

UPL LIMITED PARTNERSHIP

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021



Central Park on Copeland Development Project (Ron Deal Way, Epani)

PARTNERSHIP REPORT

I am pleased to report on the performance of the UPL Limited Partnership (the Limited Partnership) for the 2020/2021 financial year. The Limited Partnership has achieved a profit of \$5,654,177 which is considerably short of the expected level but attributed to factors beyond our control. Consequently, a significant portion of the anticipated profit will now fall into the 2021/2022 financial year.

During the year the Limited Partnership completed and settled thirty-six (36) properties; thirty-one (31) of a total of thirty-four (34) of those at the Central Park on Copeland development in Epuni, with the other five (5) of twenty-seven (27) settlements occurring at The Lane in Waterloo. These developments offered both two- and three-bedroom townhouses to the market – some being released at \$535,000 and \$550,000 to 'first home buyers'. Both projects saw a mix of first home owners (utilising Kiwisaver), owner-occupiers and some investors. Completion and settlement of the remaining properties will be within the 2021/2022 financial year.

The Board and the management of the Limited Partnership continue to pursue its strategic focus during the year with the emphasis on:

- 1.1 Developing land in a manner which maximises its value at an appropriate level of risk for the investment of funds; and
- 1.2 Carrying out business undertakings in common with Urban Plus Limited with a view to deriving profits from development projects for the purpose of funding the growth of our housing portfolio for the elderly.
- 1.3 Looking to establish relationships with HUDs and CHPs for the establishment of new opportunities of mutual benefit.

Financial Performance

The Limited Partnership achieved a profit of \$5,654,177 for the 2020/2021 financial year on revenues of \$19,177,491.

Whilst the result did not achieve the budgeted profit of \$9,946,716 on the budgeted sales of \$32,760,760, the shortfall and variance is solely due to the timing of project completion resulting in some settlements now falling within the 2021/2022 financial year. The delays were due to the highly stretched construction industry (both materials and resourcing) which stems from the effects of COVID-19 pandemic.

The Market

Currently the overall Wellington Region property market continues to be strong. Housing supply is tight and the demand for affordable housing increasing significantly. This combined with the lowest interest rates experienced in all our lifetime, has continued the upward pressure on market demand. The Government's recent housing market interventions have not significantly dampened the heat in the market as anticipated, and land values continue to rise all over Lower Hutt as developers become more aggressive in the competition to secure suitable land parcels. Suburbs that have not traditionally seen regular increases in property values are experiencing strong interest from the market to sell, with properties fetching well over \$1m becoming more regular over recent months.

Whilst noting a degree of increasing difficulty in buyers securing funding from the banks, the demand for affordable homes continues to exceed supply at this point in time, giving us confidence for the continuation of identifying and sourcing development projects covering medium density housing projects.

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



On behalf of the General Partner

Current Projects:

THE LANE - WATERLOO DEVELOPMENT: WATERLOO

An exciting new subdivision featuring twenty-seven (27) fee simple sections with a range of standalone, two and three bedroom townhouses in Waterloo. This project is sold out and is set for completion in late 2021.



CENTRAL PARK ON COPELAND, EPUNI

A subdivision featuring thirty-four (34), fee simple sections with a range of two- and three-bedroom townhouses close to local amenities. This project has sold out and was very popular amongst first home buyers and young families. This project is set for completion in late 2021.



BROOK STREET, WATERLOO

Resource consent has just been submitted for UPL's next 'for market release' medium-density development in Waterloo. This project will provide discounted two- and three-bedroom townhouses to first home buyers and owner-occupiers in a highly sought-after location.



BRITANNIA STREET, PETONE

This project is earmarked for on-sell to a Community Housing Provider (CHP) upon completion. Comprising a mix of fourteen (14) one-, two- and three-bedroom units, resource consent has recently been submitted to council. Completion and handover occurs in 2022.



