STATEMENT OF INTENT
2016/2017

DOC/16/21935

Contents

PURPOSE

The purpose of this statement of intent is to:

a. state publicly the activities and intentions of this council-controlled trading organisation for the year and the objectives to which those activities will contribute;

b. provide an opportunity for shareholders to influence the direction of the organisation; and

c. provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

This Statement of Intent covers the year 1 July 2016 to 30 June 2017 and forecasts out to the following two financial years. It has been prepared in accordance with Section 64 (1) of the Local Government Act 2002.

INTRODUCTION

Urbanplus Limited (UPL) is wholly owned by Hutt City Council (HCC) and operates as a Council Controlled Trading Organisation (CCTO) under the Local Government Act 2002. UPL was established effective 1 May 2007 with principle objectives as stated below under 'Our Business Objectives'.

UPL is a company registered under the Companies Act 1993 and is governed by the requirements of that Act and Section 6 of the Local Government Act 2002, and is covered by law and best practice. It also has responsibilities under the general law including the Resource Management Act 1991.

URBANPLUS'S CONTRIBUTION TO COUNCIL AND COMMUNITY OUTCOMES

Desirable outcomes expressed by Hutt City Council are numbered below with UPL's comments included:

1. A safe community
The UPL portfolio of residential housing is predominantly occupied by those considered to be the 'low-income elderly'. We feel that an elderly presence in any community contributes to a safer community by having people present in residential areas during the working day. This passive security presence provides 'stability' and value to a community by having people in the area while those of younger age may be at work or school. Our dwellings are designed with the Design Mark Life Standard Rating System guidelines in mind contributing to ease of living across a wide range of physical abilities for the life of the building – i.e. potentially spanning several generations.

2. A strong and diverse economy
Providing appropriate accommodation for our elderly where they can retain independent living with dignity contributes significantly to community diversity by retaining the elderly in that community.

3. An accessible and connected city.
The elderly can contribute significantly to the community and families by being actively involved in the community. This connectivity with the community spans generations and encourages understanding and tolerance between young and old.

4. Healthy people
UPL has a significant role in providing warmer, dryer, healthier homes to the low-income elderly who may not be in a position to self-fund independent accommodation. This role, and the company's influence is

expanding as increasing numbers of 'baby-boomers' retire. The forecast is for steadily growing numbers of the over 65's entering this sector as the population ages. The changing Lower Hutt demographic will put increased pressure on UPL to provide an increased number of housing units in the future. UPL has a significant role to play in appropriately housing this growing and aging demographic.

5. A healthy natural environment
UPL aims to be a good community citizen in the widest sense taking responsibility for project management, material selection and disposal in a way that minimises harm and impact on the environment. We endeavour to apply best practise in terms of passive design (insulation, double glazing and where possible, positioning for solar gain) to minimise energy consumption promoting the concept of warmer, dryer healthier homes at minimal on-going cost to the occupier**.**

6. Actively engaged in community activities
The provision of residential housing aimed at the low-income elderly is a community activity where we are using our skills, expertise and professionalism to assist those elderly that are in need of assistance in finding appropriate accommodation.

7. Strong and inclusive communities
Prior to embarking on any development, UPL considers the overall amenity value of the community including proximity to public transport, retail, medical centres, land contour etc. so our residents can live safely and in an engaged manner within the community retaining mobility and independence.

8. A healthy built environment
Our developments and management of the existing portfolio contribute to a healthy built environment by best practice property maintenance, developments that are sympathetic to community values, and are complimentary to desirable urban planning aspirations and planning rules. New properties are insulated, double glazed, warm, dry homes with accessibility issues minimised by passive design. It is recognised that those occupying warmer dryer homes are naturally healthier, consume less energy in keeping those homes warm, and enjoy reduced doctors / hospital visits with increased longevity.

9. A well-governed city
UPL contributes to good governance by adopting best industry practice in terms of design, project management, property maintenance, fiscal controls, and being a 'good corporate citizen. We strive to 'do-the-right-thing' in all or dealings and contractual matters.

