N/A** No long term public rental accommodation was completed during 2020/21	**N/A** New Measure in 2020/21	**N/A** New Measure in 2020/21
Professional Property Advice				
1.19. Achieve a market return on additional services provided to the shareholder	Achieve a market return on additional services provided to the shareholder	**N/A** Additional services were not charged to the shareholder during 2020/21	Achieve a market return on additional services provided to the shareholder	**N/A** Additional services were not charged to the shareholder during 2019/20

(1) Operating expenditure before depreciation and tax expense
(2) Calculated as net surplus plus depreciation, over the opening value of residential land and buildings.
(3) This measure is from a survey of tenants who on a 5 point rating scale, with 3 being 'neutral', rated their satisfaction as neutral or better. There was a response rate of 39% from the 184 surveys sent.
(4) Information on the existing tenants at 17 Britannia St has not yet been fully gathered so a conservative approach has been taken to assume that tenants are not low income elderly unless UPL has received confirmation they are.
(5) Homestar™ is an independent rating tool for assessing the health, efficiency, and sustainability of homes.
(6) Homestar™ built ratings are achieved after assessments completed once projects obtain practical completion.

Independent Auditor's Report

To the readers of Urban Plus Limited and group's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of Urban Plus Limited and Group (the company and group). 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 company and group, on his behalf.

Opinion

We have audited:

- the financial statements of the company and group on pages 15 to 32, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expenses, 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 company and group on pages 8 and 9.

In our opinion:

- the financial statements of the company and group on pages 15 to 32:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2021; 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 Public Benefit Entity Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company and group on pages 8 and 9 presents fairly, in all material respects, the company and group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company and group's objectives for the year ended 30 June 2021.

Our audit was completed on 30 November 2021. 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 Board of Directors 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 Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company and group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company and group.

The Board of Directors 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 Board of Directors is responsible on behalf of the company and group for assessing the company and group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company and group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

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 company and group'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 company and group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company and group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and group'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 company and group 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 company and group 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 group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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 Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 32, 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 company and group 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 company and group.

Andrew Clark

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 Urban Plus Limited (UPL) and Group (the Company) confirm in relation to the Annual Report that all statutory requirements as outlined in the Local Government Act 2002 have been complied with.

Responsibility

The Board and management of the Company 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 Company 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 Company, the annual Financial Statements and the Statement of Service Performance for the year ended 30 June 2021 fairly reflect the financial position and operations of the Company.

Pamela Bell	**Hugh Mackenzie**
Chair	Director
30 November 2021	30 November 2021

Statement of Comprehensive Revenue and Expenses for the Year Ended 30 June 2021

		PARENT			GROUP		
	Notes	Actual 2021	Budget 2021	Actual 2020	Actual 2021	Budget 2021	Actual 2020
Revenue							
Property rents / leases		2,350,511	2,339,405	2,326,985	2,359,529	2,339,405	2,326,987
Interest revenue	2	292,599	256,323	187,855	16,912	-	30,208
Property management fees		133,875	172,469	-	-	-	-
Commercial development sales		-	-	709,566	19,154,348	32,760,760	11,796,388
Gain on sale of property, plant & equipment		-	-	-	-	-	-
Other revenue		-	-	172,863	-	-	-
Total revenue		**2,776,984**	**2,768,197**	**3,397,269**	**21,530,788**	**35,100,165**	**14,153,582**
Expenses							
Personnel expenses	3	793,267	812,520	827,158	793,267	812,520	827,158
Operating expenses	4	1,442,356	1,419,996	1,369,667	1,695,044	1,925,920	1,726,462
Finance expenses	2	519,376	512,199	491,317	519,376	512,199	321,692
Cost of commercial development sales		-	-	477,076	13,283,789	21,879,328	7,679,512
Depreciation and amortisation	10	897,993	891,295	679,283	897,993	891,295	679,283
Total expenses		**3,652,991**	**3,636,010**	**3,844,501**	**17,189,468**	**26,021,262**	**11,234,107**
Surplus / (deficit) before tax		**(876,007)**	**(867,813)**	**(447,232)**	**4,341,320**	**9,078,903**	**2,919,476**
Income tax expense / (benefit)	5	379,597	-	(146,848)	379,597	-	(146,848)
Surplus / (deficit) after tax		**(1,255,604)**	**(867,813)**	**(300,384)**	**3,961,723**	**9,078,903**	**3,066,324**
Other comprehensive revenue and expenses							
Items that will not be reclassified to surplus / (Deficit)							
Gain on property revaluation		2,776,336	-	7,105,015	2,776,336	-	7,105,015
Less tax on revaluation		(353,174)	-	(1,039,084)	(353,174)	-	(1,039,084)
Total other comprehensive revenue and expenses		**2,423,162**	**-**	**6,065,931**	**2,423,162**	**-**	**6,065,931**
Total comprehensive revenue and expenses		**1,167,559**	**(867,813)**	**5,765,547**	**6,384,884**	**9,078,903**	**9,132,254**

