



UPL LIMITED PARTNERSHIP

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022



WATERLOO

Completed Project:

The Lane

Waterloo Development

PARTNERSHIP REPORT

I am pleased to report on the performance of the UPL Limited Partnership (the Partnership) for the 2021/2022 financial year. The Partnership has achieved a profit of \$3,657,948 which is considerably higher than originally anticipated due to planned settlements in the 2020/21 financial year not being completed until 2021/22 mainly due to Covid-19 related issues (nationwide lockdown, supply chains, resourcing and materials shortages). Consequently, the 2021/2022 financial year does look more positive due to these delays from the prior year.

During the year the Partnership completed and settled twenty-five (25) properties; three (3) at the Central Park on Copeland development in Epunī; with the other twenty-two (22) settlements occurring at The Lane in Waterloo. Both developments are now fully settled. These developments offered both two- and three-bedroom townhouses to the market – some being released at \$535,000 and \$550,000 to ‘first home buyers’. Both projects saw a mix of first home owners (utilising Kiwisaver), young families, downsizers, owner-occupiers and some investors. These projects are now fully completed and all settlements have been transacted and funds received.

Strategy

The Board and the management of the 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 the Ministry of Housing and Urban Development and Community Housing Providers for the establishment of new opportunities of mutual benefit.

Financial Performance

The Partnership achieved a profit of \$3,657,948 for the 2020/2021 financial year on revenues of \$13,505,668.

The year’s financial performance indicates a positive variance of \$2,787,459 against a budgeted profit of \$870,489 on the budgeted sales of \$9,304,348, the surplus and variance is solely due to the timing of project completion resulting in some settlements that were supposed to have been completed in the prior year now occurring in the 2021/22 financial year. The delays were due to the highly stretched construction industry (both materials and resourcing) which stems from the effects of COVID-19 pandemic.

Homestar 6 – Design & Construction

In alignment with one of our key Statement of Intent drivers, all current and future Partnership development projects are designed and constructed to attain a minimum rating of no less than Homestar 6. This is a new approach to the way we think and deliver projects, embracing sustainable ideas and products where possible and aligning with the Shareholder’s target of becoming carbon neutral by 2030.

The Market

Currently the overall Wellington market appears to have peaked, and there is a definite softening in market prices. There has been sentiment since early 2022 that numbers attending open homes and auctions have been decreasing – with many agents aligning this with changes to the Credit Contracts & Consumer Finance Act and uplift in mortgage lending rates. Further, there is more evidence of a shift in sales process from auctions to closed tenders to enable vendors more opportunity to attain the best price as the market adjusts. Housing supply remains fairly tight, and demand for affordable housing is ever present. Some suburbs that experienced an uplift later in this recent

buoyant cycle look to be the first to see the market recalibrate itself – with some vendors being forced to reduce their pricing expectations, sometimes by up to \$100,000 - \$150,000.

Suburbs such as Wainuiomata have seen an influx of proposed medium density development projects, which may in time lead to an oversupply of the two- & three-bedroom townhouse typologies local developers have put their focus toward recently.

Our focus will remain on prudent asset management, programming and development choices which will drive the continual success of the

Partnership for our Stakeholders.

A handwritten signature in cursive script, appearing to read "Paul Zee".

On behalf of the General Partner

COMPLETED PROJECTS

THE LANE - WATERLOO DEVELOPMENT: WATERLOO

This medium density subdivision featured twenty-seven (27) Fee simple sections with a range of standalone, two and three bedroom townhouses in Waterloo. All homes were pre-sold off-the-plans prior to construction. Sales prices started at \$535,000 for first home buyers.



The last home was handed over to its new owner in October 2021. The new Lane was officially named “Eruera Love Lane” after Eruera Te Whiti Rongomai Love (1905–1942) who was the first Māori commanding officer of the 28th Māori Battalion in World War 2.

CENTRAL PARK ON COPELAND, EPUNI

This medium density development featured thirty-four (34), fee simple sections with a range of two- and three-bedroom townhouses close to local amenities. This project sold out quickly and was very popular amongst first home buyers, young families and downsizers. Sales prices started at \$550,000 for first home buyers.



The new street name for this development was officially unveiled as 'Ron Deal Way' after the late Mr Ron Deal, former Town Clerk/Chief Executive of Lower Hutt City.

Both projects were anticipated to be completed in the prior financial year, however Covid-19 related issues (supply chains, resourcing and materials) affected the programme. The final settlements therefore were completed in the 2021/22 Financial Year.

CENTRAL
PARK ON COPELAND

THE
LANE
WATERLOO



CURRENT PROJECTS

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.