10. Urban Growth Strategy
UPL will assist HCC in the Urban Growth Strategy by applying knowledge, experience, expertise and skill from within UPL as and when called upon to assist the shareholder wherever possible to invigorate growth, development, and property related assistance. For further information in terms of the governance of this activity, see Appendix 'A'.

OUR BUSINESS OBJECTIVES

OBJECTIVES OF THE COMPANY

Section 59 of the Local Government Act 2002 provides:

59 Principal objective of council-controlled organisation

(1) The principal objective of a council-controlled organisation is to:

(a) achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the statement of intent; and

(b) be a good employer; and

(c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates, and by endeavouring to accommodate or encourage these when able to do so; and

(d) if the council-controlled organisation is a council-controlled trading organisation, conduct its affairs in accordance with sound business practice.

(2) In subsection 1.b., good employer has the same meaning as in clause 36 of Schedule 7 of the Local Government Act 2002.

In addition to the statutory objective, the objectives of the Company are:

1.1. to provide for the long term a growing portfolio of rental housing for the low-income elderly * consistent with, and to give effect to, the Council's housing policy;

1.2. to develop the housing portfolio in a manner which increases its property values;

1.3. to ensure that the housing portfolio for the low-income elderly is appropriate for the changing needs of the community in terms of the objectives outlined in the Council's housing policy;

1.4. to operate as a successful and profitable undertaking;

1.5. to purchase, develop, lease or sell the development property portfolio in a manner which maximises its value at a level of risk appropriate for the investment of funds;

1.6. to manage Council's property assets in accordance with Council's policies (as applicable) and levels of service determined under contract with the Council;

1.7. to comply with all legislative and regulatory provisions relating to its operations and performance;

1.8. to ensure all assets owned by it are maintained to the best applicable standards;

1.9. to maintain an effective business continuance plan;

1.10. to maintain a register of current Council policies relevant to its business and operations;

1.11. to assist Council when asked to do so in its endeavours in terms of the Urban Growth Strategy.

These objectives will be monitored and where in conflict, these objectives will be pursued giving greater weight to the interests of maximising value to the shareholders provided that in relation to the provision of social housing, value to the shareholders will include the consideration of social value.

* 'Low-income elderly' in this context relates to an applicant for a residential tenancy, that at the time of application, is able to demonstrate:

i. that they are eligible for National Super (aged over 65 years – this being subject to review periodically by central Government)
ii. that they have no other income
iii. that they do not have cash or assets of such a magnitude that would mean they could make independent accommodation choices.

THE NATURE AND SCOPE OF THE ACTIVITIES TO BE UNDERTAKEN BY THE COMPANY

The principal objective of the Company is:

1. to operate as a successful business, returning benefits to the shareholder;
2. to own and operate a portfolio of rental housing to provide community housing for the low-income elderly in accordance with normal commercial guidelines and the housing policy of the Council.
3. to ensure that the housing portfolio for the low-income elderly is appropriate for the changing needs of the community in terms of the objectives outlined in the Council's housing policy;
4. to manage property and building assets of the Hutt City Council in accordance with the Council's policies (as applicable) and the terms and conditions of the contract for services agreed between the company and the Council.
5. to develop property in preparation for sale or lease, which are declared surplus to the needs of the Hutt City Council and which provide an appropriate return for the costs and risks of development.
6. to purchase, develop, lease or sell the development property portfolio in a manner which maximises its value at a level of risk appropriate for the investment of funds;
7. to otherwise become involved in property-related transactions and property-technical advisory services on a commercial basis that support the Shareholders' vision for the future development of the city. This specifically includes assisting with progressing the Urban Growth Strategic Objectives.

Section 59 of the Local Government Act 2002 also provides that the principal objectives of a council-controlled trading organisation include the objectives of its shareholders.

In order to meet our objectives we focus our work activity on asset planning and development, capital project management, operations management, risk management, staff development and corporate governance.

Other

UPL will continue to be involved in property-related transactions on a commercial basis that support the Shareholders' vision for the future development of the city.

