URBAN PLUS GROUP

STATEMENT OF INTENT
2022/23 – 2024/25

Contents

Purpose

The purpose of this Statement of Intent is to:

a. State publicly the activities and intentions of this Council-Controlled 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 2022 to 30 June 2023 and forecasts for the following two financial years. It has been prepared in accordance with Section 64 (1) of the Local Government Act 2002.

Introduction

UPL is wholly owned by Hutt City Council (HCC) and operates as a Council Controlled Organisation (CCO) 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, 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.

The Urban Plus Group comprises Urban Plus Limited (UPL), UPL Limited Partnership (UPLLP) and UPL Developments Limited (UPLDL).

Shareholder's Mandate to Urban Plus Limited

UPL is charged with providing housing outcomes for Te Awa Kairangi Lower Hutt. In alignment with the Shareholder's revised 2022 – 2025 key priorities and expectations (set out below), UPL will set out to deliver wider housing outcomes and benefits than previous years.

Historically, UPL's involvement in the local housing market was to fill and stimulate gaps not being addressed by developers and act as a catalyst for medium density at affordable levels to the general market. With those areas now being addressed by other providers and developers, UPL's recent and current focus is towards being the developer and supplier of housing outcomes to Community Housing Providers (CHPs) and iwi, as well as releasing affordable homes to first home buyers at discounted pricing levels and continuing to grow its own rental portfolio where possible.

In its first year (2021/22 FY) of addressing a wider remit, UPL broadened its attention and operations to enter into partnerships with iwi and Community Housing Providers for housing outcomes and secured further land / property for future projects. This has provided a foundation for which to address a somewhat revised, yet similar, Statement of Expectations from its Shareholder (2022-25 period). The company's goals now are to develop strategies and frameworks to meet and deliver these expectations in the upcoming years.

In alignment with the Shareholder's wider expectations and deliverables, it is collectively acknowledged that ,UPL cannot act as both developer and continue to hold property long term that is not specifically for its own portfolio. Cyclical project programming and delivery (by way of sales) are fundamental to successfully delivering the company's objectives and remaining commercially solvent. Future projects' success and deliverables are reliant on a continued cycle of development and release (and repeat).

Strategic Priorities

1. Provide for Housing Need

UPL is to provide for need across the housing continuum. UPL will develop and implement a framework to enable the development of social housing and housing for a range of households in addition to those who qualify as '65 years-plus / predominantly low-income elderly' (see definition p8), market rental, affordable housing and commercially focussed developments. The primary focus of this priority is to bring more homes into the supply chain.

1.1 Release of Council-Owned Land for Development

To effect 1 (above), UPL will work closely with the Shareholder throughout the 2022-23 financial year and outer lying years to assist in reviewing and identifying parcels of council-owned land to enable further growth and assist in achieving its Urban Growth targets to assist in addressing the housing shortage currently being experienced in Lower Hutt. There is formal direction^ from Central Government (NPS-UDC) to Local Government to provide more residentially zoned land for development than is currently being supplied due to projected population growth.

^Source: John Pritchard, Principal Research & Policy Advisor at HCC 4/11/2020 email extract: *"The Housing and Business Development Capacity Assessment, completed in circa October 2019 in response to the National Policy Statement on Urban Development Capacity (NPS-UDC), population growth in Lower Hutt will mean [Lower Hutt] needs between 5,233 and 9,606 additional dwellings up to 2047. (For planning purposes the NPS-UDC requires Council to provide for more supply than the above so the figures are increased to 6,105 and 11,256. We also need to deliver a range of housing types to respond to population changes."*

2. Build More Housing Partnerships

In order to deliver homes across the areas of the housing continuum identified in point 1 above, UPL is to develop and strengthen relationships and partnerships with key entities such as

- Community Housing Providers (CHPs) with at least one being a Māori CHP;
- Mana whenua – Te Runanga O Te Ati Awa, Ngati Toa Rangitira and Taranaki Whanui (Port Nicholson Block Settlement Trust);
- Non-governmental organisations (such as local service providers)
- Developers;
- Central Government organisations (Kāinga Ora, Ministry of Housing & Urban Development);
- Tertiary Education providers (WelTec, Whitireia).

Partnerships with key organisations within the housing and social sectors will enable UPL to achieve outcomes where it cannot achieve them on its own. UPL is charged with delivering housing outcomes to organisations which provide their own in-house management and wrap-around support services.

