

Annual Report
For the year ending
30 June 2011



Chairman's Report

To 30 June 2011

Chairman's report

This year completes the fourth full year of operations for Urbanplus.

There have been a number of successes in all areas of our core activities. I remarked last year that a lot of the work completed to date was providing a firm basis for future operations and that is still true for the past year. I also commented on the fact that 2010 had seen a very weak property market and sadly, this year has followed that trend, with flat and difficult trading conditions. While we are a relatively small player in that sector of the market, I am always conscious that we need the revenue from our development activities to fulfill our other important social housing functions in the community.

I am pleased to say however that notwithstanding the continuation of these more difficult trading conditions the board has maintained a very positive attitude and this has been rewarded by a number of successes across the firms activities.

Tracy Smith Limited continued the progress on the Bell Road housing redevelopment and the refurbishment of 18 of the 22 existing units was completed in three separate stages. These all came in under budget and on-time. Refurbishment included modifications and improvements to the interior layout and exterior finishes to the buildings, upgraded sheds and new landscaped surroundings. The remaining stages are planned for the 2011/2012 financial year, which will complete all the planned works.

Further additions to the social housing stock were made by developing four units on a site purchased from the Council at 404A Cambridge Terrace. These were completed by contractors (Carrara Holdings Ltd) in February 2011. The project was completed on time, and provides additional social housing for the Naenae area, close to its main shopping hub. Demand for the units was high and feedback from the tenants has been very positive.

One of our more successful subdivisional developments for sections for sale was the former nursery site at Summit Rd, now called Laura Fergusson Grove. The contract for the nine section development came in under budget, and all works were completed within the allocated timeframe. A part of the project was undertaken jointly with Laura Fergusson Trust who own the adjoining property, and they have further development plans themselves. The lots were auctioned in early May, with four selling on the day. The remaining lots are still being marketed with good prospects of sales.

A similar development was undertaken at Korohiwa on land adjacent to the bus barn after the completion of the contamination remediation works. Five residential lots were marketed over the summer / Christmas period and an auction was held in March. By June 2011, three of the five lots had sold. The remediation, civil and subdivision works all came in on, or under, budget.

A successful financial outcome in these land development projects is crucial to Urbanplus as these profits are applied to further social housing provision.

The year has also seen us enhance our Facilities Management business and from our continuous improvement philosophy, deliver ever improved service to our customers. The efforts to extend the services out in to the market that were begun last year were continued and these are expected to produce further results with a change in tactics for the coming year. All of the facilities management work undertaken by the company for the Council in the management of its building assets were completed on time and within budget and I am also very pleased to report that the excellent relationship that has been built up over the years with the Council has contributed enormously to that result.

I noted last year that the board had adopted an asset management plan for the housing portfolio and I am pleased to record that this is now in place and this will also form the basis on which future management of the portfolio for major maintenance will be based. This will form the basis of a programme to re-evaluate redevelopment projects and provide safe, economic and fit for purpose housing in the most appropriate locations. The coming year will also see a continuation of our project to better insulate our older properties and in that respect we will be looking to a continuation of the government funding initiatives in this area.

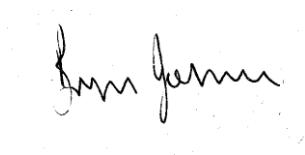
I would like to make special mention of a number of projects begun this year that I know will have a profound influence on the future of the company and its ability to increase the provision of social housing in the community. I refer to an emerging partnership with the Port Nicholson Block Settlement Trust with whom we have had a number of discussions and are now embarking on a joint venture to utilize part of their land holdings in what could well become the first in a series of community housing schemes. In addition we look forward to becoming involved with central government through the recently announced Social Housing Unit in the furtherance of national and local goals in housing provision.

We are proud to have the confidence of our Shareholder, Hutt City Council, in the management of a number of building and renovation projects for them. I am particularly pleased that UPL was selected to play a management role in both the structural improvement and renovation of the Laings Road Administration Building, as well as in the promenade project for the making places initiatives. As Chairman, I take a lot of satisfaction from the confidence that the shareholder places in the firm in the carrying out of these functions. I would also like to record my appreciation of the Council in the completion of the negotiations over improvements to the Statement of Intent.

For the year we achieved a surplus before depreciation of \$267,750. This is after revenue of \$2,056,844 and expenses (excluding depreciation) of \$1,789,094.

This will be my final report as I expect to complete my term as a Director prior to the end of the 2011/12 financial year. The future for UPL is very encouraging in my view and the early years have been extremely enjoyable for me.

To my fellow Directors – Angus Finlayson, Arthur Stewart and Roger Styles, my sincere thanks for your professional contribution to Urbanplus and of course thanks for your good humour and robust debate.

A handwritten signature in black ink, appearing to read 'Bryan Jackson', is written over a faint, light-colored grid background.

Bryan Jackson
Chairman

Independent Auditor's Report**To the readers of
Urbanplus Limited's
financial statements and statement of service performance
for the year ended 30 June 2011**

The Auditor-General is the auditor of Urbanplus Limited (the company). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 8 to 22, that comprise the statement of financial position as at 30 June 2011, 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 statement of service performance of the company on page 23.