UPL will continue to provide a wide range of strategic property advice and property consultancy when required to the Shareholder. Work has included:

1. a member of the Seismic Upgrading Working Group and attendance / provision of advice to the Steering Group meetings
2. advice and general direction for Making Places projects
3. commercial leasing management advice for HCC property & subsidiaries
4. management of the road-side reserves estate
5. road stopping and licenses
6. specific property advice (example – Community Facilities Trust – long-term maintenance planning)

THE PERFORMANCE MEASURES

1. That the Company will meet the following measures for the next three years:

Facilities Management

1.1. Capital expenditure within budget.

1.2. Operational expenditure within budget.

1.3. Achieve not less than a 20% net contribution margin.

1.4. Resident satisfaction with public halls greater than or equal to peer average, subject to Council funding.

1.5. Resident satisfaction with UPL-managed public toilets greater than or equal to peer average, subject to Council funding.

1.6. Tenant satisfaction with Council-owned community buildings greater than or equal to 90%

1.7. Council satisfaction with facilities management not less than 90%.

Rental Housing

1.8. Capital expenditure within budget.

1.9. Operational expenditure within budget.

1.10. A gross earnings of greater than 5.0% before interest, tax, depreciation and amortisation (EBITDA).

1.11. Tenant satisfaction with the provision of the company's rental housing greater than or equal to 90%.

1.12. Percentage of total housing units occupied by low-income elderly greater than or equal to 85%.

1.13. Rentals charged shall not be less than 90% of 'market' rent

1.14. Between six and ten new units added to the portfolio aiming to increase the portfolio size to 220 units by 30 June 2019.

Property Development

1.15. Capital expenditure within budget.

1.16. Operational expenditure within budget.

1.17. A return of not less than 10.0% after interest and tax on each project.

Professional Property Advice

1.18 Achieve a market return on additional services provided to the shareholder.

RISK MANAGEMENT

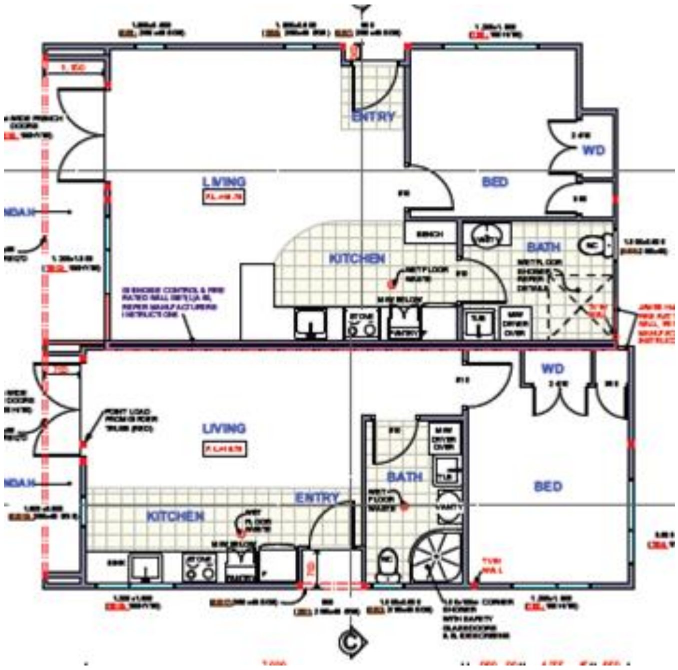
Health and Safety in Employment.
UPL will maintain best industry practice with on-going reviews of its Health and Safety policies to ensure they remain current and 'leading edge' in terms of compliance.

Business Continuity
UPL will maintain a Business Continuity Plan for unforeseen circumstances so any event will have minimal impact on the day-to-fay operation of the business.

Insurances
UPL will maintain appropriate insurances to mitigate risk of portfolio damage, business interruption and professional indemnity. This will includes Directors and Office Bearers cover where appropriate.

Emergency preparedness
UPL will rehearse and maintain systems and procedures to best position itself to deal with emergency situations.

Commercial Risk
UPL will manage its affairs in a manner that minimises commercial risk recognising that some risk will need to be taken to achieve targets.