55 BRITANNIA STREET, PETONE

This project is earmarked for on-sell to Dwell Housing Trust upon completion. Comprising a mix of fourteen (14) one-, two- and three-bedroom units, resource consent has recently been granted and our main contractor has been locked in. Completion and handover occur end of 2023.



STANLEY STREET, WAINUIOMATA

Two sections have now been cleared in anticipation of an exciting new medium-density residential development of 17 townhouses across 6 separate blocks. The proposed development will host 2, 3, and 4-bedroom homes, and feature on site amenities including up to 10 off-street car parking spaces, and over 80m² of communal outdoor space. A local Community Housing Provider will be the ultimate end-user.



TAWHAI STREET, STOKES VALLEY

This Medium Density Residential Development site has a combined size of 2,653m² and currently has 3 existing dwellings which are to be removed or demolished making way for 19 new townhouses across 5 separate building blocks. Earmarked for one of our community housing provider partners.



INTEREST REGISTER

| UPL Limited Partnership | Interests |
|--------------------------|--|
| Directors | |
| Pamela June Bell (Chair) | <p>Brosnan Group*, Director (ceased March 2022) *Brosnan Group is made up of the below commercial construction companies:</p> <ul style="list-style-type: none"> - Brosnan Limited - Brosnan Construction Limited - Brosnan Construction Canterbury - Brosnan Holdings Limited - Bettabuilt NI Limited <p>ConCOVE, Board Member Kainga Ora Home and Communities' Construction and Innovation Group – Construction Plan Strategy 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 Chair to National Association Women in Construction (NAWIC) Council. Chief Executive of NZ Institute of Building (Commencement Date: 25 July 2022)</p> |
| Hugh Nicholas Mackenzie | <p>Dunedin Hospital for the Ministry of Health, Disputes Advisory Board Member HMAC Consulting Limited, Director Medallion Trading Limited, Shareholder Consultancy Service to Antarctica NZ Fantail Services – Board Advisor UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director</p> |
| Cr Keri-Anne Pania Brown | <p>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 Energy Hardship Independent Panel – Chair Tuanui Housing Project – Steering Group Member Wainuiomata Marae Housing Steering Group</p> |
| Peter Edwin Glensor | <p>Common Life Limited, Director & Shareholder Hutt City District Licencing Committee, Member Lifewise Trust Board, Trustee - (ceased March 2022) 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</p> |
| Petelo (Peter) Fa'afiu | <p>Global Vice Chair, Amnesty International Charity Limited Chair, ETCO - Electrical Training Company</p> |

| | |
|-----------------------------|---|
| | <p>Independent Director, CORE Education Limited Independent Director, Counties-Manukau Rugby Football Union Vice Chair, Monte Cecilia Housing Trust Establishment Board, St Ignatius of Loyola Catholic College Trustee, Innovation Franklin Shareholder / Partner, Navigator Limited UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director</p> |
| Cameron Madgwick | <p>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 Morley Nominees Limited, Director UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director</p> |
| Chief Executive | |
| Daniel Christopher Moriarty | <p>DNA Family Trustee Limited, Shareholder DNA Holdings (2018) Limited, Director Forza Limited, Director</p> |

STATEMENT OF SERVICE PERFORMANCE

| Measure | Target 2022 | Achievement 2022 | Target 2021 | Achievement 2021 |
|---|--|---|---|--|
| 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 UPL with a view to profit from development projects for the purposes of funding elderly housing portfolio and meeting the Shareholder's wider key priority outcomes | Perform business undertakings in common with UPL with a view to profit from development projects for the purposes of funding elderly housing portfolio and meeting the Shareholder's wider key priority outcomes | 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 ¹ | \$38,574,651 | Achieved \$1,144,948 | \$24,632,654 | Achieved \$14,496,859 |
| Operational expenditure within budget ² | \$184,060 | Achieved \$130,670 | \$505,924 | Achieved \$239,389 |
| 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 | N/A No developments consented after 30 June 2019 were completed in the year to 30 June 2022 | 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 |
| From 1 July 2021, all new housing units (standalone house or townhouse) shall achieve a certified HomeStar™ design rating of at least six stars ³ | All new housing units to achieve a HomeStar™ design rating of at least six stars | N/A No new housing units were consented in the year to 30 June 2022 | One or more units to achieve a HomeStar™ rating of at least six stars | Not Achieved A HomeStar™ design rating of six stars was achieved for the Molesworth Street project, but was not received until after 30 June 2021 ⁴ |

¹ 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.

² Operational expenditure excludes cost of commercial development sales.

³ Homestar™ is an independent rating tool for assessing the health, efficiency, and sustainability of homes.