INTEREST REGISTER

UPL Limited Partnership	Interests
Directors	
Brian Joseph Walshe (Chair) (Directorship ceased 30 June 2021)	Azure Developments Limited (Trustee of sons Trust) Chan Fung Buildings Limited, Shareholder City Stay Apartments, Advisory Board Domet Investments Limited, Shareholder Gary Baker Trustees Limited, Director Kensway Property Consultants, Advisory Board (ceased 31st March 2021) Laura Fergusson New Zealand Limited Laura Fergusson Trust Pointhree Limited Scratch Design (NZ) Limited, Shareholder Seaview Marina Limited, Director Te Omanga Hospice Trust The Integral Group Limited, Advisory Board The Settlement Limited (Trustee of sons Trust) UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director
Hugh Nicholas Mackenzie	Christchurch Justice & Emergency Services Precinct's Disputes, Advisory Board (ceased 28 February 2020) Dunedin Hospital for the Ministry of Health, Disputes Advisory Board Member HMAC Consulting Limited, Director Kensway Property Group, Advisory Board (ceased 31st March 2021) Medallion Trading Limited, Shareholder St Pauls Apartments Body Corporate, Advisory Board UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director
Cr Keri-Anne Pania Brown	Arakura School Board Hutt City Councillor – Wainuiomata Ward Hutt Valley DHB Board Logistics Manager, Fulton Hogan / John Holland (Partner) Shea Pita Associates Limited, Associate Urban Plus (Mother is a tenant in Bell Road) UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director Wainuiomata Community Board
Peter Edwin Glensor (from October 2020)	Common Life Limited, Director & Shareholder Hutt City District Licencing Committee, Member Lifewise Trust Board, Trustee Palmerston North Methodist Social Services, Board Member Problem Gambling Foundation, Board Member Shetland Society of Wellington, President Te Reo o Nga Tangata/The People Speak, Member UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director Wesley Community Action, Chairman Neighbours Day Aotearoa - Trustee
Pamela June Bell (Chair) (from 1 October 2020) (Chair from 1 July 2021)	Brosnan Group*, Director *Brosnan Group is made up of the below commercial construction companies: - Brosnan Limited - Brosnan Construction Limited - Brosnan Construction Canterbury - Brosnan Holdings Limited - Bettabuilt NI Limited ConCOVE, Board Member

	<p>Kainga Ora Home and Communities' Construction and Innovation Group – Construction Plan Lead Pamela Bell Innovation Consultant – Sole-trader Project Bellbird Limited, Director & Shareholder UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director Victoria University of Wellington – Adjunct Professor at School of Architecture Seaview Marina - Director</p>
<p>Petelo (Peter) Fa'afiu (From 1 April 2021)</p>	<p>Amnesty International Movement / Amnesty International Charity Limited - Global Director Bledisloe Park Multi-sport centre, Board member Core Education Limited, Director Counties-Manukau Rugby Football Union, Independent Director Monte Cecilia Housing Trust, Bishop's Representative / Board Member Navigator Limited, Shareholder Pacific Media Network / National Pacific Radio Trust - Chair (term ends June 2021) Sacred Heart College (Auckland) Property Committee – Member UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director</p>
<p>Cameron Madgwick (From 1 April 2021)</p>	<p>Laura Fergusson Trust – Chair (Wellington) Laura Fergusson Trust – Trustee (NZ) Deputy Chair Laura Fergusson NZ Limited – Director and Deputy Chair GNS Strategic Science User Advisory Board Gibson Sheat Lawyers – Chief Executive UPL Developments Limited, Director UPL Limited Partnership, Director Urban Plus Limited, Director</p>
<p>Chief Executive</p>	
<p>Daniel Christopher Moriarty</p>	<p>DNA Family Trustee Limited, Shareholder DNA Holdings (2018) Limited, Director</p>