Explanations of major variances against budget are detailed in note 22. The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2021

		PARENT			GROUP		
	Notes	Actual 2021	Budget 2021	Actual 2020	Actual 2021	Budget 2021	Actual 2020
Balance at 1 July		**32,238,256**	**32,238,256**	**26,472,709**	**38,393,494**	**39,957,765**	**29,261,240**
Total comprehensive revenue and expenses for the year		1,167,559	(867,813)	5,765,547	6,384,884	9,078,903	9,132,254
Balance at 30 June		**33,405,814**	**31,370,443**	**32,238,256**	**44,778,378**	**49,036,668**	**38,393,494**

Explanations of major variances against budget are detailed in note 22. The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2021

		PARENT			GROUP		
	Notes	Actual 2021	Budget 2021	Actual 2020	Actual 2021	Budget 2021	Actual 2020
Current assets							
Cash & cash equivalents	6	2,099,490	5,135,301	1,393,269	2,104,377	9,455,969	1,394,717
Debtors & other receivables	7	10,512	8,885	8,886	10,512	8,885	8,886
Prepayments		-	-	-	85,000	-	149,673
Inventories	8	-	-	-	12,768,839	14,306,990	11,982,457
Loans to subsidiaries	9	1,197,791	-	4,097,000	-	-	-
Related party receivables	7	19,431	-	-	-	-	-
Total current assets		**3,327,224**	**5,144,186**	**5,499,155**	**14,968,728**	**23,771,844**	**13,535,733**
Non-current assets							
Property plant & equipment	10	41,626,986	39,593,048	40,386,949	41,626,986	39,593,048	40,386,949
Intangible assets	10	1,542	1,341	2,345	1,542	1,341	2,345
Assets under construction		3,456,780	2,582,514	2,413,948	3,456,780	2,582,514	2,413,948
Assets available for sale		1,821,783	-	-	1,821,783	-	-
Total non-current assets		**46,907,091**	**42,176,903**	**42,803,242**	**46,907,091**	**42,176,903**	**42,803,242**
Total assets		**50,234,315**	**47,321,089**	**48,302,397**	**61,875,819**	**65,948,747**	**56,338,975**
Current liabilities							
Creditors & other payables	11	305,136	106,794	220,287	526,102	1,068,226	361,042
Employee entitlements	14	24,101	24,101	24,101	24,101	24,101	24,101
Borrowings	12	-	-	-	-	-	-
Liabilities to related parties		-	64,096	64,097	47,971	64,096	240,412
GST payable		-	-	-	-	-	1,564,270
Tax payable		565,004	-	-	565,004		
Total current liabilities		**894,241**	**194,991**	**308,485**	**1,163,178**	**1,156,423**	**2,189,824**
Non-current liabilities							
Employee entitlements	14	46,742	38,626	38,626	46,742	38,626	38,626
Borrowings	12	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
Deferred tax liability	5	2,887,518	2,717,030	2,717,030	2,887,518	2,717,030	2,717,030
Total non-current liabilities		**15,934,260**	**15,755,656**	**15,755,656**	**15,934,260**	**15,755,656**	**15,755,656**
Total liabilities		**16,828,501**	**15,950,647**	**16,064,141**	**17,097,438**	**16,912,079**	**17,945,480**
Net assets		**33,405,815**	**31,370,443**	**32,238,256**	**44,778,381**	**49,036,668**	**38,393,494**
Equity							
Accumulated funds	15	(7,223,234)	(6,835,443)	(5,967,630)	4,149,332	16,896,714	187,608
Share capital	15	15,300,000	15,300,000	15,300,000	15,300,000	15,300,000	15,300,000
Revaluation reserve	15	25,329,049	22,905,886	22,905,886	25,329,049	16,839,954	22,905,886
Total equity		**33,405,815**	**31,370,443**	**32,238,256**	**44,778,381**	**49,036,668**	**38,393,494**

Explanations of major variances against budget are detailed in note 22. The accompanying notes form part of these financial statements.