3. Build Pathways to Permanency

UPL will (either directly or indirectly) deliver where appropriate, initiatives such as shared equity, rent to buy, reduced deposit schemes, and other means of assisting qualifying households into home ownership. It is anticipated that such initiatives can be aligned via partnerships with Crown agencies, and partners such as CHPs and mana whenua.

4. Application of Agreed Environmental Standards

UPL will continue to build homes to a standard of no less than Homestar 6. The aim of this priority is for UPL and Council to show environmental leadership by continuing to set higher standards for how we deliver sustainable, warm, safe and dry homes. UPL will act as a catalyst and leader in adopting and applying best practice environmentally and sustainability focused design and development approaches.

Further, the Shareholder has declared a climate emergency citing the need to raise awareness on climate change and to prioritise reducing council and city-wide emissions to zero net carbon. UPL will continue to participate in the city-wide zero carbon plan development process and implement, monitor, and measure any actions it has agreed to deliver.

5. Achieving Wider Outcomes

The achievement of these new priorities will require the development of a considerable number of new homes throughout Lower Hutt. This requires a skilled workforce that is ready and able to deliver. Delivering more supply is an opportunity for UPL to create and support local employment and training and to work with a tertiary education provider(s) (such as Wellington Institute of Technology and Whitireia) and other partners to support capacity uplift in the building, construction and built environment sectors, and partner with the construction industry to offer employment and career development.

6. Deliver on Plan Change 43

District Plan Change 43 enables greater housing capacity and a wider range of residential development in areas of the city which are located near transport and retail nodes. UPL is mandated to seek housing opportunities around suburban shopping centres and transport hubs afforded by Plan Change 43 and to be an exemplar of the well-designed developments Council envisaged in the Medium Density Design Guide that accompanied the plan change.

Further, UPL is expected to align with the Shareholder's aspiration in terms of:

7. Promote Māori Outcomes

Council is committed to improving outcomes for Māori and to working with our mana whenua partners to shape Lower Hutt for the future. UPL will seek to fully participate alongside Council in any formal relationship agreements with mana whenua as they relate to improving housing outcomes.

8. Support Central Government Initiatives

When sought by the Shareholder, UPL will look to support Central Government initiatives where it is financially, socially and environmentally prudent, and is to the overall betterment to Lower Hutt City. Further, UPL will seek to work with any form of social or community housing providers which promote the growth of housing in Lower Hutt.

The Provision of Accommodation for the Predominately Low-Income Elderly

In addition to the above priorities, UPL is also charged with the ongoing provision of housing to the predominately low-income elderly:

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.

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, drier, healthier homes to the predominately low-income elderly who may not be in a position to self-fund independent accommodation. 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 HomeStar principles in terms of passive design (insulation, double glazing and where possible, positioning for solar gain) to minimise energy consumption promoting the concept of warmer, drier, healthier homes at minimal ongoing cost to the occupier.

6. Actively engaged in community activities

The provision of residential housing aimed at the predominately 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, whilst retaining mobility and independence.

8. A healthy built environment

Our developments and management of the existing portfolio contribute to a healthy built environment by sound 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 prudent design. It is recognised that those occupying warmer drier homes are naturally healthier, consume less energy in keeping those homes warm, and enjoy reduced doctors / hospital visits with increased longevity.

Our Statutory Objectives

Section 59 of the Local Government Act 2002 provides:

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;

(b) Be a good employer;

(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.

Our Business Objectives

In addition to the Statutory objectives, the Business objectives of the Company are to:

1.1 operate as a successful and profitable undertaking;

1.2 provide for need across the housing continuum by developing property for housing outcomes such as: affordable, social, market rentals and commercial projects;

1.3 be a provider of housing into the local supply chain with various housing typologies;

1.4 build housing partnerships with local and nationwide community housing organisations, mana whenua and Crown agencies;

1.5 develop a framework to enable households to transition into housing permanency;

1.6 demonstrate environmental leadership by the implementation of HomeStar methodologies and other practices which lower carbon emissions;

1.7 support and advance training and employment opportunities within the construction and built environment sectors;

1.8 seek greater housing capacity outcomes afforded by Plan Change 43;

1.9 support Central Government initiatives where and when prudent, in alignment with the Shareholder;

1.10 provide for the long term a growing portfolio of rental housing for the predominately low-income elderly[1] consistent with, and to give effect to, Council's housing policy;

1.11 manage and develop the housing portfolio in a manner which increases its property values;

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

1.13 purchase, develop, lease or on-sell future development projects in a manner which maximises its value at a level of risk appropriate for the investment of funds and/or which aligns with the aspirations of the Shareholder;

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

1.15 ensure all assets owned by the company are maintained to the applicable standards;

1.16 maintain an effective business continuance plan;

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

1.18 assist Council when asked to do so in its endeavours in regards to the Urban Growth Strategy.