STATEMENT OF SERVICE PERFORMANCE

Measure	Target 2021	Achievement 2021	Target 2020	Achievement 2020
To develop land in a manner which maximises its value at a level of risk appropriate for the investment of funds.	Develop land in a manner which maximises its value at a level of risk appropriate for the investment of funds	Achieved	Develop land in a manner which maximises its value at a level of risk appropriate for the investment of funds	Achieved
To perform business undertakings in common with Urban Plus Limited with a view to profit from development projects for the purposes of funding elderly housing portfolio.	Perform business undertakings in common with Urban Plus Limited with a view to profit from development projects for the purposes of funding elderly housing portfolio	Achieved	Perform business undertakings in common with Urban Plus Limited with a view to profit from development projects for the purposes of funding elderly housing portfolio	Achieved
Capital expenditure within budget. ¹	\$24,632,654	Achieved \$14,496,859	\$19,039,739	Achieved \$10,634,601
Operational expenditure within budget. ²	\$505,924	Achieved \$239,389	\$616,717	Achieved \$356,794
From 1 July 2019, any new developments not already resource consented as at 30 June 2019, shall only utilise electricity or renewable sources of energy for space heating, water heating and cooking facilities.	All developments consented after 30 June 2019 to utilise only electricity and renewable energy sources for space heating, water heating and cooking facilities	Achieved All developments consented after 30 June 2019 have only utilised electricity and renewable energy sources for space heating, water heating and cooking facilities	All developments consented after 30 June 2019 to utilise only electricity and renewable energy sources for space heating, water heating and cooking facilities	Achieved All developments consented after 30 June 2019 have only utilised electricity and renewable energy sources for space heating, water heating and cooking facilities
By the year ending 30 June 2021, at least one housing unit (standalone house or townhouse) shall achieve a certified HomeStar™ rating of at least six stars. ³	One or more units to achieve a HomeStar™ rating of at least six stars	Not Achieved A HomeStar™ design rating of six stars was achieved for the Molesworth Street project, but was not received until after 30 June 2021 ⁴	One or more units to achieve a HomeStar™ rating of at least six stars	Not Achieved A HomeStar™ rating application was submitted for one unit at The Lane, but the result of the application has not yet been received
A return of not less than 20% on Development Costs including Contingency on each commercial development project	20%	N/A No commercial development projects were completed during the year to 30 June 2021	N/A (New measure in 2021)	N/A (New measure in 2021)

¹ Capital expenditure relates to expenditure on property development projects. These properties are developed for sale and held as inventory rather than being capitalised at completion. This expenditure includes interest expenses.

² Operational expenditure excludes cost of commercial development sales.

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

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

Measure	Target 2021	Achievement 2021	Target 2020	Achievement 2020
A return of not less than 15% on Development Costs including Contingency on housing released to market as 'Affordable'.	15%	N/A No housing was released to the market as 'Affordable' during the year to 30 June 2021	N/A (New measure in 2021)	N/A (New measure in 2021)
Value of divestment to Community Housing Provider (or socially-likeminded organisations) set at each project's Development Cost (includes contingency and GST) plus a margin of no less than 10%	10%	N/A No divestments to Community Housing Providers were made during the year to 30 June 2021	N/A (New measure in 2021)	N/A (New measure in 2021)
Long term public rental accommodation returns at no less than (or equal to) 3.5% after depreciation. ⁵	3.5%	N/A No long term rental accommodation was developed during the year to 30 June 2021	N/A (New measure in 2021)	N/A (New measure in 2021)

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

Independent Auditor's Report

To the readers of UPL Limited Partnership's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of UPL Limited Partnership (the limited partnership). The Auditor-General has appointed me, Andrew Clark, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the limited partnership on his behalf.

Opinion

We have audited:

- the financial statements of the limited partnership on pages 13 to 21, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the limited partnership on page 6 and 7.

In our opinion:

- the financial statements of the limited partnership on pages 13 to 21:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime; and
- the performance information of the limited partnership on page 6 and 7 presents fairly, in all material respects, the limited partnership's actual performance compared against the performance targets and other measures by which performance was judged in relation to the limited partnership's objectives for the year ended 30 June 2021.

Our audit was completed on 30 November 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the impact of Covid-19 on the limited partnership. In addition, we outline the responsibilities of the General Partner and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

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

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

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

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

The General Partner is responsible on behalf of the limited partnership for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The General Partner is also responsible for preparing the performance information for the limited partnership.

The General Partner is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the General Partner is responsible on behalf of the limited partnership for assessing the limited partnership's ability to continue as a going concern. The General Partner is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the General Partner is intends to liquidate the limited partnership or to cease operations, or has no realistic alternative but to do so.

