



UPL LIMITED PARTNERSHIP

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2023



20 NEW HOMES SELLING NOW
15 - 19 Brook Street, Waiwhetu, Lower Hutt



20 NEW HOMES SELLING NOW
15 - 19 Brook Street, Waiwhetu, Lower Hutt

PARTNERSHIP REPORT

We are pleased to report on the performance of the UPL Limited Partnership (the Partnership) for the 2022/2023 Financial Year. The Partnership has achieved a loss of \$108 which is considerably lower than originally anticipated due to the completion of the Brook Street and 55 Britannia Street being delayed to April 2025.

During the year the Partnership completed and settled on a property that provided nineteen homes for Kahungunu Whanau Services (KWS). This project was the first in our He Herenga Kura, He Herenga Tangata, He Herenga Whenua partnership with KWS, our Shareholder Hutt City Council and Te Rūnanganui o Te Āti Awa. The project, gifted the name Takai Here Tangata by Te Ātiawa, located in Taita received the Martin Jenkins award for Local Government collaboration, and received the Supreme Award at the Te Taituara Local Government award ceremony recently.

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 was at a loss of \$ 108 for the 2022/2023 financial year on revenues of \$22,973.

The year's financial performance indicates a negative variance of \$4,055,154 against a budgeted profit of \$4,055,046 on the budgeted sales of \$24,680,000, the deficit and variance is solely due to the timing of project completion that were supposed to have been completed in this year now occurring in the 2024/25 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

This last financial year has been very changeable. From record high property values and very buoyant sales volumes being experienced both locally and nationally, the market has dropped significantly over the last nine months – with property values falling by over \$200,000 in some suburbs. Vendors in these suburbs - which are usually the last to see an uplift in values and the first to experience the impacts of a downturn - are having to recalibrate their sales expectations by considerably significant amounts. Market prices softened and some planned developments by local developers are either not proceeding (via land banking) or are being presented to alternative housing providers such as Kāinga Ora and Community Housing Providers (CHPs) rather than direct 'for-market' sales.

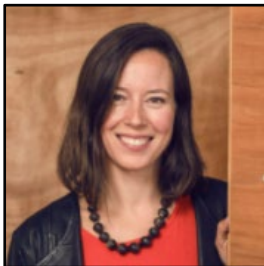
Cost of capital, interest rates and insurance premiums have gone through a variety of increases throughout the year, with households and CHPs all experiencing financial strain. The once buoyant market has now seen some property

owners in a negative equity situation in these post-covid times. The increase in second and third tier lending has become more prominent in recent times.

Suburbs such as Wainuiomata have seen an influx of proposed medium density development projects, which has now led to an oversupply of the two- & three-bedroom townhouse typologies local developers have put their focus toward recently. Sales pricing has steadily decreased, with the time taken to sell houses moving in the opposite direction. We remain positive however – as the organisation is positioned well in these financially testing times. We have sufficient projects within our development programme to press on with and deliver for our valued partners.

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

On behalf of the General Partner:



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

Pamela Bell

Chair

14 September 2023



A handwritten signature in black ink, appearing to read 'Daniel Moriarty'.

Daniel Moriarty

Chief Executive

14 September 2023

COMPLETED PROJECTS

TAKAI HERE TANGATA, MOLESWORTH STREET

Completed in 2022, this rewarding community housing project was developed in partnership with Kahungunu Whanau Services, Te Runanganui o Te Āti Awa, Hutt City Council and Urban Plus Limited (UPL).

The development consisted of nine, one-bedroom homes and ten, two-bedroom townhouses. Built in the suburb of Taita near Pomare School.

This project represented UPL's first project to be delivered under the Homestar rating tool. These homes were built to Homestar-6 standards which means warmer, drier and healthier homes with lower running cost for those who live here.

The construction process itself also generated less waste to landfill (over 95% recycled) and the materials used were selected for their lower environmental impacts.

The development site was gifted Takai Here Tangata by local Mana Whenua which speaks of binding people to a place, in other words creating housing permanencies and community.

Mana Whenua also gifted us the street name "Te Ara o Takapu". Takapu was the name of a well-known cultivation associated with Motutawa pa, situated to the northwest of the pa on the banks of Te Awa Kairangi.