These objectives will be monitored and where in conflict (with each other or themselves), these objectives will be pursued giving greater weight to the interests of maximising value to the Shareholder provided that in relation to the provision of social housing, value to the Shareholder will include the consideration of social value.

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[1] 'Aged 65-plus/Predominantly 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.

Nature and Scope of Activities to be undertaken by the Company

The nature and scope of activities of the Company are to:

1. Operate as a successful business, returning benefits to the Shareholder;
2. Own, operate and maintain, to an acceptable standard, a portfolio of rental housing to provide community housing for the predominately low-income elderly in accordance with normal commercial guidelines and the housing policy of Council;
3. Ensure that the housing portfolio for the predominately low-income elderly is appropriate for the changing needs of the community in terms of the objectives outlined in Council's housing policy;
4. Develop property in preparation for sale or lease, which is declared surplus to the needs of Hutt City Council and which provide an appropriate return for the costs and risks of development;
5. Actively participate in the market with intent to acquire / purchase property to develop for sale, lease, portfolio retention or public market rental which provides appropriate returns for the levels of cost, risk and funds invested;
6. Purchase, develop, lease or on-sell the development property portfolio in a manner which maximises its value at a level of cost and risk appropriate for the investment of funds and is in alignment with the aspirations of the Shareholder; and
7. Otherwise become involved in property-related transactions and property-technical advisory services on a commercial basis that support the Shareholder's 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. Advice and general direction for Making Places projects;
2. Commercial leasing management advice for HCC property and subsidiaries;
3. Specific property advice; and
4. Assist with strategic HCC property acquisition and divestment as directed by the Shareholder.

Funding

UPL's existing funding thresholds are very restrictive for what has been mandated by the Shareholder to action in the upcoming years. As such there is both an essential requirement and opportunity to seek alternative funding channels or further Shareholder support. Future investigation is required into alternative mechanisms which will enable UPL to undertake scale developments.

Mechanisms such as project funding (most UPL Group projects are cyclical in nature and require only short term funding peaks, and therefore funds can be recycled quickly upon each projects conclusion), directly engaging the Local Government Funding Agency (LGFA) as a direct CCO issuer or directly approaching banks for funding (either as corporate / project financing, or both) are some options to be progressed. LGFA covenants and Regulatory aspects will be managed accordingly should alternative funding streams be engaged.

Leveraging the existing asset portfolio and divestment of existing housing are additional mechanisms which UPL can utilise, subject to Shareholder approval which must be received before proceeding with any divestment programmes. Any variation to existing debt-to-equity ratios, leveraging ratios and divestment programmes are subject to unanimous Board and Shareholder approval.

Performance Measures

The Company will meet the following measures for the next three years:

Rental Housing

1.1 Capital expenditure within budget.

1.2 Operational expenditure within budget.

1.3 Net Surplus before Depreciation and tax and after Finance Expenses as a Proportion of the Net Book Value of Residential Land and Buildings at the Start of the Year – Greater than 2.25%.

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

1.5 Percentage of total housing units occupied by predominately low-income elderly[2] greater than or equal to 85%.

1.6 Annual rental increases to be no greater than $50 per week per unit.

1.7 Increasing the portfolio size to 220 units by December 2023.

1.8 All rental housing units in the portfolio to have a HomeFit certificate by 30 June 2024.

1.9 Any rental housing units purchased and not already utilising electricity or renewable sources of energy for space heating, water heating, and cooking facilities, shall be converted to utilise only electricity or renewable sources of energy within five years of acquisition.

1.10 New rental housing units constructed by UPL to utilise only electricity or renewable sources of energy for space heating, water heating and cooking facilities.

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[2] 'Aged 65-plus/Predominantly 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.

Property Development

1.11 Capital expenditure within budget.

1.12 Operational expenditure within budget.

1.13 All new developments shall only utilise electricity or renewable sources of energy for space heating, water heating and cooking facilities.

1.14 All new housing units (standalone house or townhouse) shall achieve a certified HomeStar design rating of at least six stars.

1.15 A pre-tax return of not less than 20% on Development Costs including Contingency on each commercial development project (except where the Board and Shareholder agree otherwise to achieve specified objectives).