Statement of Cash Flows for the Year Ended 30 June 2021

	PARENT			GROUP		
	Actual 2021	**Budget 2021**	**Actual 2020**	**Actual 2021**	**Budget 2021**	**Actual 2020**
Cash flows from operating activities						
Cash was provided from:						
Receipts from rent and leases	2,350,419	2,339,405	2,350,881	2,357,903	2,511,874	2,788,585
Receipt for management fee	133,875	172,469	-	-	163,787	-
Receipts from other revenue	-	-	172,863	-	-	-
Interest received	292,599	256,323	187,855	16,912	-	30,208
Receipts from sales of commercial developments	-	-	709,566	19,154,348	32,760,760	11,796,388
	2,776,893	**2,768,197**	**3,421,165**	**21,529,163**	**35,436,421**	**14,615,181**
Cash was applied to:						
Payments to employees	(785,151)	(812,520)	(804,575)	(785,151)	(812,520)	(804,575)
Payments to suppliers	(1,356,321)	(1,798,446)	(1,336,515)	(1,462,590)	(1,697,747)	(2,265,646)
Interest paid	(519,376)	(512,199)	(491,317)	(519,376)	(512,199)	(321,692)
Purchase of assets held for commercial developments	-	-	-	(14,070,171)	(24,087,747)	(10,871,904)
Tax paid	-	-	-	-	-	-
	(2,660,847)	**(3,123,165)**	**(2,632,407)**	**(16,837,288)**	**(27,110,213)**	**(14,263,817)**
Net cash flows from operating activities	**116,045**	**(354,968)**	**788,758**	**4,691,875**	**8,326,208**	**351,364**
Cash flows from investing activities						
Cash was provided from:						
Sale of property, plant & equipment	-	-	-	-	-	-
Proceeds from loans to related parties	7,150,000	14,550,000	9,048,260	-	-	-
Other investment receipts	-	-	-	-	-	-
	7,150,000	**14,550,000**	**9,048,260**	**-**	**-**	**-**
Cash was applied to:						
Purchase and construction of property, plant & equipment	(2,225,505)	-	(683,262)	(2,225,504)	(264,956)	(683,261)
Loans to related parties	(4,250,791)	(10,453,000)	(8,150,000)	-	-	-
	(6,476,297)	**(10,453,000)**	**(8,833,262)**	**(2,225,504)**	**(264,956)**	**(683,261)**
Net cash flows from investing activities	**673,703**	**4,097,000**	**214,998**	**(2,225,504)**	**(264,956)**	**(683,261)**
Cash flows from financing activities						
Cash was provided from:						
Advance from Hutt City Council	-	-	25,321	-	-	1,359,343
Proceeds from borrowings	-	7,550,000	-	-	7,550,000	-
	-	**7,550,000**	**25,321**	**-**	**7,550,000**	**1,359,343**
Cash was applied to:						
Repayment of advance from Hutt City Council	(83,528)	(7,550,000)	-	(1,756,711)	(7,550,000)	-
	(83,528)	**(7,550,000)**	**-**	**(1,756,711)**	**(7,550,000)**	**-**
Net cash flows from financing activities	**(83,528)**	**-**	**25,321**	**(1,756,711)**	**-**	**1,359,343**
Net increase / (decrease) in cash & cash equivalents	706,221	3,742,032	1,029,077	709,660	8,061,252	1,027,446
Cash & cash equivalents at the beginning of the year	1,393,269	1,393,269	364,192	1,394,717	1,394,717	367,271
Cash & cash equivalents at the end of the year	**2,099,490**	**5,135,301**	**1,393,269**	**2,104,377**	**9,455,969**	**1,394,717**

Explanations of major variances against budget are detailed in note 22. The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

REPORTING ENTITY

Urban Plus Limited (UPL) is a Council Controlled Organisation (CCO), 100% owned by the Hutt City Council (HCC).

The Group consists of the ultimate parent, UPL, and its subsidiaries – UPL Developments Limited and UPL Limited Partnership - all Council Controlled Organisations and 100% owned by UPL.

UPL provides a portfolio of rental housing for the elderly and socially disadvantaged. UPL also provides professional property management services to HCC and will deal with any development property sold to it by HCC.

UPL is designated as a public benefit entity for financial reporting purposes. UPL has chosen to present the parent's financial results within the financial statements notwithstanding that this is not required by legislation.

The financial statements of UPL and Group are for the year ended 30 June 2021. The financial statements were authorised for issue by the Board of Directors on 30 November 2021.

BASIS OF PREPARATION

Statement of compliance

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 International Public Sector Accounting Standards (IPSAS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities (PBE) that apply the Public Benefit Entity Standards Reduced Disclosure Regime. As UPL's total expenses are under $30,000,000 and UPL does not have public accountability as defined by the External Reporting Board (XRB) it can elect to report under this framework.

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

Measurement base

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

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings.

The financial statements are presented in New Zealand dollars and are rounded to the nearest dollar. The functional currency of UPL is New Zealand dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Revenue and Expenses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated Financial Statements are prepared by adding together like items of assets, liabilities, equity, revenue and expenses of entities in the Group on a line-by-line basis. All intragroup balances, transactions, revenue and expenses are eliminated on consolidation.

Subsidiaries/Council Controlled Entities (CCO's)
UPL consolidates in the Group Financial Statements all entities where UPL has the capacity to control their financial and operating policies so as to obtain benefits from the activities of the subsidiary/CCO. The power exists where UPL controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by UPL or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary/CCO.

The Financial Statements of the controlled entities are prepared for the same reporting period as UPL, using consistent accounting policies. Controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is lost. Assets, liabilities, revenue and expenses of a controlled entity acquired or disposed of during the year are included in the Financial Statements from the date the Group gains control until the date the Group ceases to control the controlled entity.