THE BOARD OF DIRECTORS

The board of directors consists of four members, with the shareholder appointing council representation as director(s) and independent directors. Directors serve three-year terms. To ensure we have continuity of relevant knowledge, skills and experience, the expiry dates of terms of office are different for each director. Each director should ideally serve not more than two terms, or six years.

Board Chair Brian Walshe was appointed from 1 April 2012.

Arthur Stewart was appointed from 31 October 2006.

Angus Finlayson was appointed as a director from 2 January 2011.

David Bassett was appointed as a director from 15 Dec 2015.

The Board is responsible for the proper direction, governance and control of UPL.

Unanimous approval of the Board is required for:

1.1. employment of staff and creation of new positions outside of resolved budget limits;

1.2. extraordinary transactions (entering into any contract or transaction except in the ordinary course of business);

1.3. delegation of Directors' powers to any person;

1.4. major transactions (entering into any major transaction);

1.5. disputes (commencing or settling any litigation, arbitration or other proceedings which are significant or material to the Company's business)

1.6. borrowings in a manner that materially alters the Company's banking arrangements, advancing of credit (other than normal trade credit) exceeding $5,000 to any person except for making deposits with bankers, or giving of guarantees or indemnities to secure any person's liabilities or obligations;

1.7. sale of assets (sell or dispose of fixed assets for a total price per transaction exceeding $100,000 or a series of transactions aggregated exceeds $300,000); and

1.8. capital expenditure (other than in the ordinary course of doing business) at a total cost to the Company, per transaction, exceeding $100,000 or a series of transactions aggregated exceeds $300,000.

The Board will require the agreement of the shareholder for:

1.9. any changes to the constitution;

1.10. any increases in capital and the issue of further securities, share buybacks and financial assistance;

1.11. any alteration of rights attaching to shares;

1.12. any arrangement, dissolution, reorganisation, liquidation, merger or amalgamation of the Company; and

1.13. any 'major transactions' as that term is defined in the Companies Act 1993.

Ratio of consolidated shareholders' funds to total assets

The target ratio for consolidated shareholders' funds to total assets is at least 50%. Consolidated shareholders' funds comprise share capital and accumulated reserves. Total assets comprise all tangible assets of the Company, the main component being housing and undeveloped land.

Accumulated profits and capital reserves

There is no intention to pay a dividend in the 2016/2017 financial year or succeeding years.

Information to be provided to shareholders

In each year UPL shall comply with the reporting requirements specified for CCTO's under the Local Government Act 2002 and the Companies Act 1993 and regulations.

In particular, it shall provide:

Annually

1. Annually report, within two months after the end of each financial year, which will include:

2. A Statement of Intent detailing all matters required under the Local Government Act 2002;

3. An annual budget for the coming financial year, broken out by the three major areas of operation; Rental Housing, Land Development and Facilities Management, including the assets employed and debt attributable to each area';

4. A written report on the financial operations of the Company to enable an informed assessment of its performance including a comparison against budget and the Statement of Intent and the Return on Equity and Return on Assets for the Period.

5. Financial statements comprising the statement of financial position, profit and loss statement and cash flow statement.

6. A business plan indicating the nature of property development it proposes to undertake and the range of investment and estimated return it proposes to achieve

7. An assessment of the current market for rental housings and the appropriateness of the current housing portfolio to meet the needs of the low-income elderly.

Half Yearly

8. Six-Monthly, within two-months of the end of the six month reporting period

9. A written report on the operations of the Company by the three major areas of operation to enable an informed assessment of its performance including a financial comparison against budget and the Statement of Intent and the Return on Equity and Return on Assets for the Period.

10. Financial statements comprising the statement of financial position, profit and loss statement and cash flow statement.

11. Progress on activities outlined in the agreed business plan.

Share acquisition

There is no intention to subscribe for shares in any other company or invest in any other organisation. (NOTE: UPL has established a subsidiary company Partnership Properties Limited)

Compensation from local authority

It is not anticipated that the company will seek compensation from any local authority other than in the context of normal commercial contractual relationships.