The General Partner's responsibilities arise from the Local Government Act 2002 and the Limited Partnerships Act 2008.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the limited partnership's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the limited partnership's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner.
- We evaluate the appropriateness of the reported performance information within the limited partnership's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the General Partner and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the limited partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the limited partnership to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial

statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the General Partner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The General Partner is responsible for the other information. The other information comprises the information included on pages 2 to 21, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the limited partnership in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



Andrew Clark
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

FINANCIAL STATEMENTS

Statement of Compliance and Responsibility

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

Responsibility

The Board and management of the Limited Partnership accept responsibility for the preparation of the annual Financial Statements and the Statement of Service Performance and the judgements used in them.

The Board have authority to sign these financial statements.

The Board and management of the Limited Partnership accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Board and management of the Limited Partnership, the annual Financial Statements and the Statement of Service Performance for the year ended 30 June 2021 fairly reflect the financial position and operations of the Limited Partnership.



Pamela Bell
Chair

30 November 2021



Hugh Mackenzie
Director

30 November 2021

Statement of Comprehensive Income for the Year Ended 30 June 2021

Notes	Actual 2021	Budget 2021	Actual 2020
Revenue			
Property rents / leases	9,019	-	-
Finance revenue	14,125	-	11,977
Sale of commercial developments	19,154,348	32,760,760	11,086,822
Total revenue	19,177,491	32,760,760	11,098,798
Expenses			
Cost of commercial development sales	13,283,789	22,308,120	7,321,102
Fees for the audit of the financial statements	27,160	26,500	26,413
Specialist services	195	19,674	7,931
Marketing expenses	202,896	459,630	309,585
Rates	-	-	-
Finance expenses	-	-	-
Other expenses	22,436	120	12,865
Total expenses	13,536,475	22,814,044	7,677,896
Profit / (Loss)	5,641,016	9,946,716	3,420,902
Total comprehensive income	5,641,016	9,946,716	3,420,902

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

Statement of Changes in Equity for the Year Ended 30 June 2021

	Actual 2021	Budget 2021	Actual 2020
Balance at 1 July	6,889,582	8,453,853	3,468,680
Total comprehensive income for the year	5,641,016	9,946,716	3,420,902
Balance at 30 June	12,530,598	18,400,569	6,889,582

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

Statement of Financial Position as at 30 June 2021

	Notes	Actual 2021	Budget 2021	Actual 2020
Current assets				
Cash & cash equivalents	2	279	4,320,668	978
Debtors and other receivables	2	-	-	-
Prepayments	2	85,000	-	149,673
Inventories	3	13,926,871	15,041,334	12,716,801
Total current assets		14,012,150	19,362,002	12,867,452
Total Assets				
		14,012,150	19,362,002	12,867,452
Current liabilities				
Trade & other payables	2	203,807	961,433	136,147
Borrowings from related parties	4	1,197,791	-	4,097,000
Other liabilities	5	79,953	-	180,453
GST Payable		-	-	1,564,270
Total current liabilities		1,481,552	961,433	5,977,870
Total liabilities				
		1,481,552	961,433	5,977,870
Net assets				
		12,530,598	18,400,569	6,889,582
Equity				
Accumulated funds		12,530,598	18,400,569	6,889,582
Total equity		12,530,598	18,400,569	6,889,582

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

Statement of Cash Flows for the Year Ended 30 June 2021

	Actual 2021	Budget 2021	Actual 2020
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Rental Revenue	9,019	-	-
Interest received	14,125	-	11,977
Receipts from sales of commercial developments	19,154,347	32,760,760	11,086,822
	19,177,491	32,760,760	11,098,799
<i>Cash was applied to:</i>			
Payments to suppliers	(58,091)	(299,740)	(511,831)
Interest paid	(289,813)	(256,323)	(163,061)
Cost of commercial developments	(14,266,307)	(23,788,007)	(10,888,900)
	(14,614,211)	(24,344,070)	(11,563,792)
Net cash flows from operating activities	4,563,280	8,416,690	(464,992)
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Advance from Urban Plus Limited	4,242,791	10,453,000	10,631,168
Proceeds from borrowings	-	-	-
	4,242,791	10,453,000	10,631,168
<i>Cash was applied to:</i>			
Repayment of borrowings	(8,806,770)	(14,550,000)	(10,166,262)
	(8,806,770)	(14,550,000)	(10,166,262)
Net cash flows from financing activities	(4,563,979)	(4,097,000)	464,906
Net increase / (decrease) in cash & cash equivalents	(699)	4,319,690	(86)
Cash & cash equivalents at the beginning of the year	978	978	1,064
Cash & cash equivalents at the end of the year	279	4,320,668	978