The celebration of the collaborative work of the innovative Takai Here Tāngata partnership won a national award in June for "Collaborative Government Action" and the overall "Supreme Award" at the Taituarā Local Government Excellence Awards.



Te Ara o Takapu

Site Blessing

December 2022

Taituarā Local Government Excellence
Awards Evening

June 2023



CURRENT PROJECTS

BROOK STREET, WATERLOO

Resource and Building Consents issued in Q3, with procurement and pricing completed in April. Brook Street is UPL's next 'for market release' medium-density development, situated in the elegant suburb of Waterloo. This project will provide 20x 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 a Community Housing Provider upon completion. Comprising a mix of twelve (12) three-bedroom units, all consents granted 2023 and our main contractor has commenced July 2023. Completion and handover estimated for September 2024.



INTEREST REGISTER

UPL Limited Partnership	Interests
Directors	
Pamela June Bell (Chair)	ConCOVE, Board Member 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 Councillor to National Association Women in Construction (NAWIC) Council. Chief Executive of NZ Institute of Building (Commencement Date: 25 July 2022) XFRAME_PTY Ltd (ceased June 2023) Abodo Wood Ltd – Independent board advisor
Hugh Nicholas Mackenzie (Ceased November 2022)	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 (ceased November 2022) UPL Limited Partnership, Director (ceased November 2022) Urban Plus Limited, Director (ceased November 2022)
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 Energy Hardship Independent Panel – Chair Tuanui Housing Project – Steering Group Member Wainuiomata Marae Housing Steering Group
Peter Edwin Glensor	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
Petelo (Peter) Fa'afiu	Electrical Training Company C Director (ceased January 2023) Contracting to Ngati Toa Runanga (ceased June 2023) Global Vice Chair, Amnesty International Charity Limited Independent Director, Finance Advice NZ Independent Director, CORE Education Limited Independent Director, Counties\Manukau Rugby Football Union Chair, Monte Cecilia Housing Trust Trustee, Sacred Heart College (Auckland) BOT Trustee, Innovation Franklin Shareholder / Partner, Navigator Limited

	UPL Developments Ltd, Director UPL Limited Partnership, Director Urban Plus Limited, Director
Cameron Madgwick	Laura Fergusson Trust – Chair (Wellington) Laura Fergusson Trust – Trustee (NZ) Deputy Chair Laura Fergusson NZ Limited – Director and Deputy Chair Morley Nominees Limited – Director GNS Strategic Science User Advisory Board Gibson Sheat Lawyers – Chief Executive UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director
Phillip Jacques	UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director Te Ātiawa Asset Holding Company Ltd, Non-executive Director Medical Council of New Zealand, Independent Member – Audit and Risk Committee Te Ātiawa o Te Waka-a-Māui Trust – Interim Member Audit and Risk Committee Human Rights Commission, Independent Member - Audit and Finance Committee
Chief Executive	
Daniel Christopher Moriarty	DNA Family Trustee Limited, Shareholder DNA Holdings (2018) Limited, Director Forza Limited, Director

STATEMENT OF SERVICE PERFORMANCE

Measure	Target 2023	Achievement 2023	Target 2022	Achievement 2022
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 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
Capital expenditure within budget ⁽¹⁾	\$0	Not Achieved \$808,388	\$38,574,651	Achieved \$1,144,948
Operational expenditure within budget ⁽²⁾	\$140,120	Achieved \$23,082	\$184,060	Achieved \$130,670
All new developments shall only utilise electricity or renewable sources of energy for space heating, water heating and cooking facilities.	All new developments shall only utilise electricity or renewable sources of energy for space heating, water heating and cooking facilities.	Achieved All consented projects 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 new housing units (standalone house or townhouse) shall achieve a certified HomeStar design rating of at least six stars ⁽³⁾	All new housing units (standalone house or townhouse) shall achieve a certified HomeStar design rating of at least six stars.	N/A No projects received HomeStar design rating accreditation within this financial year.	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

Measure	Target 2023	Achievement 2023	Target 2022	Achievement 2022
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%	N/A No housing was released to the market during the year to 30 June 2023.	20%	Achieved Central Park on Copeland returned 38.7% The Lane, Waterloo returned 31.8%
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 2023.	15%	N/A No housing was released to the market as 'Affordable' during the year to 30 June 2022.
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 12.5% (except where the Board and Shareholder agree otherwise to achieve specified objectives).	12.5%	N/A No divestments to Community Housing Providers were made during the year to 30 June 2023.	10%	N/A No divestments to Community Housing Providers were made during the year to 30 June 2022.
Long term public rental accommodation pre-tax returns at no less than (or equal to) 3.5% after depreciation ⁽⁴⁾	3.5%	N/A No long-term rental accommodation was developed during the year to 30 June 2023.	3.5%	N/A No long-term rental accommodation was developed during the year to 30 June 2022.