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.

Sale 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 other expenses.

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.

Budget figures
The budget figures are those approved by the Board at the beginning of the year. The same budget figures are used in UPL and Groups Statement of Intent, which was approved by HCC. 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, UPL has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Classification of property
UPL owns a number of properties held to provide housing to low-income elderly. The receipt of market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of UPL's social housing policy. The properties are therefore accounted for as property, plant and equipment rather than as investment property.

Estimation of the useful life and residual value of property, plant and equipment

At each balance date, UPL reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates requires UPL to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the UPL, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciable amount of an asset, therefore affecting the depreciation expense recognised in the surplus or deficit and the asset's carrying amount. UPL minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programs;
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

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

2. Interest revenue and finance expenses

	Parent		Group	
	2021	2020	2021	2020
Interest revenue				
Call and term deposit	2,786	18,230	16,912	30,208
Related party deposits	289,813	169,625	-	-
Total interest revenue	**292,599**	**187,855**	**16,912**	**30,208**
Finance expenses				
Interest paid to related parties	519,376	491,317	519,376	321,692
Total finance expenses	**519,376**	**491,317**	**519,376**	**321,692**
Net finance expenses	**226,777**	**303,462**	**502,464**	**291,484**

Interest income is recognised using the effective interest method.

3. Personnel expenses

	Parent		Group	
	2021	2020	2021	2020
Salaries and wages	681,195	770,903	681,195	770,903
Recruitment expenses	59,627	172	59,627	172
Training	518	3,789	518	3,789
Other employee expenses	25,993	17,413	25,993	17,413
Retiring and long service leave	7,415	10,350	7,415	10,350
Defined contribution plan employer contributions	16,305	12,298	16,305	12,298
Increase/(decrease) in employee entitlements/liabilities	2,215	12,233	2,215	12,233
Total personnel expenses	**793,267**	**827,158**	**793,267**	**827,158**

4. Operating expenses

	Parent		Group	
	2021	2020	2021	2020
Fees for the audit of the financial statements	47,688	47,731	79,587	78,752
Impairment of receivables	1,236	-	1,236	-
Rent and lease costs	40,861	29,596	40,861	29,596
Professional services charges - Hutt City Council	98,124	96,200	98,124	96,200
Rates and waste water charges - Hutt City Council	205,374	223,176	239,369	223,176
Bank charges	91	287	210	400
Directors' fees	78,421	50,815	78,421	50,815
Insurance	190,310	171,145	190,310	171,145
Specialist services	113,137	84,746	130,512	95,926
Operational contracts	41,958	64,258	41,958	64,258
Building maintenance	454,891	397,064	454,891	397,064
Other expenses	170,263	204,649	339,564	519,130
Total operating expenses	**1,442,356**	**1,369,667**	**1,695,044**	**1,726,462**

5. Taxation

Accounting policy
Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expenses or directly in equity.

	Parent		Group	
	2021	**2020**	**2021**	**2020**
Net surplus/(deficit) before tax	(876,007)	(447,232)	4,341,320	2,919,476
Tax at 28%	(245,282)	(125,225)	1,215,570	817,453
Non-deductible expenditure	463	352	463	352
Prior year adjustment	(5,771)	(166,491)	-	-
Deferred tax adjustment	70,586	208,502	185,046	63,112
Tax on partnership share	1,581,082	963,779	-	-
Group loss offset	(1,021,481)	(1,027,765)	(1,021,481)	(1,027,765)
Tax expense	**379,597**	**(146,848)**	**379,597**	**(146,848)**
Current tax	562,283	(70)	562,283	(70)
Deferred tax	(182,686)	(146,778)	(182,686)	(146,778)

	Parent				
	Property, Plant & Equipment	**Employee Entitlements**	**Other Provisions**	**Tax Losses**	**Total**
Balance at 30 June 2019	**(1,836,394)**	**11,240**	**430**	**-**	**(1,824,724)**
Charged to surplus or deficit	138,019	2,567	6,192	-	146,778
Charged to other comprehensive income	(1,039,084)	-	-	-	(1,039,084)
Balance at 30 June 2020	**(2,737,459)**	**13,807**	**6,622**	**-**	**(2,717,030)**
Charged to surplus or deficit	181,967	5,121	(4,402)	-	182,686
Charged to other comprehensive income	(353,174)	-	-	-	(1,039,084)
Balance at 30 June 2021	**(2,908,666)**	**18,928**	**2,220**	**-**	**(2,887,518)**

	Group				
	Property, Plant & Equipment	Employee Entitlements	Other Provisions	Tax Losses	Total
Balance at 30 June 2019	**(1,836,394)**	**11,240**	**430**	**-**	**(1,824,724)**
Charged to surplus or deficit	138,019	2,567	6,192	-	146,778
Charged to other comprehensive income	(1,039,084)	-	-	-	(1,039,084)
Balance at 30 June 2020	**(2,737,459)**	**13,807**	**6,622**	**-**	**(2,717,030)**
Charged to surplus or deficit	181,967	5,121	(4,402)	-	182,686
Charged to other comprehensive income	(353,174)	-	-	-	(1,039,084)
Balance at 30 June 2021	**(2,908,666)**	**18,928**	**2,220**	**-**	**(2,887,518)**

It is intended that tax losses of $3,648,147.77 will be transferred from Seaview Marina Limited to UPL at no cost to reduce the 2021 income tax liability of UPL.