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

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

REPORTING ENTITY

UPL Limited Partnership is a 100 percent owned council controlled organisation of Urban Plus Limited (UPL). The Limited Partnership was incorporated on 20 January 2017 and changed its name to UPL Limited Partnership on 4 May 2018. UPL Developments Limited is the General Partner to the partnership.

The primary objective of the Limited Partnership is to develop properties in the Hutt Valley area for profit.

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

The financial statements of the Limited Partnership are for the year ended 30 June 2021. The financial statements were authorised for issue by the Board of Directors on 30 November 2021.

BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared on a going concern basis.

The accounting policies have been applied consistently throughout the period.

These financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with NZ International Financial Reporting Standards Reduced Disclosure Regime, as appropriate for a profit oriented entity. The Limited Partnership is not considered large for the purposes determining the appropriate reporting tier and has opted to report as a Tier 2 entity applying NZIFRS with Reduced Disclosure Requirements.

Measurement base

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in New Zealand dollars. The functional currency is New Zealand dollars. The Limited Partnership has not entered into any foreign currency transactions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Debtors and other receivables

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

Revenue

Revenue is measured at the fair value of consideration received.

Revenue from Contracts with Customers includes property development sales, where revenue is recognised upon satisfaction of performance obligations. UPL Limited Partnership recognises revenue from the sale of property developments at a point in time, at which it transfers the risks and rewards and control of the property to the end buyer on an agreed settlement date. Expenses associated with property developments are recognised on settlement date.

Interest income is recognised using the effective interest method.

Goods and services tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

Commitments and contingencies are disclosed exclusive of GST.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Income tax

UPL Limited Partnership is a flow-through entity for New Zealand Income Tax purposes. The profits and losses of the Limited Partnership are attributed directly to the partners.

Budget figures

The budget figures are those approved by the Board at the beginning of the year. The budget figures have been prepared in accordance with Tier 2 standards, using accounting policies that are consistent with those adopted by the Board for the preparation of the financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, the Limited Partnership has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the reporting period in which the revision is made and in any future periods that will be affected by those provisions. There have been no critical judgements made.

2. Categories of financial instruments

Accounting Policy

The Limited Partnership is party to financial instrument arrangements as part of its normal operations. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Income.

All financial instruments are recognised in the Statement of Financial Position on the basis of the Limited Partnership's accounting policies. All financial instruments disclosed on the Statement of Financial Position are recorded at amortised cost.

	2021	2020
Financial assets		
<i>Financial assets at amortised cost</i>		
Cash & cash equivalents	279	978
Debtors and other receivables	-	-
Prepayments	85,000	149,673
Total financial assets	85,279	150,651
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Other liabilities	79,953	180,453
Borrowings	1,197,791	4,097,000
Trade and other payables	203,807	136,147
Total financial liabilities	1,481,552	4,413,600

3. Inventory

Accounting Policy

Where development property is held for sale or for development for sale, in the ordinary course of business, it is classified as inventory. Such property is recorded at the lower of cost and net realisable value (selling price less costs to complete and sale costs). Any write-downs to net realisable value are expensed in the profit / (loss) for the year.

	2021	2020
Commercial property development at 1 July	12,716,801	9,403,302
Cost of Sales of Commercial Development Property	(13,283,789)	(7,321,102)
Additional Developments during the year	14,493,859	10,634,601
Commercial property development at 30 June	13,926,871	12,716,801

No inventory has been pledged as security for liabilities.

The Limited Partnership are obligated to promptly remedy any defects or faults in the construction of the properties it sells which arise from faulty workmanship or materials if notified of the fault by the purchaser within 12 months of the settlement date. The cost of this obligation is difficult to estimate but is not expected to be material.