Opinion on the financial statements and the statement of service performance

In our opinion:

- the financial statements of the company on pages 8 to 22:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the company's:
 - financial position as at 30 June 2011; and
 - financial performance and cash flows for the year ended on that date; and
- the statement of service performance of the company on page 23:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the year ended 30 June 2011.

Opinion on other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 30 September 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation of the financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control 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's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position, financial performance and cash flows; and

- give a true and fair view of its service performance.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

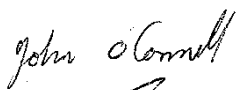
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

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



John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements and statement of service performance

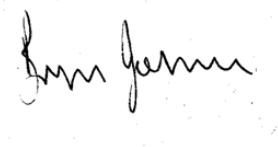
This audit report relates to the financial statements and statement of service performance of Urbanplus Limited for the year ended 30 June 2011 included on the Urbanplus Limited's website. The Urbanplus Limited's board is responsible for the maintenance and integrity of the Urbanplus Limited's website. We have not been engaged to report on the integrity of the Urbanplus Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and the related audit report dated 30 September 2011 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Statement of Compliance and Responsibility

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



Bryan Jackson
Chairman



Arthur Stewart
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

		Actual 2011	Budget 2011	Actual 2010
REVENUE				
Property rents/leases		1,582,063	1,599,138	1,547,579
Finance revenue	2	1,015	-	12
Property management fees		471,155	446,524	433,695
Gain on sale of commercial property developments		-	700,000	-
Other revenue		2,611	-	13,014
Total revenue		2,056,844	2,745,662	1,994,300
EXPENDITURE				
Employee costs	3	458,353	545,000	594,099
Operating costs	4	909,028	852,883	1,000,448
Finance costs	2	308,168	383,000	187,798
Loss on sale of commercial property developments		113,545	-	-
Depreciation and amortisation	8 & 9	580,870	555,000	550,689
Total expenditure		2,369,964	2,335,883	2,333,034
Surplus / (Deficit) before tax		(313,120)	409,779	(338,734)
Income tax expense	5	-	-	-
SURPLUS / (DEFICIT) AFTER TAX		(313,120)	409,779	(338,734)
OTHER COMPREHENSIVE INCOME				
Gain on property revaluation		4,579,093	-	-
Tax on property revaluations		-	-	-
Financial assets at fair value through other comprehensive income		-	-	-
Total other comprehensive income		4,579,093	-	-
TOTAL COMPREHENSIVE INCOME		4,265,973	409,779	(338,734)

Explanation of the variance from budget

Urbanplus Limited (Urbanplus) made an operating deficit before revaluation of \$313,120 compared with a budgeted operating surplus of \$409,779. This is \$722,899 less than budget. The surplus after tax has been used to repay debt after adjusting for items not having a cash flow nature and items supporting capital expenditure. Explanations of major variances against budget are detailed in note 25.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Actual 2011	Budget 2011	Actual 2010
Balance at 1 July	10,825,671	11,906,877	11,164,405
Total comprehensive income previously reported	4,265,973	409,779	(338,734)
Effect on accumulated funds of restatement	-	-	-
Total comprehensive income	4,265,973	409,779	(338,734)
Balance at 30 June	15,091,644	12,316,656	10,825,671

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Notes	Actual 2011	Actual 2010
EQUITY			
Accumulated funds	13	(4,787,449)	(4,474,329)
Share capital		15,300,000	15,300,000
Revaluation Reserve	13	4,579,093	-
TOTAL EQUITY		15,091,644	10,825,671
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	22,610	68,634
Debtors and other receivables	7	6,447	8,374
Prepayments		10,199	-
Other financial assets		-	-
Inventories*		6,232,177	2,676,014
Total current assets		6,271,433	2,753,022
NON-CURRENT ASSETS			
Property, plant and equipment	8	21,740,866	14,714,067
Intangible assets	9	1,278	3,308
Assets under construction		3,733	945,445
Other financial assets		-	-
Total non-current assets		21,745,877	15,662,820
TOTAL ASSETS		28,017,310	18,415,842
CURRENT LIABILITIES			
Borrowings	11	12,600,000	7,200,000
Trade and other payables	10	188,244	229,444
Employee entitlements	12	30,199	39,274
Other liabilities	14	89,260	103,830
Total current liabilities		12,907,703	7,572,548
NON-CURRENT LIABILITIES			
Employee entitlements	12	17,963	17,623
Total non-current liabilities		17,963	17,623
TOTAL LIABILITIES		12,925,666	7,590,171
NET ASSETS		15,091,644	10,825,671