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. HomestarTM is an independent rating tool for assessing the health, efficiency, and sustainability of homes.
4. 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 2023**

The Auditor-General is the auditor of UPL Limited Partnership (the Limited Partnership). The Auditor-General has appointed me, John Whittal, 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 22, that comprise the statement of financial position as at 30 June 2023, 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 pages 8 and 9.

In our opinion:

- the financial statements of the Limited Partnership on pages 15 to 22:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; 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 pages 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 2023.

Our audit was completed on 14 September 2023. 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 intending 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 14 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 (including International Independence Standards) (New Zealand) (PES 1) 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 2023 fairly reflect the financial position and operations of the Partnership.

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

Pamela Bell

Chair

14 September 2023

A handwritten signature in black ink, appearing to read 'P. Faafiu'.

Peter Faafiu

Director

14 September 2023

Statement of Comprehensive Income for the Year Ended 30 June 2023

	Notes	Actual 2023	Budget 2023	Actual 2022
Property rents / leases		-	-	-
Finance revenue		19	-	14,364
Sale of commercial developments		22,954	24,680,000	13,491,304
Total revenue		22,973	24,680,000	13,505,668
Cost of commercial development sales		-	20,484,833	9,717,051
Fees for the audit of the financial statements		10,098	28,500	27,951
Specialist services		12,934	111,500	17,068
Marketing expenses		-	-	85,000
Other expenses		49	120	651
Total expenses		23,081	20,624,953	9,847,721
Profit / (Loss)		(108)	4,055,046	3,657,948
Total comprehensive income / (Loss)		(108)	4,055,046	3,657,948

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 2023

	Actual 2023	Budget 2023	Actual 2022
Balance at 1 July	5,188,546	5,066,609	12,530,598
Total comprehensive income for the year	(108)	4,055,046	3,657,948
Distribution to UPL	-	-	(11,000,000)
Balance at 30 June	5,188,437	9,121,656	5,188,546

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 2023

	Notes	Actual 2023	Budget 2023	Actual 2022
Current Assets				
Cash & cash equivalents	2	46	9,327,016	20,307
Debtors and other receivables	2	-	-	5,850
Inventories	3	6,166,878	(175,350)	5,335,536
Total current assets		6,166,924	9,151,666	5,361,693
Total assets		6,166,924	9,151,666	5,361,693
Current Liabilities				
Trade & other payables	2	20,196	30,010	31,327
Borrowings from related parties	4	-	-	137,984
Due to related parties	5	770,307	-	3,836
Total current liabilities		790,503	30,010	173,147
Non Current Liabilities				
Borrowings from related parties	4	187,984	-	-
Total non current liabilities		187,984	-	-
Total liabilities		978,487	30,010	173,147
Net assets (assets minus liabilities)		5,188,437	9,121,656	5,188,546
Equity				
Accumulated funds		5,188,437	9,121,656	5,188,546
Total equity		5,188,437	9,121,656	5,188,546

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 2023

Notes	Actual 2023	Budget 2023	Actual 2022
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Interest received	19	-	14,364
Receipts from sales of commercial developments	-	24,680,000	13,491,304
	19	24,680,000	13,505,668
<i>Cash was applied to:</i>			
Payments to suppliers	(28,364)	(8,488,311)	(224,000)
Interest paid	(18,709)	(118,765)	(2,988)
Cost of commercial developments	(789,679)		(1,122,727)
	(836,752)	(8,607,076)	(1,349,715)
Net cash flows from operating activities	(836,733)	16,072,924	12,155,955
<i>Cash was provided from:</i>			
Advance from related parties	766,472	2,300,000	137,984
Proceeds from borrowings	753,000	-	-
	1,519,472	2,300,000	137,984
<i>Cash was applied to:</i>			
Repayment of borrowings	(703,000)	(9,100,000)	(1,273,909)
Distribution to UPL	-	-	(11,000,000)
	(703,000)	(9,100,000)	(12,273,909)
Net cash flows from financing activities	816,472	(6,800,000)	(12,135,925)
Net increase/(decrease) in cash & cash equivalents	(20,261)	9,272,924	20,028
Cash & cash equivalents at the beginning of the year	20,307	54,092	279
Cash & cash equivalents at the end of the year	46	9,327,016	20,307