1.16 A pre-tax return of not less than 15% on Development Costs including Contingency on housing released to market as 'Affordable' (except where the Board and Shareholder agree otherwise to achieve specified objectives).

1.17 Value of divestment to Community Housing Providers (or socially-likeminded organisations) set at each project's Development Cost (includes contingency and GST) plus a margin of no greater than 12.5% (except where the UPL Board and Shareholder agree otherwise to achieve specified objectives).

1.18 Long term public rental accommodation pre-tax returns at no less than (or equal to) 3.5% after depreciation.[3]

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

Professional Property Advice

1.19 Achieve a market return on additional services provided to the Shareholder.

UPL Developments Limited

1.20 Undertake, negotiate and execute tender and procurement processes for and on behalf of the Partnership and 'parent' company as required.

1.21 Facilitate civil and construction contracts for and on behalf of the Partnership and 'parent' company as required.

1.22 Facilitate payment of contract progress claims for Board approved contracts as well as payments to other suppliers engaged to provide services or goods to defined development projects.

1.23 Should UPLDL be used for future developments, the same performance measures apply as for Property Development (refer above).

1.24 Act as General Partner when a Limited Partnership structure is utilised for development projects.

UPL Limited Partnership

1.25 Develop land in a manner which maximises its value at a level of risk appropriate for the investment of funds.

1.26 To perform business undertakings in common with UPL with a view to profit from development projects for the purposes of funding for the elderly housing portfolio and meeting the Shareholder's wider key priority outcomes.

1.27 Should UPLLP be used for future developments, the same performance measures apply as for Property Development (refer above).

Risk Management

Health and Safety in Employment
UPL will maintain sound industry practice with ongoing reviews of its Health and Safety policies to ensure they remain current 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-day operation of the business.

Insurances
UPL will maintain appropriate insurances to mitigate risk of portfolio damage, business interruption and professional indemnity. This will include 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. In recognising the lessened profit margins and higher commercial risk when delivering projects to Community Housing Providers, the UPL Board of Directors and Chief Executive will consider the scale, funding constraints and timing of these projects within the wider development programme. The risk appetite of the Board may have bearing on the number of CHP-focussed projects being undertaken at one time in consideration to other priorities of the SOI.

Board of Directors

The Board of Directors consists of up to six members, with the Shareholder appointing Council representation as Director(s) and Independent Directors. Directors generally serve three-year terms.

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 permanent 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 $3,000,000 or a series of transactions aggregated exceeds $750,000. However, the UPL Chief Executive has delegated authority to approve individual, project-specific capital expenditure invoices up to $750,000 + GST if the Board has unanimously approved the budget for that project.

The Board will require the agreement of the Shareholder for:

1.1 Any changes to the Constitution;

1.2 Any increases in capital and the issue of further securities, share buybacks and financial assistance;

1.3 Any alteration of rights attaching to shares;

1.4 Any arrangement, dissolution, reorganisation, liquidation, merger or amalgamation of the Company; and

1.5 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. The forecast consolidated Shareholders funds as at June 2021 is 74%. The share capital of $15.3 million consists of 27,000,001 ordinary shares on issue, of which 12,000,001 are fully paid and 15,000,000 are issued but uncalled.

Accumulated profits and capital reserves

There is no intention to pay a dividend in the 2022/23 financial year or succeeding years.

Information to be provided to Shareholders

In each year UPL shall comply with the reporting requirements specified for CCO's under the Local Government Act 2002 and the Companies Act 1993 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 two major areas of operation; Rental Housing and Land Development, 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, the Return on Equity and Return on Assets for the Period;
5. Financial statements comprising the Statement of Financial Position, Statement of Comprehensive Revenue and Expenses and Statement of Cash Flows;
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 predominately 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 two major areas of operation to enable an informed assessment of its performance including a financial comparison against budget and the Statement of Intent, the Return on Equity and Return on Assets for the Period.
10. Financial statements comprising the Statement of Financial Position, Statement of Comprehensive Revenue and Expenses and Statement of Cash Flows.
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 a subsidiary company UPL Developments 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 CCO 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 Shareholder's investment

For the year ended 30 June 2023, the estimated net value of the Shareholder's investment in Urban Plus Group will be $50.322 million.

Financial Forecasts

Planning and programming for development projects will be based on exceeding the agreed minimum financial performance thresholds as set out in the Performance Measures section for each commercial, residential portfolio, affordable housing and long term market rental development project. 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 become available, and what sales might result from those projects. Details of potential development projects will be included in the regular reporting to the Board and Shareholder.