6. Cash and cash equivalents

Accounting policy

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.

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value. UPL does not hold funds (included in cash or cash equivalents) with restrictions specifying how the funds are to be spent.

	Parent		Group	
	2021	2020	2021	2020
Cash at bank and on hand	2,099,490	1,393,269	2,104,377	1,394,717
Total cash and cash equivalents	**2,099,490**	**1,393,269**	**2,104,377**	**1,394,717**

7. Debtors and other receivables

Accounting policy

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.

	Parent		Group	
	2021	2020	2021	2020
Debtors and rent receivable	10,512	10,421	10,512	10,421
Other receivables:				
Related party receivables	19,431	-	-	-
Gross debtors and other receivables	**29,943**	**10,421**	**10,512**	**10,421**
Less provision for impairment	-	(1,535)	-	(1,535)
Total debtors and other receivables	**29,943**	**8,886**	**10,512**	**8,886**
Total receivables comprises:				
Receivables from the sale of goods and services (exchange transactions)	29,943	8,886	10,512	8,886
Receivables from grants (non-exchange transactions)	-	-	-	-

Fair value

Debtors and other receivables are non-interest bearing and receipts are normally on 30-day terms; therefore the carrying value of debtors and other receivables approximates their fair value.

Impairment

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated, is $nil (2020: $nil).

Movements in the provisions for impairment of receivables are as follows:

	Parent		Group	
	2021	2020	2021	2020
At 1 July	(1,535)	(1,535)	(1,535)	(1,535)
Additional provisions made during the year	-	-	-	-
Provisions reversed during the year	-	-	-	-
Receivables written off during the period	1,535	-	1,535	-
At 30 June	**-**	**(1,535)**	**-**	**(1,535)**

8. Inventories

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 net surplus/(deficit) for the year.

	Parent		Group	
	2021	2020	2021	2020
Commercial property development at 1 July	-	477,076	11,982,457	9,200,230
Cost of Sales of Commercial Development Property	-	(477,076)	(13,283,789)	(7,679,512)
Additional Developments during the year	-	-	14,070,171	10,461,739
Commercial property development at 30 June	**-**	**-**	**12,768,839**	**11,982,457**

Inventories are made up of commercial property developments that will be sold on completion.

No inventory is pledged as security for liabilities (2020: $nil).

9. Loans to Subsidiaries

	Parent		Group	
	2021	2020	2021	2020
Loan to UPL Limited Partnership	1,197,791	4,097,000	-	-
Total investment in subsidiaries	1,197,791	4,097,000	**-**	**-**

After initial recognition, loans to subsidiaries are measured at amortised cost using the effective interest method.

10. Property, plant and equipment

Parent/Group	Opening			Movements during the year							Closing		
2021	Cost	Accumulated depreciation and impairment	Carrying amount	Additions	Disposals	Accumulated depreciation and impairment on disposals	Impairment	Depreciation	Elimination of accumulated depreciation on revaluation	Revaluation surplus	Cost	Accumulated depreciation and impairment	Carrying amount
Property, plant & equipment													
Land	21,419,000	-	21,419,000	-	(420,000)	-	-	-	-	1,515,000	22,514,000	-	22,514,000
Buildings	19,039,416	(72,666)	18,966,750	18,102	(290,000)	12,314	-	(893,566)	874,923	386,414	19,153,932	(78,995)	19,074,937
Vehicles	-	-	-	40,474	-	-	-	(3,420)	-	-	40,474	(3,420)	37,054
Plant and equipment	6,614	(5,415)	1,199	-	-	-	-	(205)	-	-	6,614	(5,619)	995
Total property plant & equipment	**40,465,030**	**(78,081)**	**40,386,949**	**58,576**	**(710,000)**	**12,314**	**-**	**(897,190)**	**874,923**	**1,901,414**	**41,715,020**	**(88,034)**	**41,626,986**
Intangible assets													
Intangible assets	17,273	(14,928)	2,345	-	-	-	-	(803)	-	-	17,273	(15,731)	1,542
Total intangible assets	**17,273**	**(14,928)**	**2,345**	**-**	**-**	**-**	**-**	**(803)**	**-**	**-**	**17,273**	**(15,731)**	**1,542**
Total operational assets	**40,482,303**	**(93,009)**	**40,389,294**	**58,576**	**(710,000)**	**12,314**	**-**	**(897,993)**	**874,923**	**1,901,414**	**41,732,293**	**(103,766)**	**41,628,527**