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 2023. The financial statements were authorised for issue by the Board of Directors on 14 September 2023.

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.

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.

New or amended standards adopted**PBE IPSAS 41 Financial Instruments**

In March 2019, the External Reporting Board (XRB) issued PBE IPSAS 41 Financial Instruments, which supersedes both PBE IFRS 9 Financial Instruments and PBE IPSAS 29 Financial Instruments: Recognition and Measurement. The Partnership has adopted PBE IPSAS 41 for the first time this year. There has been little change as a result of adopting the new standard, because the requirements are similar to those contained in PBE IFRS9.

2. Categories of financial instruments

Accounting Policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity. Financial assets and financial liabilities are measured at fair value plus transaction costs. Subsequent measurement is dependent on the classification of the financial instrument

The Limited Partnership is party to financial instrument arrangements as part of its normal operations. The financial assets and financial liabilities are classified as financial assets and financial liabilities at amortised cost using the effective method. Financial assets, such as receivables and 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. After the initial recognition, these are carried at amortised cost less provision for impairment.

Gains and losses when the asset/liability are impaired or derecognised are recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense on the basis of the Partnership's accounting policies set out below.

	2023	2022
Financial Assets		
<i>Financial assets at amortised cost</i>		
Cash and cash equivalents	46	20,307
Debtors and other receivables	-	5,850
Total financial assets at amortised cost	46	26,157
Financial Liabilities		
<i>Financial liabilities at amortised cost:</i>		
Due to related parties	770,307	3,836
Borrowings	187,984	137,984
Trade and other payables	20,196	31,327
Total financial liabilities at amortised cost	978,487	173,147

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.

	2023	2022
Commercial property development at 1 July	5,335,536	13,926,871
Cost of Sales of Commercial Development Property	-	(9,717,051)
Additional Developments during the year	831,342	1,125,716
Commercial property development at 30 June	6,166,878	5,335,536

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.

	2023	2022
Loans from related parties	-	137,984
Total borrowings - current	-	137,984
Loans from related parties	187,984	-
Total borrowings - non current	187,984	-

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 (2022: \$nil). Total interest capitalised in the year to 30 June 2023 was \$18,709 (2022: \$2,988). 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

	2023	2022
Current Portion		
Due to related parties	770,307	3,836
Total other liabilities - current portion	770,307	3,836

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	2023	2022
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'afu	1.00	1.00
C Madgwick	1.00	1.00
P Jacques	1.00	-
	7.00	6.00

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:

	2023	2022
Sales and purchases of goods and services		
Distribution to UPL	-	11,000,000
Payment of management services to UPL Developments Limited	153,360	133,875
Payment of interest to Urban Plus Limited	18,709	2,988

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

	2023	2022
Payables (purchase of goods and services)		
Current payables		
Advances from Hutt City Council	770,307	3,836
Non current payables		
Borrowings from Urban Plus Limited	187,984	137,984

8. Capital commitments

CAPITAL COMMITMENTS

Capital commitments as at 30 June 2023 amounted to \$nil (2022: \$nil).

9. Contingent liabilities and assets

CONTINGENT ASSETS

As at 30 June 2023 the Partnership had no contingent assets, (2022: \$nil).

CONTINGENT LIABILITIES

As at 30 June 2023 the Partnership had no contingent liabilities, (2022: \$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 Limited Partnership achieved a loss of \$108, compared with the budgeted profit of \$4.055m. The shortfall against budget is largely due to the completion of Brook Street and 55 Britannia Street developments being delayed to April 2025.

STATEMENT OF FINANCIAL POSITION

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

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

11. Events after balance date

There have been no significant events since balance date (2022: \$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.