NB. If a CCTO has undertaken to obtain or has obtained compensation from its shareholders in respect of any activity, this undertaking or the amount of compensation obtained will be recorded in:

1. the annual report of the council-controlled organisation; and
2. the annual report of the local authority.

Equity value of the shareholders’ investment

The net value of the shareholders’ investment in the company is estimated to be valued at $14.878 million as at 30 June 2015. This value will be assessed by the directors on completion of the annual accounts or at any other time determined by the directors. The method of assessment will use the value of shareholders’ funds as determined in the annual accounts as a guide.

FINANCIAL FORECASTS

Planning and programming for development projects will be based on exceeding the agreed minimum financial performance threshold of 10.0% after interest and tax (see section 1.15 above). Each development project will require the approval of the Board to ensure strategic fit and achievement of the minimum rate of return.

The current volatility of the property market and anticipated future interest rate increases has resulted in considerable uncertainty in terms of what projects will come available, and what sales might result from those projects. The financial statements within this Statement of Intent therefore exclude potential development projects. Details of potential development projects will be included in the regular reporting to the Board and shareholder.

	2014-15 A	**2015-16 FC**	**2016-17 B**	**2017-18 B**	**2018-19 B**
Property Rents/Leases	1,732,539	1,800,000	1,884,429	1,887,654	1,890,802
Interest Income	100,616	46,995	10,000	9,400	9,400
Management Fees - Other	85,760	44,013	29,500	29,500	29,500
Facilities Management Fee	487,000	487,000	487,000	487,000	487,000
Gain on Property sales	244,132	0	648,064	648,675	648,675
Total Revenue	**2,650,047**	**2,378,008**	**3,058,993**	**3,062,229**	**3,065,377**
Employee Costs	600,212	648,706	608,949	608,949	608,949
Director Fees	63,582	67,500	70,500	70,500	70,500
Insurance	106,154	83,169	111,996	111,996	111,996
Operational Contracts	129,322	116,554	149,578	149,578	149,578
Specialist Services	113,854	110,000	110,000	110,000	110,000
Building/Ground Mtce	189,942	255,450	295,450	295,450	295,450
Rates	183,478	180,000	187,577	187,581	187,581
Other Operating Costs	161,539	73,575	134,898	134,922	134,922
Finance Costs	513,045	520,924	527,560	527,560	527,560
Depreciation	605,844	625,000	432,982	432,982	432,982
Vehicle Costs	3,860	6,285	7,195	7,207	7,207
Audit Fees	16,882	18,000	18,000	18,000	18,000
Building Cleaning	9,455	14,301	10,000	10,000	10,000
Travel Costs	255	617	4,000	4,000	4,000
Finance/IT Charges	85,000	85,000	85,000	85,000	85,000
Total Expenditure	**2,782,424**	**2,805,080**	**2,753,685**	**2,753,725**	**2,753,725**
Surplus/(Deficit)	**(132,377)**	**(427,072)**	**305,308**	**308,504**	**311,652**

Statement of accounting policies

UPL will apply the following accounting policies consistently during the year and apply these policies to the statement of intent. In accordance with the New Zealand Institute of Chartered Accountants Financial Reporting Standard 42 (FRS 42), the following information is provided in respect of the statement of intent.

Cautionary note

The statement of intent's forecast financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

Nature of prospective information

The financial information presented consists of forecasts that have been prepared on the basis of best estimates and assumptions on future events that Capacity expects to take place.

Statement of compliance with International Financial Reporting Standard

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for public benefit entities.

Reporting entity

UPL is a company registered under the Companies Act 1993 and a council-controlled trading organisation as defined by Section 6 of the Local Government Act 2002. Hutt City Council is the only shareholder. The company was incorporated in New Zealand in 13 December 1996 as De Luien Developments Limited, changed its name to Centre City Plaza Limited on 27 June 1997, changed its name to Hutt Holdings Limited on 20 January 2003 and finally changed its name to Urbanplus Limited on 25 May 2007.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

For purposes of financial reporting, UPL is a public benefit entity.