The original target date for UPL to achieve 220 rental units was 30 June 2020. This target date will not be achieved based on the current development programme with only 189 units projected as at 30 June 2020, and the wider mandate now provided by the Shareholder. The target of 220 units is now expected to be achieved by December 2023. Between 2018 and 2021, UPL has developed and sold to the private market, 105 houses, the profits from which will fund the growth in UPL's rental portfolio without requiring ratepayer assistance.

Consolidated Statement of Financial Performance

For the Year Ended 30 June	2022	2023	2024	2025
	Forecast	Budget	Plan	Plan
REVENUE				
Rental Revenue	2,552,337	2,740,189	2,833,324	2,885,970
Other Management Fees	-	-	-	-
Finance Revenue	-	-	-	-
Commercial Development Sales	16,241,304	33,984,347	29,239,130	61,860,000
Gain on Sale of Property, Plant and Equipment	-	-	-	-
Other Revenue	-	-	-	-
Total Revenue	**18,793,641**	**36,724,536**	**32,072,454**	**64,745,970**
EXPENSES				
Personnel Expenses	945,905	1,087,665	1,109,188	1,131,192
Rates	284,165	311,229	322,122	341,731
Repairs & Maintenance	488,743	490,993	498,154	503,268
Insurance	210,862	222,479	236,993	251,415
Specialist Services	110,750	111,250	111,750	112,250
Operational Contracts	114,780	117,000	119,220	121,500
HCC Support Costs	68,004	69,360	70,740	72,156
Other Operating Expenses	380,064	383,804	386,883	390,036
Asset Write-Offs	-	-	-	-
Agents Fees & Marketing	209,130	165,200	55,200	250,000
Cost of Commercial Development Sales	11,209,049	27,814,735	21,223,286	44,069,339
Total Expenses	**14,021,452**	**30,773,715**	**24,133,535**	**47,242,887**
OPERATING SURPLUS/(DEFICIT)	**4,772,188**	**5,950,821**	**7,938,919**	**17,503,082**
Depreciation	977,411	1,006,868	1,031,442	1,045,299
Finance Expenses	524,693	515,217	691,525	554,804
NET SURPLUS/(DEFICIT) before Tax	**3,270,084**	**4,428,737**	**6,215,953**	**15,902,979**
Income Tax (Expense)/Benefit	1,015,623	1,240,046	1,740,467	4,452,834
SURPLUS/DEFICIT after TAX	**2,254,460**	**3,188,690**	**4,475,486**	**11,450,145**
Other Comprehensive Revenue and Expenses				
Gain on Property Revaluation	-	-	-	-
Less: Tax on Revaluation	-	-	-	-
Total Other Comprehensive Revenue and Expenses	-	-	-	-
TOTAL COMPREHENSIVE REVENUE and EXPENSES	**2,254,460**	**3,188,690**	**4,475,486**	**11,450,145**

Consolidated Statement of Changes in Equity

For the Year Ended 30 June	2022	2023	2024	2025
	Forecast	Budget	Plan	Plan
Balance at 1 July	**44,778,379**	**47,032,839**	**50,221,530**	**54,697,016**
Total Comprehensive Revenue and Expenses for the Year	2,254,460	3,188,690	4,475,486	11,450,145
Balance at 30 June	**47,032,839**	**50,221,530**	**54,697,016**	**66,147,160**