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

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from rent and leases		1,654,142	1,544,691
Receipt for management fee		471,155	433,695
Receipts from other revenue		2,611	13,026
Interest received		1,014	-
		2,128,922	1,991,412
<i>Cash was applied to:</i>			
Payments to suppliers		(939,987)	(991,823)
Payments to employees		(467,088)	(534,584)
Interest paid		(308,168)	(187,798)
		(1,715,243)	(1,714,205)
Net cash flows from operating activities	15	413,679	277,207
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Other investment receipts		1,624,161	-
		1,624,161	-
<i>Cash was applied to:</i>			
Purchase and construction of property, plant and equipment		(2,175,425)	(910,482)
Purchase of intangible assets		-	-
Purchase of assets held for commercial developments		(5,293,869)	(971,789)
		(7,469,294)	(1,882,271)
Net cash flows from investing activities		(5,845,133)	(1,882,271)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Advance from Hutt City Council		-	97,984
Proceeds from borrowings		5,400,000	1,550,000
		5,400,000	1,647,984
<i>Cash was applied to:</i>			
Repayment of borrowings		-	-
Repayment of advance from Hutt City Council		(14,570)	-
		(14,570)	-
Net cash flows from financing activities		5,385,430	1,647,984
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		(46,024)	42,920
Cash, cash equivalents and bank overdrafts at the beginning of the year		68,634	25,714
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR		22,610	68,634
<i>Cash balance at end of the year comprises:</i>			
Cash and on call deposits		22,610	68,634
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	6	22,610	68,634

The accompanying notes form an integral part of these Financial Statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2011

REPORTING ENTITY

Urbanplus Limited (Urbanplus) is a council controlled trading organisation 100 percent owned by the Hutt City Council.

The primary objective of Urbanplus is to operate as a successful and profitable undertaking. Urbanplus provides a portfolio of rental housing for the elderly and socially disadvantaged. Urbanplus also provides professional property management services to the Hutt City Council and will deal with any development property sold to it by Hutt City Council.

Urbanplus is designated a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of Urbanplus are for the year ended 30 June 2011. The financial statements were authorised for issue by the Board of Directors on the 30 September 2011.

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 NZIFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities that apply for differential reporting concessions.

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. The functional currency of Urbanplus 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 Income.

The Company qualifies for differential reporting exemptions as they are not publicly accountable and there is no separation between the owners and the governing body. The Company has taken advantage of all available differential reporting exemptions except for:

- the exemption under NZIAS 7 Cash flow Statements for preparing a cashflow statement; and
- certain disclosure exemptions.

Changes in accounting policies

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

Urbanplus has adopted the following revisions to accounting standards during the financial year, which have had only a presentation or disclosure effect:

- NZ IFRS 7 *Financial Instruments: Disclosures* – *The effect of early adopting these amendments is the following information is no longer disclosed:*
 - The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated; and
 - The maximum exposure to credit risk by class of financial instrument if the maximum credit risk exposure is best represented by their carrying amount.
- NZ IAS 24 *Related Party Disclosures (Revised 2009)* – The early adoption of NZ IAS 24 has had no effect on related party disclosures.

SIGNIFICANT ACCOUNTING POLICES

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 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.

Sales 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 the related expenses

Interest income is recognised using the effective interest method.

Property, plant and equipment

On transition to NZ IFRS assets were recorded 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 income 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 income 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 income.

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 Urbanplus 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 Income.

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 Urbanplus 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 (valuation) of the assets to their estimated residual values over their useful lives. The straight line depreciation rates are as follows:

<i>Estimated economic lives</i>	<i>Years</i>	<i>Rate</i>
Buildings	5 - 65	1.54% - 20.00%
Plant and equipment	8 - 11	9.09% - 12.50%
Leasehold improvements	4 - 5	20.00% - 25.00%

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 Urbanplus, 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 Statement of Comprehensive Income.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

<i>Estimated economic lives</i>	<i>Years</i>	<i>Rate</i>
Computer software	2.8	36%

Impairment of non financial assets

Assets with a finite useful life are reviewed for impairment when ever 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 Income.

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.

Employee entitlements

Short-term entitlements

Employee benefits that Urbanplus 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.

Urbanplus recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that Urbanplus anticipates it will be used by staff to cover those future absences.

Urbanplus recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowing costs

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

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

Income tax for the period is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Property intended for sale

Property previously held but now being sold as it is no longer required is classified as a property held for sale.

This classification is used where the carrying amount of the property will be recovered through sale, the property is available for immediate sale in its present condition and sale is highly probable.

Property held for sale is recorded at the lower of the carrying amount and fair value less costs to sell. From the time a property is classified as held for sale, depreciation is no longer charged on the improvements.

Where 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.

Leased assets

Operating Leases

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 Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease payment.

Finance Leases

The Company has not entered into any material finance leases.

Financial instruments

The Company is party to financial instrument arrangements as part of its normal operation. 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 Company's accounting policies. All financial instruments disclosed on the Statement of Financial Position are recorded at fair value other than those specifically identified in the Notes to the financial statements.

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 NZ IFRS, 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 Company 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:

Estimating useful lives and residual values of property, plant and equipment.

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

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

Estimating the fair value of inventories.

Some of the inventories have been valued at fair value based on expected Hutt City Council District Plan changes. These changes are expected but not approved as at 30 June 2011, the Board will continually assess for impairment of these inventories.