Reporting period

The reporting period covers the 12 months from 1 July 2013 to 30 June 2014. Comparative projected figures for the year ended 30 June 2015 and 30 June 2016 are provided.

Specific accounting policies

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

The measurement basis applied is historical cost.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless otherwise stated.

Judgements and estimations

Preparing financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note to the financial statements.
The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes.

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 UPL and the cost of the item can be measured reliably.

Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the Statement of Comprehensive 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 UPL and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost (valuation) of the assets to their estimated residual values over their useful lives. The straight line depreciation rates are as follows:

Estimated economic lives	*Years*	*Rate*
Buildings	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 UPL, are recognised as an intangible asset.

Amortisation
The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

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

Estimated economic lives	*Years*	*Rate*
Computer software	2.8	36%

Impairment of non-financial assets

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the Statement of Comprehensive 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 UPL expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

UPL recognises a liability 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 UPL anticipates it will be used by staff to cover those future absences.

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

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.

Urbanplus Registered Office and Contact Details for key Officers

Registered office: 30 Laings Road, Lower Hutt.

Contact details for both Chairman and Chief Executive are:

Private Bag 31912, Lower Hutt, phone 04 569 0720

APPENDIX ‘A’

Strategic Review of Property Development Activities

The following recommendations have been endorsed by the Mayor and Deputy Mayor in discussion with the HCC Chief Executive. They represent Council’s intended approach to progressing matters that have arisen during the last 12 months through discussions between UPL and HCC, and in a report written by KPMG on this subject. The specifics contained in these endorsed recommendations may change somewhat as details are discussed and worked through together by UPL and HCC

Recommendations:

Ownership of Urban Growth Strategy

City Development Manager, Gary Craig will be responsible for delivery of the UGS. His project team, including senior managers responsible for delivering key elements of the strategy (e.g. DM Environmental Policy, DM Road & Traffic, etc), will be strengthened.
The CEO of UPL will be included in this team. Gary Craig will report to SLT and Council on progress and direct actions towards the strategy objectives.

Proactive promotion of development activities

The vacant development liaison manager role, reporting to Gary Craig, will be upgraded to a more senior position and tasked with more proactive engagement will potential developers. Steps will be taken to support this role so it not over-burdened in responding to more routine reactive requests.
The appointment of a new manager for our science and technology activities will alleviate work pressures on current City Development staff and enable development opportunities to be explored more proactively.

Clarity for UPL

UPL’s role will be clarified explicitly in the Statement of Intent when it is reviewed early in the New Year. They will have a role supporting Council’s UGS as regards increasing the housing supply in the Hutt. However that role will be limited to:

- Meeting their targets in relation to the provision of social housing;
- Bringing Council’s surplus property to the market efficiently and in a manner that supports UGS objectives when reasonable to do so;
- Encouraging development but only participating in non-Council land acquisition, subdivision and sale in rare cases where there is a clear benefit to the city and there is no private sector involvement; and
- Providing advice to Council.

UPL projects (e.g. Shaftesbury Grove)

Council staff will continue to support UPL’s development projects and particularly Shaftesbury Grove given its significance. As with other significant development projects, Council’s involvement will come under Gary Craig’s supervision given the connection to our UGS.
Commitment of substantial Council funding to Shaftesbury (e.g. for water services) is dependent on UPL submitting a business case with supported cash flow projections for the development, then formal decision by Council.

Facilities Management

Council staff will negotiate with UPL to reach a cost effective fee that represents fair value to both sides, is consistent with the Statement of Intent, and doesn't expose Council to a potential breach of LGA requirements for the cost effective provision of services. The change will be implemented from 1 July 2016.
If UPL require other funding support, they can seek this from Council during the Annual Plan process.

UPL Board of Directors

Council will consider adding larger scale property development expertise to the Board of Directors. However, given the relative small size of the company this will be done when filling vacancies rather than increasing the size of the Board, unless for a specified short period due to other pending changes.

Council

These proposed changes will be progressed promptly. Most do not require Council resolutions. An update on these actions will be given to Council at the planning day in early February 2016.