Parent/Group	Opening			Movements during the year							Closing		
2020	Cost	Accumulated depreciation and impairment	Carrying amount	Additions	Disposals	Accumulated depreciation and impairment on disposals	Impairment	Depreciation	Elimination of accumulated depreciation on revaluation	Revaluation surplus	Cost	Accumulated depreciation and impairment	Carrying amount
Property, plant & equipment													
Land	18,025,000	-	18,025,000	-	-	-	-	-	-	3,394,000	21,419,000	-	21,419,000
Buildings	15,855,000	-	15,855,000	79,009	-	-	-	(678,275)	605,608	3,105,408	19,039,416	(72,666)	18,966,750
Plant and equipment	6,614	(5,210)	1,404	-	-	-	-	(205)	-	-	6,614	(5,415)	1,199
Total property plant & equipment	**33,886,614**	**(5,210)**	**33,881,404**	**79,009**	**-**	**-**	**-**	**(678,479)**	**605,608**	**6,499,408**	**40,465,030**	**(78,081)**	**40,386,949**
Intangible assets													
Intangible assets	17,273	(14,125)	3,148	-	-	-	-	(803)	-	-	17,273	(14,928)	2,345
Total intangible assets	**17,273**	**(14,125)**	**3,148**	**-**	**-**	**-**	**-**	**(803)**	**-**	**-**	**17,273**	**(14,928)**	**2,345**
Total operational assets	**33,903,887**	**(19,335)**	**33,884,552**	**79,009**	**-**	**-**	**-**	**(679,283)**	**605,608**	**6,499,408**	**40,482,303**	**(93,009)**	**40,389,294**

No class of Property, plant and equipment is pledged as security for liabilities, nor are any tiles restricted.

Land is valued as vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current potential usage. Buildings comprise of residential dwellings that have been valued in relation to market based evidence. Market evidence has been assessed in the context of the assets current level of improvements and condition and applied to the summation approach and the direct comparison and capitalised income approach to assess their current fair values. The most recent independent valuation was performed by Peter Erceg and Chris McCashin (MPINZ) of Aon Valuation Services effective as at 31 May 2021. The total valuation was for $41,666,000.

Accounting Policy

Property, plant and equipment consist of the following asset classes: land, buildings, and plant and equipment.

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation. All other asset classes are measured 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 revenue and expenses 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 revenue and expenses 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 revenue and expenses.

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 revenue and expenses.

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 (or 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	2 - 69	1.45% - 50.00%
Plant and equipment	8 - 13	7.69% - 12.00%
Vehicles	7	12.76%

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 surplus or deficit.

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%

Assets under construction
Assets under construction are recognised at cost less impairment and are not depreciated.

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 Revenue and Expenses.

11. Trade and other payables

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

	Parent		Group	
	2021	2020	2021	2020
Creditors and other payables	263,039	176,538	484,005	317,293
Receipts in advance	42,097	43,749	42,097	43,749
Total trade and other payables under exchange transactions	**305,136**	**220,287**	**526,102**	**361,042**

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value and other payable approximate their fair value.

12. Borrowings

Accounting Policy
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 UPL has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

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

	Parent		Group	
	2021	2020	2021	2020
Current portion				
Unsecured loans - current	-	-	-	-
Secured loans - Current	-	-	-	-
Total current portion	**-**	**-**	**-**	**-**
Non-current portion				
Unsecured loans - non current	13,000,000	13,000,000	13,000,000	13,000,000
Secured loans - Non-current	-	-	-	-
Total non-current portion	**13,000,000**	**13,000,000**	**13,000,000**	**13,000,000**
Total borrowings	**13,000,000**	**13,000,000**	**13,000,000**	**13,000,000**

Security
All borrowings are secured by a fixed charge over the issued but uncalled share capital of UPL.

13. Categories of financial instruments

Accounting Policy

UPL Group 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 Expense on the basis of the UPL's accounting policies as follows:

Financial assets disclosed on the Statement of Financial Position are recorded at amortised cost.

Financial assets, such as receivables & loans are assessed for impairment using the "expected credit loss" model based on whether a significant increase in the general level of credit risk has occurred.

Financial liabilities are recorded at amortised cost.