2. FINANCE REVENUE AND FINANCE COSTS

	2011	2010
Finance revenue		
Interest revenue		
- call and term deposits	1,015	12
Total finance revenue	1,015	12
Finance costs		
Interest expense		
- interest on bank borrowings	305,743	187,798
- interest paid to related parties	2,425	-
Total finance costs	308,168	187,798
Net finance costs	307,153	187,786

3. EMPLOYEE COSTS

	2011	2010
Salaries and wages	452,545	531,304
Recruitment costs	-	1,746
Training	3,983	45,204
Other employee costs	6,206	9,685
Defined contribution plan employer contributions	4,354	3,280
Increase/(decrease) in employee entitlements/liabilities	(8,735)	2,880
Total employee costs	458,353	594,099

Employer contributions to defined contribution plans are the contributions to KiwiSaver.

4. OPERATING COSTS

	2011	2010
Audit related fees for assurance services	14,303	13,380
Additional Audit related fees for prior year audit	5,750	2,025
Impairment of receivables	4,209	-
Rent and lease costs	53,139	38,600
Professional services charges - Hutt City Council	45,000	45,000
Rates and waste water charges - Hutt City Council	169,112	162,324
Bank charges	59,489	41,109
Directors' fees	67,361	67,441
Insurance	40,568	42,942
Specialist services	61,166	119,960
Operational contracts	22,482	63,105
Building maintenance	263,789	244,917
Other expenses	102,660	159,645
Total Operating Costs	909,028	1,000,448

5. TAXATION

	2011	2010
Net surplus/(deficit) before tax	(313,120)	(338,734)
Tax at 30% (2010: 30%)	(93,936)	(101,620)
Plus (less) the tax effect of:	195,969	-
Non-deductable expenditure	74,020	127,216
Unrecognised tax losses	(176,053)	(25,596)
Tax expense	-	-
Current tax	-	-
Prior period adjustments to current tax	-	-
Tax expense	-	-

Unused tax losses of \$3,224,888 (2010: \$3,811,731) are available to carry forward and offset against future taxable income. There are no imputation credits available for use.

6. CASH AND CASH EQUIVALENTS

	2011	2010
Cash at bank and on hand	22,610	68,634
CASH AND CASH EQUIVALENTS	22,610	68,634

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value.

Cash, cash equivalent and bank overdrafts include the following for the purposes of the statement of cash flows.

	2011	2010
Cash at bank and on hand	22,610	68,634
Total	22,610	68,634

7. DEBTORS AND OTHER RECEIVABLES

	2011	2010
Other receivables:		
- Other receivables	20,422	18,141
Gross debtors and other receivables	20,422	18,141
less provision for impairment	(13,975)	(9,767)
TOTAL DEBTORS AND OTHER RECEIVABLES	6,447	8,374

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 (2010: \$nil)

The status of receivables as at and 30 June are detailed below:

	2011			2010		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	4,281	-	4,281	6,222	-	6,222
Past due 1-30 days	1,855	-	1,855	2,734	(582)	2,152
Past due 31-60 days	2,904	(2,593)	311	1,810	(1,810)	-
Past due >60 days	11,382	(11,382)	-	7,375	(7,375)	-
Total	20,422	(13,975)	6,447	18,141	(9,767)	8,374

The impairment provision has been calculated based on expected losses for Urbanplus's pool of debtors. Expected losses have been determined based on an analysis of Urbanplus's losses in previous periods, and review of specific debtors as detailed below:

	2011	2010
Individual impairment	13,975	9,767
Collective impairment	-	-
Total provision for impairment	13,975	9,767

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors are as follows:

	2011	2010
Past due 1-30 days	-	582
Past due 31-60 days	2,593	1,810
Past due > 60 days	11,382	7,375
Total individual impairment	13,975	9,767

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

	2011	2010
At 1 July	9,767	58,583
Additional provisions made during the year	13,975	9,767
Provisions reversed during the year	(9,767)	(19,404)
Receivables written-off during the period	-	(39,179)
At 30 June	13,975	9,767

Urbanplus holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS

8. PROPERTY, PLANT AND EQUIPMENT

	Cost/ valuation	Accumulated depreciation and impairment charges	Carrying amount	Current year additions	Current year disposals	Reclass opening cost	Reclass accumulated depreciation	Current year impairment charges	Current year depreciation	Revaluation surplus	Cost/ valuation	Accumulated depreciation and impairment charges	Carrying amount
2011	Opening						Closing						
Operational assets													
Land	6,900,900	-	6,900,900	140,773	-	-	-	-	-	2,364,237	9,405,910	-	9,405,910
Buildings	9,504,428	(1,694,353)	7,810,075	2,885,773	-	(6,006)	3,999	-	(577,097)	2,214,856	12,331,600	-	12,331,600
Leasehold improvements						6,006	(3,999)	-	(1,297)	-	6,006	(5,296)	710
Plant and equipment	4,430	(1,338)	3,092	-	-	-	-	-	(446)	-	4,430	(1,784)	2,646
Total operational assets	16,409,758	(1,695,691)	14,714,067	3,026,546	-	-	-	-	(578,840)	4,579,093	21,747,946	(7,080)	21,740,866
2010	Opening						Closing						
Operational assets													
Land	6,900,900	0	6,900,900	-	-	-	-	-	-	-	6,900,900	-	6,900,900
Buildings	9,376,216	(1,150,350)	8,225,866	128,212	-	-	-	-	(544,003)	-	9,504,428	(1,694,353)	7,810,075
Plant and equipment	4,430	(892)	3,538	-	-	-	-	-	(446)	-	4,430	(1,338)	3,092
Total operational assets	16,281,546	(1,151,242)	15,130,304	128,212	-	-	-	-	(544,449)	-	16,409,758	(1,695,691)	14,714,067