⁴ Homestar™ built ratings are achieved after assessments completed once projects obtain practical completion.

| Measure | Target 2022 | Achievement 2022 | Target 2021 | Achievement 2021 |
|--|-------------|---|-------------|---|
| A pre-tax return of not less than 20% on Development Costs including Contingency on each commercial development project (except where the Board and Shareholder agree otherwise to achieve specified objectives) | 20% | Achieved Central Park on Copeland returned 38.7% The Lane, Waterloo returned 31.8% | 20% | N/A No commercial development projects were completed during the year to 30 June 2021 |
| A pre-tax return of not less than 15% on Development Costs including Contingency on housing released to market as 'Affordable' (except where the Board and Shareholder agree otherwise to achieve specified objectives) | 15% | N/A No housing was released to the market as 'Affordable' during the year to 30 June 2022 | 15% | N/A No housing was released to the market as 'Affordable' during the year to 30 June 2021 |
| Value of divestment to Community Housing Providers (or socially-likeminded organisations) set at each project's Development Cost (includes contingency and GST) plus a margin of no less than 10% (except where the Board and Shareholder agree otherwise to achieve specified objectives) | 10% | N/A No divestments to Community Housing Providers were made during the year to 30 June 2022 | 10% | N/A No divestments to Community Housing Providers were made during the year to 30 June 2021 |
| Long term public rental accommodation pre-tax returns at no less than (or equal to) 3.5% after depreciation. ⁵ | 3.5% | N/A No long term rental accommodation was developed during the year to 30 June 2022 | 3.5% | N/A No long term rental accommodation was developed during the year to 30 June 2021 |

⁵ Returns are specific to each project's (Board Approved) business case where long term market rentals are developed. Future rents are set per independent annual review.

Independent Auditor's Report**To the readers of UPL Limited Partnership's financial statements and performance information for the year ended 30 June 2022**

The Auditor-General is the auditor of UPL Limited Partnership (the Limited Partnership). The Auditor-General has appointed me, John Whittall, 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 15 to 23, that comprise the statement of financial position as at 30 June 2022, 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 8 and 9.

In our opinion:

- the financial statements of the Limited Partnership on pages 15 to 23:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; 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 8 and 9 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 2022.

Our audit was completed on 25 November 2022. 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 Urban Plus Limited (the General Partner) and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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

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

The General Partner is responsible 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 is 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 23, 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.



John Whittal
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 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 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 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 Partnership, the annual Financial Statements and the Statement of Service Performance for the year ended 30 June 2022 fairly reflect the financial position and operations of the Partnership.



A handwritten signature in black ink, appearing to read 'Pamela Bell'.

Pamela Bell
Chair

25 November 2022



A handwritten signature in blue ink, appearing to read 'Hugh Mackenzie'.

Hugh Mackenzie
Director

25 November 2022

Statement of Comprehensive Income for the Year Ended 30 June 2022

| Notes | Actual 2022 | Budget 2022 | Actual 2021 |
|--|-------------------|------------------|-------------------|
| Revenue | | | |
| Property rents / leases | - | - | 9,019 |
| Finance revenue | 14,364 | - | 14,125 |
| Sale of commercial developments | 13,491,304 | 9,304,348 | 19,154,348 |
| Total revenue | 13,505,668 | 9,304,348 | 19,177,491 |
| Expenses | | | |
| Cost of commercial development sales | 9,717,051 | 8,249,799 | 13,283,789 |
| Fees for the audit of the financial statements | 27,951 | 27,000 | 27,160 |
| Specialist services | 17,068 | - | 195 |
| Marketing expenses | 85,000 | 147,130 | 202,896 |
| Other expenses | 651 | 9,930 | 22,436 |
| Total expenses | 9,847,721 | 8,433,859 | 13,536,475 |
| Profit / (Loss) | 3,657,948 | 870,489 | 5,641,016 |
| Total comprehensive income | 3,657,948 | 870,489 | 5,641,016 |

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 2022

| | Actual 2022 | Budget 2022 | Actual 2021 |
|---|-------------------|-------------------|-------------------|
| Balance at 1 July | 12,530,598 | 18,510,563 | 6,889,582 |
| Total comprehensive income for the year | 3,657,948 | 870,489 | 5,641,016 |
| Distribution to UPL | (11,000,000) | - | - |
| Balance at 30 June | 5,188,546 | 19,381,052 | 12,530,598 |