	Parent		Group	
	2021	2020	2021	2020
Financial Assets				
Financial assets at amortised cost:				
Cash and cash equivalents	2,099,490	1,393,269	2,104,377	1,394,717
Debtors and other receivables	10,512	8,886	10,512	8,886
Loans to subsidiaries	1,197,791	4,097,000	-	-
Related party receivables	19,431	-	-	-
Total financial assets at amortised cost	**3,327,224**	**5,499,155**	**2,114,889**	**1,403,603**
Financial Liabilities				
Financial liabilities at amortised cost:				
Liabilities to related parties	-	64,097	47,971	240,412
GST Payable	-	-	-	1,564,270
Borrowings	13,000,000	13,000,000	13,000,000	13,000,000
Trade and other payables	305,136	220,287	526,102	361,042
Total financial liabilities at amortised cost	**13,305,136**	**13,284,384**	**13,574,072**	**15,165,720**

14. Employee entitlements

Accounting Policy

Short-term employee 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 and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. Calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and,
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

	Parent		Group	
	2021	2020	2021	2020
Current portion				
Annual leave	24,101	24,101	24,101	24,101
Total current portion	**24,101**	**24,101**	**24,101**	**24,101**
Non-current portion				
Retirement and long service leave	46,742	38,626	46,742	38,626
Total non-current portion	**46,742**	**38,626**	**46,742**	**38,626**
Total employee entitlements	**70,843**	**62,727**	**70,843**	**62,727**

15. Equity

	Parent		Group	
	2021	2020	2021	2020
Accumulated funds				
Balance at beginning of year	(5,967,630)	(5,667,246)	187,609	(2,878,714)
Net surplus/(deficit)	(1,255,604)	(300,384)	3,961,723	3,066,324
Balance at year end	**(7,223,234)**	**(5,967,630)**	**4,149,332**	**187,610**
Share capital				
Balance at beginning of year	15,300,000	15,300,000	15,300,000	15,300,000
Movements during the year	-	-	-	-
Balance at year end	**15,300,000**	**15,300,000**	**15,300,000**	**15,300,000**
Asset revaluation reserve				
Balance at beginning of year	22,905,886	16,839,955	22,905,886	16,839,955
Movements during the year taken to equity	-	-	-	-
Movements during the year from revaluation	2,423,162	6,065,931	2,423,162	6,065,931
Movements during the year from asset disposal	-	-	-	-
Balance at year end	**25,329,049**	**22,905,886**	**25,329,049**	**22,905,886**
Asset revaluation reserve consist of:				
Buildings	7,915,228	7,007,066	7,915,228	7,007,066
Land	17,413,820	15,898,820	17,413,820	15,898,820
Total	**25,329,049**	**22,905,886**	**25,329,049**	**22,905,886**
Total equity				
Balance at beginning of year	32,238,256	26,472,709	38,393,496	29,261,243
Movements during the year	1,167,559	5,765,547	6,384,884	9,132,254
Balance at year end	**33,405,815**	**32,238,256**	**44,778,380**	**38,393,497**

Equity is Hutt City Council's interest in UPL, being a 100% council controlled organisation, as measured by total assets less liabilities. Equity has been classified into various components to identify those portions of equity held for specific purposes.

These components of equity are:

- Accumulated funds;
- Share capital; and,
- Buildings and land revaluation reserves (these reserves relate to the revaluation of buildings and land to fair value).

As at 30 June 2021, UPL had 27,000,001 ordinary shares, all of which have a face value of $1 per share and are held by the controlling entity Hutt City Council. 12,000,001 are fully paid and 15,000,000 are issued but uncalled. No rights, preferences or restrictions attach to the shares. No shares are reserved for issuance under options and sales contracts.

	Parent			
	2021	2021	2020	2020
Registered holders of equity shares as at 30 June				
Hutt City Council	27,000,001	100%	27,000,001	100%

16. Remuneration

Key management personnel consist of the Chief Executive and Board members.

	Parent			
	2021	2020	2021	2020
Senior management				
Total remuneration	208,777	217,174	208,777	217,174
Full-time equivalents	1.00	1.00	1.00	1.00

	Parent		Group	
	2021	2020	2021	2020
B Walshe (to 30 June 2021)	23,538	22,959	23,538	22,959
H MacKenzie	15,693	15,689	15,693	15,689
K Brown	7,000	2,888	7,000	2,888
P Bell (from 1 October 2020)	12,071	-	12,071	-
P Glensor (from 1 October 2020)	12,071	-	12,071	-
P Fa'afiu (from 1 April 2021)	4,024	-	4,024	-
C Madgwick (from 1 April 2021)	4,024	-	4,024	-
D Bassett (to 31 January 2020)	-	9,278	-	9,278
Total Board remuneration	**78,421**	**50,814**	**78,421**	**50,814**
Number of Board members	**7.00**	**3.00**	**7.00**	**3.00**

Due to the difficulty in determining the full-time equivalent for Board members, the full time figure is taken as the number of Board members. Total remuneration includes any non-financial benefits provided to employees. A full time employee (FTE) is determined on the basis of a 40 hour working week.

Severance payments

For the year ended 30 June 2021, UPL made no severance payments, (2020: $Nil).

17. Related party disclosures

During the year, tax losses of $3,648,147.77 were transferred from Seaview Marina Limited by loss offset to eliminate the company’s taxable income in relation to the 2021 tax year. No amount was paid in relation to this loss transfer.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect Urban Plus Limited and its parent (Hutt City Council) or its subsidiaries (UPL Developments Limited and UPL Limited Partnership) would have adopted in dealing with those entities at arm's length in the same circumstances.