VALUATION

Land and Buildings

Land is valued as vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current and potential usage. Buildings comprise residential dwellings have been valued in relation to market-based evidence. Market rents and capitalisation rates were applied to reflect market value while considering the highest and best use alternatives. The most recent valuation was performed by an independent valuer Kerry Buckeridge B.Agr.Sc, MBA, ANZIV, SPINZof QV, and the valuation is effective as at 30 June 2011. The Total valuation was for \$21,737,510.

9. INTANGIBLE ASSETS

	Cost/ valuation	Accumulated amortisation and impairment charges	Carrying amount	Current year additions	Current year disposals	Reclass opening cost	Reclass accumulated depreciation	Current year impairment charges	Current year amortisation	Revaluation surplus	Cost/ valuation	Accumulated amortisation and impairment charges	Carrying amount
2011	Opening						Closing						
Intangibles													
Software	26,274	(22,966)	3,308	-	-	-	-	-	(2,030)	-	26,274	(24,996)	1,278
2010	Opening						Closing						
Intangibles													
Software	26,274	(16,726)	9,548	-	-	-	-	-	(6,240)	-	26,274	(22,966)	3,308

10. TRADE AND OTHER PAYABLES

	2011	2010
Creditors and other payables	89,823	205,383
Revenue in advance	98,421	24,061
TOTAL TRADE AND OTHER PAYABLES	188,244	229,444

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

11. BORROWINGS

These are loans raised by Urbanplus for its various activities and projects. The details are:

	2011	2010
<i>Current portion</i>		
Secured loans	12,600,000	7,200,000
<i>Total current portion</i>	12,600,000	7,200,000
<i>Non-current portion</i>		
Secured loans	-	-
<i>Total non-current portion</i>	-	-
TOTAL BORROWING	12,600,000	7,200,000

Secured loans

Urbanplus has a \$13,000,000 (2010: \$10,000,000) revolving facility agreement which is secured by a Security Trust Deed. At balance date the amount drawn was \$12,600,000 (2010: \$7,200,000) at a weighted average interest rate of 3.37% (2010:3.43%).

Security

All borrowing is secured by a fixed charge over the issued but uncalled share capital of Urbanplus.

12. Employee entitlements

	2011	2010
<i>Current portion</i>		
Annual leave	30,199	39,274
<i>Total Current portion</i>	30,199	39,274
<i>Non-current portion</i>		
Retirement and long Service Leave	17,963	17,623
<i>Total Non-current portion</i>	17,963	17,623
Total employee entitlements	48,162	56,897

13. EQUITY

ACCUMULATED FUNDS

	2011	2010
Balance at beginning of the year	(4,474,329)	(4,135,595)
Net surplus/(deficit) after tax	(313,120)	(338,734)
BALANCE AT END OF THE YEAR	(4,787,449)	(4,474,329)

Shareholding

27,000,001 \$1 shares in Urbanplus are held by the Hutt City Council. 12,000,001 of these shares are fully paid 15,000,000 of these shares are issued but uncalled.

ASSET REVALUATION RESERVE

	2011	2010
Balance at beginning of the year	-	-
Movements during the year	4,579,093	-
BALANCE AT END OF THE YEAR	4,579,093	-

TOTAL EQUITY

	2011	2010
Balance at beginning of the year	10,825,671	11,164,405
Movements during the year	4,265,973	(338,734)
BALANCE AT END OF THE YEAR	15,091,644	10,825,671

14. OTHER LIABILITIES

OTHER LIABILITIES - CURRENT PORTION

	2011	2010
Due to related parties (refer to note 19)	89,260	103,830
Total other liabilities - current portion	89,260	103,830
TOTAL OTHER LIABILITIES	89,260	103,830

15. RECONCILIATION OF SURPLUS AFTER TAX WITH CASH FLOWS FROM OPERATING ACTIVITIES

	2011	2010
SURPLUS/(DEFICIT) AFTER TAX	(313,120)	(338,734)
<i>Add/(less) non-cash items:</i>		
Depreciation	580,870	550,689
Interest income accrued to investments and special funds	-	-
Bad debt expense and other non-cash items	4,209	-
Deferred tax	-	-
<i>Add/(less) movements in working capital:</i>		
(Increase)/decrease in accounts receivable and other assets	(12,480)	4,277
Increase/(decrease) in trade and other payables	(24,970)	65,254
Increase/(decrease) in provisions and other liabilities	65,625	(4,279)
<i>Add/(less) items classified as investing activities:</i>		
Loss on sale of inventory and other movements	113,545	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	413,679	277,207