Consolidated Statement of Financial Position

As at 30 June	2022	2023	2024	2025
	Forecast	Budget	Plan	Plan
ASSETS				
Current Assets				
Cash & Cash Equivalents	172,737	9,460,796	294,669	30,341,092
Debtors & Other Receivables	61,579	34,743	29,943	29,943
Prepayments	-	-	-	-
Inventories	25,154,976	20,733,321	29,776,346	6,358,634
Total current assets	25,389,292	30,228,860	30,100,959	36,729,669
Non-Current Assets				
Property, Plant & Equipment	41,522,282	41,633,732	41,915,074	40,972,064
Assets Under Construction	3,987,490	4,715,764	6,574,593	9,239,684
Assets Available for Sale	-	-	-	-
Loan to Related Party	-	-	-	-
Total non-current assets	45,509,772	46,349,496	48,489,667	50,211,748
TOTAL ASSETS	**70,899,063**	**76,578,356**	**78,590,626**	**86,941,417**
LIABILITIES				
Current Liabilities				
Creditors & Other Payables	1,092,239	358,419	394,782	383,062
Employee Entitlements	24,101	24,101	24,101	24,101
Other Liabilities	565,004	565,004	565,004	565,004
Total Current Liabilities	1,681,344	947,524	983,887	972,167
Non-Current Liabilities				
Employee Entitlements	46,742	46,742	46,742	46,742
Borrowings	18,800,000	21,800,000	18,800,000	13,000,000
Deferred Tax Liability	3,338,137	3,562,560	4,062,981	6,775,348
Total Non-Current Liabilities	22,184,879	25,409,302	22,909,723	19,822,090
TOTAL LIABILITIES	**23,866,224**	**26,356,826**	**23,893,610**	**20,794,257**
NET ASSETS	**47,032,839**	**50,221,530**	**54,697,016**	**66,147,160**
EQUITY				
Retained Earnings	6,403,790	9,592,481	14,067,967	25,518,111
Share Capital	15,300,000	15,300,000	15,300,000	15,300,000
Revaluation Reserve	25,329,049	25,329,049	25,329,049	25,329,049
TOTAL EQUITY	**47,032,839**	**50,221,530**	**54,697,016**	**66,147,160**
GEARING (Debt + overdraft : Debt + Equity)	**29%**	**30%**	**26%**	**16%**

Consolidated Statement of Cash Flows

For the Year Ended 30 June	2022	2023	2024	2025
	Forecast	Budget	Plan	Plan
CASH FLOWS from OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Rent and Leases	2,712,794	2,814,932	2,838,124	2,885,970
Receipts from Management Fees	159,692	92,446	9,600	-
Receipts from Other Revenue	-	-	-	-
Interest Received	-	-	-	-
Receipts from Commercial Development Sales	16,241,304	33,984,347	29,239,130	61,860,000
	19,113,789	36,891,725	32,086,854	64,745,970
Cash was applied to:				
Payments to Employees	(945,905)	(1,087,665)	(1,109,188)	(1,131,192)
Payments to Suppliers	(7,317,417)	(17,577,025)	(31,835,140)	(22,675,083)
Interest Paid	(524,693)	(515,217)	(691,525)	(554,804)
Tax Paid	(565,004)	(1,015,623)	(1,240,046)	(1,740,467)
Costs of Commercial Development Sales	(11,295,465)	(8,488,311)	(205,470)	(30,620)
	(20,648,485)	(28,683,842)	(35,081,369)	(26,132,166)
Net Cash Flows from Operating Activities	**(1,534,696)**	**8,207,884**	**(2,994,514)**	**38,613,804**
CASH FLOWS from INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Property, Plant and Equipment	-	-	-	-
	-	-	-	-
Cash was applied to:				
Purchase and Construction of Property, Plant and Equipment	(6,196,945)	(1,919,825)	(3,171,613)	(2,767,381)
	(6,196,945)	(1,919,825)	(3,171,613)	(2,767,381)
Net Cash Flows from Investing Activities	**(6,196,945)**	**(1,919,825)**	**(3,171,613)**	**(2,767,381)**
CASH FLOWS from FINANCING ACTIVITIES				
Cash was provided from:				
Proceeds from Borrowings	10,900,000	8,800,000	26,600,000	10,600,000
	10,900,000	8,800,000	26,600,000	10,600,000
Cash was applied to:				
Repayment of Borrowings	(5,100,000)	(5,800,000)	(29,600,000)	(16,400,000)
Repayment of Advance from Hutt City Council	-	-	-	-
	(5,100,000)	(5,800,000)	(29,600,000)	(16,400,000)
Net Cash Flows from Financing Activities	**5,800,000**	**3,000,000**	**(3,000,000)**	**(5,800,000)**
NET INCREASE/(DECREASE) in CASH and CASH EQUIVALENTS	**(1,931,640)**	**9,288,059**	(9,166,127)	30,046,423
Cash and Cash Equivalents at the Beginning of the Year	2,104,377	172,737	9,460,796	294,669
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**172,737**	**9,460,796**	**294,669**	**30,341,092**

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.

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 UPL 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 Urban Plus 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 2022 to 30 June 2023. Comparative projected figures for the year ended 30 June 2024 and 30 June 2025 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 ongoing 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	2 - 69	1.45% - 50.00%
Plant and equipment	8 - 13	7.69% - 12.00%
Vehicles	7	12.76%

The residual value and useful life of an asset is reviewed and adjusted if applicable at each financial year end.

Intangible assets

Software acquisition and development
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by UPL, are recognised as an intangible asset.

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