4. Borrowings

Accounting Policy

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Limited Partnership has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing costs

Borrowing costs directly attributable to the construction of a 'qualifying asset' (the Limited Partnership's commercial developments intended for sale – inventory) are capitalised. Total interest capitalised in the year to 30 June 2021 was \$289,813 (2020: \$169,625). Once properties are sold the borrowing costs and other inventory associated with the sale are expensed on settlement as cost of sales.

	2021	2020
Loans from related parties	1,197,971	4,097,000
Total borrowings - current	1,197,791	4,097,000

5. Other liabilities

	2021	2020
Current Portion		
Due to related parties	79,953	180,453
Total other liabilities – current portion	79,953	180,453

6. Remuneration

Key management personnel consist of the Board members of the general partner. Board members receive no remuneration.

Due to the difficulty in determining the full-time equivalent for Board members, the full-time equivalent figure is taken as the number of Board members.

Board Members	2021	2020
B Walshe, Chair	1.00	1.00
H MacKenzie	1.00	1.00
K Brown	1.00	1.00
P Bell	1.00	-
P Glensor	1.00	-
P Fa'afiu	1.00	-
C Madgwick	1.00	-
	7.00	3.00

7. Related Party Disclosures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	2021	2020
Sales and purchases of goods and services		
Payment of management services to UPL Developments Limited	155,846	180,765
Payment of interest to Urban Plus Limited	289,813	163,061
Purchase of land from Hutt City Council	-	485,000
Purchase of Part of 51 Hall Crescent from Urban Plus Limited	-	163,061

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

	2021	2020
Current payables (purchase of goods and services)		
Borrowings from Urban Plus Limited	1,197,791	4,097,000
Advance from Urban Plus Limited	79,953	180,453

8. Capital commitments

CAPITAL COMMITMENTS

Capital commitments as at 30 June 2021 amounted to \$nil (2020: \$nil).

9. Contingent liabilities and assets

CONTINGENT ASSETS

As at 30 June 2021 the Limited Partnership had no contingent assets, (2020: \$nil).

CONTINGENT LIABILITIES

As at 30 June 2021 the Limited Partnership had no contingent liabilities, (2020: \$nil).

10.Explanation of major variances against budget

STATEMENT OF FINANCIAL PERFORMANCE

Overall, the Limited Partnership achieved a profit of \$5.654m, compared with the budgeted profit of \$9.947m. The shortfall against budget is largely due to three Central Park settlements and 22 The Lane settlements being delayed until after 30 June 2021 which were budgeted to occur before. Hence revenue and expenses for the year were lower than planned.

All Central Park and The Lane properties are scheduled to be settled by the end of October 2021.

STATEMENT OF FINANCIAL POSITION

Borrowings are higher than planned due to the timing delays in the settlement of the Central Park and The Lane properties.

Inventories are lower than budget due to budgeted acquisitions being delayed until after 30 June 2021, this is partially offset by inventory balances for the delayed Central Park and The Lane settlements.

11.Events after balance date

New Zealand went to Covid-19 alert level 4 at 11.59pm on 17 August 2021, resulting in the closure of the Limited Partnerships construction sites. Construction sites were reopened at alert level 3 (1 September 2021) with the relevant safety protocols in place. The closure of construction sites during this period did not have a material impact on operations.

There have been no other significant events since balance date (2020: No significant event after balance date).

12.Impact of COVID-19

There is notable on-going impact from the global Covid-19 pandemic in regards to the Partnership's projects which have experienced delays in materials getting to site, and a significant shortfall in resourcing in all areas of residential construction and management capabilities.

Supply chains and resourcing on sites (via third parties) have been, and continue to be, highly constrained. There are long delays for products coming from overseas with ports being overwhelmed at the high volumes, and on-site incidents of theft and loss of product has notably increased in recent months. With minimal (if any) international immigration, the residential construction industry is experiencing significant labour and resource shortages in all areas. The impact is expected to continue, and potentially increase, in the next 1-2 years as the housing supply continues to be stretched. The above issues have impacted programme, and caused settlements to be delayed from what was originally anticipated.