16. FINANCIAL INSTRUMENTS

16.a FINANCIAL INSTRUMENT CATEGORIES

The accounting policies for the financial instruments have been applied to the line items below:

	2011	2010
FINANCIAL ASSETS		
Loans and receivables		
Cash and cash equivalents	22,610	68,634
Debtors and other receivables	6,447	8,374
Total loans and receivables	29,057	77,008
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Creditors and other payables	89,823	205,383
Other liabilities	89,260	103,830
Borrowings:		
- secured loans	12,600,000	7,200,000
Total financial liabilities at amortised cost	12,779,083	7,509,213

16.b FAIR VALUE HIERARCHY DISCLOSURES

There are no instruments that are recognised at fair value in the statement of Financial Position.

16.c FINANCIAL INSTRUMENTS RISKS

Urbanplus has a series of policies to manage the risks associated with financial instruments and is risk averse and seeks to minimise exposure from its treasury activities. Urbanplus does not allow transactions that are speculative in nature to be entered into.

MARKET RISK

Price risk

Price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. As at 30 June Urbanplus does not have any price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in foreign exchange rates. As at 30 June Urbanplus does not have any foreign currency risk.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest expose Urbanplus to fair value interest rate risk. As at 30 June Urbanplus does not have any fair value interest rate risk.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowing and investments issued at variable interest rates expose Urbanplus to cash flow interest rate risk.

Urbanplus raises borrowings as needed using a revolving cash advances facility with a limit of \$13,000,000 (2010: \$10,000,000).

CREDIT RISK

Credit risk is the risk that a third party will default on its obligation to Urbanplus, causing Urbanplus to incur a loss. Due to the timing of its cash flows and outflows, Urbanplus at times invests surplus cash into bank and term deposits which gives rise to credit risk.

Urbanplus has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Financial instruments which potentially subject Urbanplus to credit risk principally consist of cash and/or cash equivalents, trade and other receivables and other assets.

Urbanplus holds cash with Westpac. Westpac is part of the Crown Retail Deposit Guarantee Scheme and so all deposits up to \$1 million held with Westpac are guaranteed by the Crown.

The maximum exposure to credit risk:

	2011	2010
Cash, cash equivalents and term loans	22,610	68,634
Debtors and other receivables	6,447	8,374
Other assets	-	-
Total credit risk	29,057	77,008

The maximum exposures shown above are net of any recognised provisions for losses on these financial instruments.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

COUNTERPARTIES WITH CREDIT RATINGS

	2011	2010
Cash at bank and term loans		
AA	12,600,000	7,200,000
Total cash at bank and term loans	12,600,000	7,200,000

LIQUIDITY RISK

Management of liquidity risk

Liquidity risk is the risk that Urbanplus will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Urbanplus aims to maintain flexibility in funding by maintaining a revolving facility agreement.

Contractual maturity analysis of financial liabilities

The table below analyses Urbanplus's financial liabilities into the relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt is based in the floating rate on the instrument at balance date. The amounts disclosed are contractual undiscounted cash flows.

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1-3 years	Between 3-5 years	Greater than 5 years
2011						
Trade and other payables	188,244	188,244	188,244	-	-	-
Other liabilities	89,260	89,260	89,260	-	-	-
Secured loans	12,600,000	12,600,000	12,600,000	-	-	-
Total	12,877,504	12,877,504	12,877,504	-	-	-
2010						
Trade and other payables	229,444	229,444	229,444	-	-	-
Other liabilities	103,830	103,830	103,830	-	-	-
Secured loans	7,200,000	7,200,000	7,200,000	-	-	-
Total	7,533,274	7,533,274	7,533,274	-	-	-

Contractual maturity analysis of financial assets

The table below analyses Urbanplus's financial assets into the relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1-3 years	Between 3-5 years	Greater than 5 years
2011						
Cash and cash equivalents	22,610	22,610	22,610	-	-	-
Debtors and other receivables	6,447	6,447	6,447	-	-	-
Total	29,057	29,057	29,057	-	-	-
2010						
Cash and cash equivalents	68,634	68,634	68,634	-	-	-
Debtors and other receivables	8,374	8,374	8,374	-	-	-
Total	77,008	77,008	77,008	-	-	-

Sensitivity analysis

The tables below illustrate the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on Urbanplus's financial instrument exposure at balance date.

Note	2011				2010			
	Profit	-100bps Other Equity	Profit	+100bps Other Equity	Profit	-100bps Other Equity	Profit	+100bps Other Equity
INTEREST RATE RISK								
Financial Assets								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Financial liabilities								
Borrowing:								
- Short term loans	126,893	-	(126,893)	-	73,038	-	(73,038)	-
Total sensitivity to interest rate risk	126,893	-	(126,893)	-	73,038	-	(73,038)	-

Explanation of sensitivity analysis

Short term Loans

Urbanplus has short term floating rate debt with a principal amount totalling \$12,600,000 (2010: \$7,200,000). A movement in interest rates of plus or minus 1% has an effect on interest expense of \$126,000 (2010: \$72,000).