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 2022

| | Notes | Actual 2022 | Budget 2022 | Actual 2021 |
|----------------------------------|-------|------------------|-------------------|-------------------|
| Current assets | | | | |
| Cash & cash equivalents | 2 | 20,307 | 109,722 | 279 |
| Debtors and other receivables | 2 | 5,850 | - | - |
| Prepayments | 2 | - | - | 85,000 |
| Inventories | 3 | 5,335,536 | 37,665,138 | 13,926,871 |
| Total current assets | | 5,361,693 | 37,774,860 | 14,012,151 |
| Total Assets | | 5,361,693 | 37,774,860 | 14,012,151 |
| Current liabilities | | | | |
| Trade & other payables | 2 | 31,327 | 2,743,808 | 203,807 |
| Borrowings from related parties | 4 | 137,984 | 15,650,000 | 1,197,791 |
| Other liabilities | 5 | 3,836 | - | 79,954 |
| Total current liabilities | | 173,147 | 18,393,808 | 1,481,553 |
| Total liabilities | | 173,147 | 18,393,808 | 1,481,553 |
| Net assets | | 5,188,546 | 19,381,052 | 12,530,598 |
| Equity | | | | |
| Accumulated funds | | 5,188,546 | 19,381,052 | 12,530,598 |
| Total equity | | 5,188,546 | 19,381,052 | 12,530,598 |

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

Statement of Cash Flows for the Year Ended 30 June 2022

| | Actual 2022 | Budget 2022 | Actual 2021 |
|---|---------------------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| <i>Cash was provided from:</i> | | | |
| Rental Revenue | - | - | 9,019 |
| Interest received | 14,364 | - | 14,125 |
| Receipts from sales of commercial developments | 13,491,304 | 9,304,348 | 19,154,347 |
| | 13,505,668 | 9,304,348 | 19,177,491 |
| <i>Cash was applied to:</i> | | | |
| Payments to suppliers | (224,000) | (5,614,323) | (58,091) |
| Interest paid | (2,988) | (347,056) | (289,813) |
| Cost of commercial developments | (1,122,727) | (18,884,225) | (14,266,307) |
| | (12,349,715) | (24,845,604) | (14,614,211) |
| Net cash flows from operating activities | 1,155,953 | (15,541,256) | 4,563,280 |
| Cash flows from financing activities | | | |
| <i>Cash was provided from:</i> | | | |
| Advance from Urban Plus Limited | 137,984 | 21,700,000 | 4,242,791 |
| Proceeds from borrowings | - | - | - |
| | 137,984 | 21,700,000 | 4,242,791 |
| <i>Cash was applied to:</i> | | | |
| Repayment of borrowings | (1,273,909) | (6,050,000) | (8,806,770) |
| Distribution to UPL | (11,000,000) | - | - |
| | (1,273,909) | (6,050,000) | (8,806,770) |
| Net cash flows from financing activities | (1,135,925) | 15,650,000 | (4,563,979) |
| Net increase / (decrease) in cash & cash equivalents | 20,028 | 108,744 | (699) |
| Cash & cash equivalents at the beginning of the year | 279 | 978 | 978 |
| Cash & cash equivalents at the end of the year | 20,307 | 109,722 | 279 |

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

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

REPORTING ENTITY

UPL Limited Partnership is a 100 percent owned council controlled organisation of Urban Plus Limited (UPL). The 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 Partnership is to develop properties in the Hutt Valley area for profit.

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

The financial statements of the Partnership are for the year ended 30 June 2022. The financial statements were authorised for issue by the Board of Directors on 25 November 2022.

BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared on a going concern basis. Whilst the Board have signalled an intention to wind-up the Partnership in the future, the Partnership is currently still operating in a manner that fulfils its purpose of developing properties for sale due the ongoing nature of its current developments. On this basis, the board have adopted 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 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 Partnership has not entered into any foreign currency transactions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Debtors and other receivables

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

Revenue

Revenue is measured at the fair value of consideration received.

Revenue from Contracts with Customers includes property development sales, where revenue is recognised upon satisfaction of performance obligations. UPL 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

The UPL Partnership is a flow-through entity for New Zealand Income Tax purposes. The profits and losses of the 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 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 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 Partnership's accounting policies. All financial instruments disclosed on the Statement of Financial Position are recorded at amortised cost.

| | 2022 | 2021 |
|--|----------------|------------------|
| Financial assets | | |
| <i>Financial assets at amortised cost</i> | | |
| Cash & cash equivalents | 20,307 | 279 |
| Debtors and other receivables | 5,850 | - |
| Prepayments | - | 85,000 |
| Total financial assets | 26,157 | 85,280 |
| Financial liabilities | | |
| <i>Financial liabilities at amortised cost</i> | | |
| Other liabilities | 3,836 | 79,954 |
| Borrowings | 137,984 | 1,197,791 |
| Trade and other payables | 31,327 | 203,807 |
| Total financial liabilities | 173,147 | 1,481,553 |

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.

| | 2022 | 2021 |
|---|------------------|-------------------|
| Commercial property development at 1 July | 13,926,871 | 12,716,801 |
| Cost of Sales of Commercial Development Property | (9,717,051) | (13,283,789) |
| Additional Developments during the year | 1,125,716 | 14,493,859 |
| Commercial property development at 30 June | 5,335,536 | 13,926,871 |

No inventory has been pledged as security for liabilities.