18. Capital commitments and operating leases

Capital commitments

Capital commitments as at 30 June 2021 are $3,330,000 (2020: $nil) for the parent and Group.

On 11 June 2021 Urban Plus Limited entered a contract for the purchase of 16A Colson Street in Avalon for $3,700,000, a deposit of $370,000 was made during the year with the remaining $3,330,000 payable upon final settlement on 30 July 2021.

Leased assets

Accounting policy

Operating leases as lessee

UPL leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable leases are as follows:

	Parent		Group	
	2021	2020	2021	2020
Not later than one year	41,861	43,062	41,861	43,062
Later than one year and not later than two years	8,965	41,861	8,965	41,861
Later than two years and not later than five years	-	8,965	-	8,965
Later than five years	-	-	-	-
Total non-cancellable operating leases	**50,826**	**93,888**	**50,826**	**93,888**

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is $nil (2020: $nil).

Leases can be renewed at UPL's option, with rents set by reference to current market rates for items of equivalent age and condition. UPL does not have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on UPL by any of the leasing arrangements.

Operating leases as lessor
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 Revenue and Expenses on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expenses as an integral part of the total lease payment.

UPL leases housing properties under operating leases that have a non-cancellable term of 3 weeks. No contingent rents have been recognised in the statement of comprehensive revenue and expenses during the period.

Finance Leases
UPL has not entered into any material finance leases.

19. Contingencies

Contingent liabilities
As at 30 June 2021 there were nil contingent liabilities for the parent and group (2020: $nil).

Contingent assets
As at 30 June 2021 contingent assets were $nil for the parent and group (2020: $nil).

20. Events after balance date

Since balance date there have been a significant property transaction. The 126 Jackson Street property in Petone was sold by Urban Plus Limited for $2,750,000.

New Zealand went to Covid-19 alert level 4 at 11.59pm on 17 August 2021, resulting in the closure of the Limited Partnerships construction sites. Construction sites were reopened at alert level 3 (1 September 2021) with the relevant safety protocols in place. The closure of construction sites during this period did not have a material impact on operations.

21. Impacts of COVID-19

UPL Parent
The COVID-19 pandemic continues to have minimal impact on the operations of the UPL Parent. Consideration at both an operational and executive level resulted in the following notable impacts being identified:

Last year UPL elected not to proceed with the annual rent increase, however this year an assessment on rents indicated that an increase was required.

Revenues are considered to be unaffected due to the vast majority of tenant's incomes being NZ Superannuation which has not been impacted.

Changes in alert levels and the associated lockdowns require staff to work from home during alert levels 3 and 4 however this has minimal impact as processes and capability for working remotely have been established.

The reintroduction of depreciation on commercial buildings included in the NZ Governments Business Continuity Package has no impact as all UPL's building assets are residential buildings and do not qualify.

UPL Developments Limited
The COVID-19 emergency and subsequent lockdown had no impact on the operations of UPL DL.

UPL DL operations are minimal and predominantly involve other members of the UPL Group so are considered to be unaffected.

UPL Limited Partnership
There is notable on-going impact from the global Covid-19 pandemic in regards to the Partnership's projects which have experienced delays in materials getting to site, and a significant shortfall in resourcing in all areas of residential construction and management capabilities.

Supply chains and resourcing on sites (via third parties) have been, and continue to be, highly constrained. There are long delays for products coming from overseas with ports being overwhelmed at the high volumes, and on-site incidents of theft and loss of product has notably increased in recent months. With minimal (if any) international immigration, the residential construction industry is experiencing significant labour and resource shortages in all areas. The impact is expected to continue, and potentially increase, in the next 1-2 years as the housing supply continues to be stretched. The above issues have impacted programme, and caused settlements to be delayed from what was originally anticipated.

22. Variance explanations

Statement of Comprehensive Revenue and Expenses
Revenue
Commercial development sales were below the budget of $32,760,760 by $13,606,412. This was due delays in against construction schedules which resulted in 3 of the 34 budgeted Central Park property settlements and none of the 27 budgeted The Lane property settlements being pushed into the 2021-22 financial year.

Expenses
Cost of commercial development sales was below the budget of $21,879,328 by $18,595,540. This is was due to the same reasons explained above.

Statement of Financial Position
Current Assets
The schedule changes described above have resulted in the year-end balance of cash and cash equivalents being much lower than anticipated. Inventories are below budget due to planned acquisitions not occurring before 30 June 2021, this is largely offset by the inventory balances of the delayed property settlements explained above.

Current Liabilities
The creditors and other payables balance was much lower than budget due to a higher volume of payments being made prior to 30 June than what was budgeted.

Non-current Assets
Assets under construction are higher than budget as due to the Molesworth Street development being accounted for as inventory in the budget.

Property, plant and equipment is $46,893,178 which is over the budget of $39,539,048 due unbudgeted gains on revaluation.