17. REMUNERATION

Key management personnel compensation

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

	2011			2010		
	Remuneration	Benefits	Remuneration	Remuneration	Benefits	Remuneration
Salaries and other short term benefits	\$ 211,890	\$ -	\$ 211,890	\$ 266,925	\$ 422	\$ 267,347

Remuneration of Board Members

	2011	2010
B Jackson (Chairman)	22,440	22,521
A Stewart	15,000	15,000
RW Styles	14,961	14,960
JMK Baird*	7,768	14,960
A Finlayson**	7,192	-
Total	67,361	67,441

* To December 2010

** From January 2011

Employee remuneration

	2011	2010
Total remuneration paid or payable		
\$190,000 - \$199,999	-	1
\$140,000 - \$149,999	1	-
Total employees	1	1

Severance Payments

There were no severance payments made by Urbanplus during year (2010: \$nil).

18. INTEREST REGISTER

A directors' interest register is maintained by the Board as listed below:

Bryan Jackson	Board member, New Zealand Transport Agency Board member, Preston investments Limited Chairman, Jaclan Holdings Limited Chairman, Jaclan Investments Limited Chairman, Seaview Marina Limited Chairman, Urban Plus Limited Chairman, Vehicle Testing Group Limited Director, Beveridge Locksmith Services Limited Director, ING NZ Pty Limited Director, Nees Hardware and Building Supplies Limited Director, NZ Railways Corporation
Joy Baird (to December 2010)	Business manager, Accident Compensation Corporation (ACC) Councillor, Hutt City Council (to October 2010) Director, Tyler Prentis Properties Trustee, Kakariki Trust Trustee, Tuatara Trust
Cr Angus Finlayson (from January 2011)	Councillor, Hutt City Council Chair, Hutt Valley Services Director, Pre-Purchase Property Reports Limited Member Hutt Valley Rotary club (Paul Harris Fellow)
Cr Roger Styles	Chair, District Plan Committee, Hutt City Council Chair, City Development Committee, Hutt City Council Councillor, Hutt City Council Director, Energysmart Limited Director, Energysmart Retrofitting Limited Director, Energysmart Distributors Limited Executive Director, of Health Funds Association of New Zealand
Arthur Stewart	Contractor to DTZ Limited Director, Arthur Stewart Limited Director, Stewart Properties Limited Director, Urban Plus Limited

19. RELATED PARTIES DISCLOSURES

Urbanplus had the following material transactions:

Urbanplus is a subsidiary of the Hutt City Council. The Hutt City Council is the ultimate parent of the group with control over Urbanplus Limited and Seaview Marina Limited.

Related party transactions

WITH THE HUTT CITY COUNCIL

During the year Urbanplus paid to the Council \$169,112 (2010: \$162,324) for rates and water, \$45,000 (2010: \$45,000) management fee for services, \$nil (2010: \$260,993) for reimbursement of property costs, \$166,579 (2010: \$48,969) for building and resource consents and \$4,062,500 (2010: \$295,581) for the purchase of land. The Council paid to Urbanplus \$471,155 (2010: \$444,078) for property services and project management.

Total advances from Hutt City Council to Urbanplus outstanding at 30 June amounted to \$89,260 (2010: \$103,830). Interest is charged on outstanding advances at market rates, the net interest paid to Hutt City Council from Urbanplus was \$2,398 (2010: \$9,180).

As at 30 June Urbanplus has no commitments to Hutt City Council (2010: \$nil).

WITH BOARD MEMBERS

Urbanplus paid Beveridge Locksmiths Limited \$27.50 (2010: Nees Hardware and Building Supplies Limited \$420.40 for supplies, ACC \$2,927.50 for annual levies), these transactions were on normal business terms and conditions. The Board Members have also received payment of director fees. Arthur Stewart purchased a property from Urbanplus through auction for \$450,000.

20. DONATIONS

Donations made by Urbanplus during the year ended 30 June 2011 totalled \$nil (2010: \$nil).

21. CAPITAL COMMITMENTS AND OPERATING LEASES

CAPITAL COMMITMENTS

Commitments for capital expenditure contracted, but not provided for:

	2011	2010
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property	-	-
TOTAL CAPITAL COMMITMENTS	-	-

OPERATING LEASES AS LESSEE

Urbanplus 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:

	2011	2010
Not later than one year	31,584	7,477
Later than one year and not later than two years	27,443	1,697
Later than two years and not later than five years	-	-
Later than five years	-	-
TOTAL NON-CANCELLABLE OPERATING LEASES	59,027	9,174

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$nil (2010: \$nil).