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

| | 2022 | 2021 |
|-----------------------------------|----------------|------------------|
| Loans from related parties | 137,984 | 1,197,791 |
| Total borrowings - current | 137,984 | 1,197,791 |

Borrowing costs

Borrowing costs directly attributable to the construction of a 'qualifying asset' (the Partnership's commercial developments intended for sale – inventory) are capitalised, therefore there is no borrowing costs disclosed in the statement of comprehensive income (2021: \$nil). Total interest capitalised in the year to 30 June 2022 was \$2,988 (2021: \$289,813). Once properties are sold the borrowing costs and other inventory associated with the sale are expensed on settlement as cost of sales.

5. Other liabilities

| | 2022 | 2021 |
|--|--------------|---------------|
| Current Portion | | |
| Due to related parties | 3,836 | 79,954 |
| Total other liabilities – current portion | 3,836 | 79,954 |

6. Remuneration

Key management personnel consist of the Board members of the general partner and UPL. 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 | 2022 | 2021 |
|------------------------------------|-------------|-------------|
| P Bell, Chair | 1.00 | 1.00 |
| H MacKenzie | 1.00 | 1.00 |
| K Brown | 1.00 | 1.00 |
| P Glensor | 1.00 | 1.00 |
| P Fa'afiu | 1.00 | 1.00 |
| C Madgwick | 1.00 | 1.00 |
| B Walshe (term ended 30 June 2021) | - | 1.00 |
| | 6.00 | 7.00 |

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:

| | 2022 | 2021 |
|--|------------|---------|
| Related party transactions | | |
| Distribution to UPL | 11,000,000 | - |
| Payment of management services to UPL Developments Limited | 133,875 | 155,846 |
| Payment of interest to Urban Plus Limited | 2,988 | 289,813 |

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

| | 2022 | 2021 |
|--|---------|-----------|
| Current payables (purchase of goods and services) | | |
| Borrowings from Urban Plus Limited | 137,984 | 1,197,791 |
| Advance from Urban Plus Limited | 3,836 | 79,954 |

8. Capital commitments

CAPITAL COMMITMENTS

Capital commitments as at 30 June 2022 amounted to \$nil (2021: \$nil).

9. Contingent liabilities and assets

CONTINGENT ASSETS

As at 30 June 2022 the Partnership had no contingent assets, (2021: \$nil).

CONTINGENT LIABILITIES

As at 30 June 2022 the Partnership had no contingent liabilities, (2021: \$nil).

The 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.

10. Explanation of major variances against budget

STATEMENT OF FINANCIAL PERFORMANCE

Overall, the Partnership achieved a profit of \$3.658m, compared with the budgeted profit of \$870k. The excess profit against budget is due to three Central Park settlements and 22 The Lane settlements budgeted in the 2020/21 year, being completed in the current 2021/22 year. Hence revenue and expenses for the year were higher than planned.

All Central Park and The Lane properties were settled by the end of November 2021.

STATEMENT OF FINANCIAL POSITION

Borrowings are much lower than planned due to delays in the progression of the 55 Britannia Street and Brook Street developments compared to budget, as well as an additional two projects that did not eventuate.

Inventories are lower than budget due to budgeted acquisitions not eventuating, as well as the delays in the progression of the 55 Britannia Street and Brook Street developments.

11.Events after balance date

There have been no significant events since balance date (2021: \$nil).

12.Impact of COVID-19

There are notable on-going impacts from the global Covid-19 pandemic in regard 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. Further, our projects programmes experienced delays due to third party issues – resourcing (maintaining existing and continued periods of workplace absences due to Covid-19) being the main one.

Supply chains and resourcing on sites (via third parties) have been, and continue to be, highly constrained. There are long delays for products from suppliers both in New Zealand and from overseas. There has been a notable increase in thefts of building products such as plasterboard from building sites. 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.

Our contractors are mitigating on-site issues by splitting their resourcing on-site so that should one team be affected by Covid-19 and have to spend time in isolation, the other team(s) can continue to perform their tasks.

The commercial stress being experienced by building companies is starting to show, with the cancellation of contracts and businesses of varying sizes winding up.