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

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

OPERATING LEASES AS LEASOR

Urbanplus leases property under operating leases. The majority of these leases have a non-cancellable term of 36 months, the exception of housing leases that have a non-cancellable term of 22 working days. The future aggregate minimum leases payments payable under non-cancellable leases are as follows:

	2011	2010
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
TOTAL NON-CANCELLABLE OPERATING LEASES	-	-

No contingent rents have been recognised in the statement of comprehensive income during the period.

22. CONTINGENCIES**Contingent liabilities**

As at 30 June there were no contingent liabilities (2010: \$194,444). Urbanplus has a MasterCard credit facility of \$nil (2010: \$20,000).

Contingent assets

Urbanplus has no contingent assets as at 30 June (2010: \$nil).

23. CAPITAL MANAGEMENT

Urbanplus's capital is its equity, which comprises share capital and retained surpluses. Equity is represented by net assets.

The statement of intent requires the Board of Directors to manage revenues, expenses, assets, liabilities, investments and general financial dealings prudently. Urbanplus's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities and general financial dealings.

The objective of managing Urbanplus's equity is to ensure it effectively achieves its objectives and purpose whilst remaining a going concern.

24. CHANGES IN BUSINESS OF URBANPLUS

During the year ended 30 June 2011 there were no changes in the nature of business of Urbanplus which includes the provision of residential housing and property services.

25. MAJOR VARIATIONS

Explanations for major variations from Urbanplus's budgeted and prior year figures are as follows:

Explanation of the variance from budget**STATEMENT OF COMPREHENSIVE INCOME****Property rents/leases**

There has been a \$17,075 decrease from budget due to delays in the completion of the Bell Road up grade leading to a delay in renting these units. There has been an increase from the 2009/10 actual due to the annual rent increases.

Loss on sale of commercial property developments

There has been a loss on sale of \$113,545 compared to a budget of \$700,000 due to delays in properties being sold in a slow market and the budget being set as the sale value rather than net of the cost of development, this is the first year that Urbanplus has sold any commercial developments.

Property management fees

There has been a \$24,631 increase from budget due to Urbanplus signing a contract to provide services to other entities during the year.

Operating costs

The operating costs are higher than budget due to higher than expected rates, rent and bank charges.

Employee costs

There has been a \$86,647 decrease from budget due to staff vacancies and a decrease in training expenditure.

Finance costs

Interest expenses has moved in line with increased borrowing from 2009/10. Interest costs are lower than budget due to the increase in borrowings occurring later in the year than expected.

STATEMENT OF FINANCIAL POSITION**Inventories**

On 30 June 2011 Urbanplus purchased land from Hutt City Council for \$4,062,500.

Property, plant and equipment

The residential land and building were revaluation as at 30 June 2011. This generated a revaluation gain of \$4,579,093 and a right back of depreciation of \$2,263,170.

Assets under construction

During the year Bell Road and Cambridge Terrace property improvements and new builds were completed and transferred to property, plant and equipment.

Borrowings

There has been an increase of \$5,400,000 from 2009/10 actuals due to the purchase of land from Hutt City Council of \$4,062,500 on 30 June 2011, with the remaining increase relating to commercial and residential property development during the year.

26. EVENTS AFTER THE BALANCE DATE

Urbanplus has a number of contingent assets arising from signed sale and purchase agreements relating to the sale of land totalling \$1,001,304. The settlements are due on 5 July 2011 and 22 July 2011 (2010: \$nil).

Statement of Service Performance

Property Management

- 1.1. Net capital and operational expenditure within budget. *Achieved.*
- 1.2. Resident satisfaction with public halls greater than or equal to peer average, subject to Council funding. *Achieved 97% peer average 94%. Note: 97% of residents who expressed an opinion were satisfied. 33% of residents did not express an opinion.*
- 1.3. Resident satisfaction with public toilets greater than or equal to peer average within 5 years, subject to Council funding. *Achieved 79% peer average 74%. Note: 97% of residents who expressed an opinion were satisfied. 33% of residents did not express an opinion.*
- 1.4. Tenant satisfaction with Council-owned community buildings greater than or equal to 90%. *Achieved 92%.*
- 1.5. Council satisfaction with building management 90%. *Achieved 92%.*

Rental Housing

- 1.6. Net capital and operational expenditure within budget. *Not Achieved - The housing maintenance budget was over expended due to much higher levels of routine and reactive expenditure arising from tenants vacating, water cylinder failures and damage from break-ins.*
- 1.7. A return on investment in line with market norms for the nature and condition of the property portfolio. *Not Achieved: The board regarded a return in the region of 15%-20% would be in line with market expectations for the level and type of developments undertaken. It also recognised however, that in some cases some investment activities might not achieve that result.*
- 1.8. Tenant satisfaction with the provision of the company's rental housing greater than or equal to 90%. *Achieved 95%.*
- 1.9. Percentage of total housing units occupied by elderly/socially disadvantaged greater than or equal to 85%. *Achieved 94%, 204, out of 216 total units, are were occupied by the elderly/socially disadvantaged.*
- 1.10. Retain at least 180 housing units with the objective of growing this number to a minimum of 210 by 2013. *Achieved. There were 186 units available during the year.*