



# UPL LIMITED PARTNERSHIP

## ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018



Fairfield Waters Development Project

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# PARTNERSHIP REPORT

I am pleased to report on the performance of the UPL Limited Partnership (the Limited Partnership) for the 2017/18 financial year. The Limited Partnership had a strong year achieving a significant maiden profit of \$2.066m and positioning itself for its future growth.

This year the Limited Partnership completed and sold out its first significant subdivision "Fairfield Waters", comprising twenty homes. However, revenue, development costs, and profit for only 14 of the houses, which had settled before 30 June 2018, was recognised in the 2017/18 financial year. The remaining 6 houses settled in July 2018 and will be recognised in the 2018/19 financial year.

Sales and construction of the "Parkview" project, comprising 24 standalone homes in Avalon, was started.

The Limited Partnership lodged resource consent applications during the year for two townhouse projects in Lower Hutt of thirty four and twenty eight townhouses.

Please see an outline of current and future projects on Pages 3 and 4 of this report.

The Board and the management of the Limited Partnership continued to pursue its strategic focus during 2017/18, where the emphasis was on:

- 1.1 Developing land in a manner which maximises its value at a level of risk appropriate for the investment of funds; and,
- 1.2 Performing business undertakings in common with Urban Plus Limited with a view to deriving profits from development projects for the purposes of funding for the elderly housing portfolio.

## Financial Performance

The Limited Partnership achieved a profit of \$2.066m for the 2017/18 financial year on revenues of \$8.046m.

For the future the Limited Partnership will continue to deliver quality, scale and affordable housing projects for 2018/19 and beyond.

## The Market

The overall Wellington property market in 2017/18 continues to be particularly strong and reflects what is happening across a number of New Zealand provincial centres as Auckland investors seek higher yields than those available in Auckland. Housing supply, particularly for new houses, is tight. This combined with lower interest rates, has continued the upward pressure on market demand.

It is our view that the Lower Hutt market will remain 'strong over the next year', however it is uncertain as to when the housing market may soften. Our focus will therefore remain on prudent levels of debt and development choices that will enable us to manage through any softening in the market in the medium term.

We will be striving to achieve success in the 2018/19 year.



On behalf of the General Partner

## Completed Projects:

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### **FAIRFIELD WATERS DEVELOPMENT: GLEN EVANS CRES**

The Fairfield Waters project was Urban Plus' first large scale development boasting twenty new homes across three broad housing styles; two-storey townhouses, single-storey homes and two-storey terraced housing.



## Current Projects:

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### **AVALON PARK DEVELOPMENT: PARKVIEW**

An exciting new subdivision featuring x24 fee simple sections with a range of boutique, three bedroom family homes in the peaceful surrounds of Avalon Park. This project is set for completion in 2019.



## Future Projects:

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### **COPELAND STREET DEVELOPMENT: CENTRAL PARK**

A subdivision featuring x34, fee simple sections with a range of two and three bedroom townhouses close to local amenities. This project is expected to be very popular amongst first home buyers and young families.



**BAUCHOP ROAD DEVELOPMENT:**

Similar to Central Park, this development will provide a mix of two and three bedroom townhouses (x28 in total), and will appeal to a wide range of people looking to secure quality new housing products.



# INTEREST REGISTER

Directors of General Partner	Interests
Brian Joseph Walshe (Chair)	Adelaide Commercial Limited, Director Burdan's Gate Properties Limited, Director Chan Fung Buildings Limited City Stay Apartments, Advisory Board Domet Investments Limited Gary Baker Trustees Limited, Director Kensway Property Consultants, Advisory Board Laura Fergusson New Zealand Limited Laura Fergusson Trust Pointhree Limited Scratch Design (NZ) Limited Seaview Marina Limited Te Omanga Hospice Trust The Integral Group Limited, Advisory Board UPL Developments Limited, Director ( <i>previously: Fairfield Waters Limited</i> ) Urban Plus Limited, Director
David Bassett	BJB Forestry Partnership Guildford Pastoral Limited, Director H <sub>2</sub> O New Zealand Limited, Director Hutt City Auto Services Limited Hutt City Council, Deputy Mayor The Terrace - Martinborough Limited, Director UPL Developments Limited, Director ( <i>previously: Fairfield Waters Limited</i> ) Urban Plus Limited, Director Wellington Water Governance Committee, Chair
Hugh Nicholas Mackenzie	Christchurch Justice & Emergency Services Precinct's Disputes, Advisory Board Feeming Limited, Director (Removed 14/08/2017) HMAC Consulting Limited, Director Kensway Property Group, Advisory Board Medallion Trading Limited St Pauls Apartments Body Corporate, Advisory Board Shandon Golf Club, Board Member UPL Developments Limited, Director ( <i>previously: Fairfield Waters Limited</i> ) Urban Plus Limited, Director

# STATEMENT OF SERVICE PERFORMANCE

UPL Limited Partnership (the Limited Partnership) performs business undertakings in common with Urban Plus Limited (UPL) with a view to profit from housing development projects for the purposes of funding the development of UPL's residential housing portfolio for the low income elderly, by developing land in a manner which maximises its value at a level of risk appropriate for the funds invested.

Measure	Target 2018	Achievement 2018
<b>Fairfield Waters Development</b>		
Capital expenditure within budget*	\$7,421,346	<b>Achieved</b> \$5,685,421
Operational expenditure within budget**	\$395,458	<b>Achieved</b> \$294,344
Return after tax and interest***	10.0%	<b>Achieved</b> 25.0%

\*Capital expenditure includes interest expenses

\*\* Operational expenditure excludes cost of commercial development sales

\*\*\* The return after tax and interest is calculated by taking the company tax rate (28%) off the profit and dividing by cost of development sales and direct costs attributable to the development.



## Independent Auditor's Report

### To the readers of UPL Limited Partnership's financial statements and performance information for the year ended 30 June 2018

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 12 to 20, that comprise the statement of financial position as at 30 June 2018, 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.

In our opinion:

- the financial statements of the limited partnership on pages 12 to 20:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; 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 4 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 2018.

Our audit was completed on 20 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the 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 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 Partnership 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/shareholders, 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 and 3, 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(Revised): 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, apart from the requirement outlined in note 13 of this annual report.

## 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 2018 fairly reflect the financial position and operations of the Limited Partnership.



**Brian Walshe**  
Chairman

20 September 2018



**David Bassett**  
Director

20 September 2018

### Statement of Comprehensive Income for the Year Ended 30 June 2018

	Actual 2018	Budget 2018	Actual 2017
Finance revenue	4,874	-	-
Sale of commercial developments	8,041,199	10,086,957	-
<b>Total revenue</b>	<b>8,046,073</b>	<b>10,086,957</b>	<b>-</b>
Cost of commercial development sales	5,685,421	7,237,699	-
Fees for the audit of the financial statements	15,422	15,422	15,422
Marketing expenses	255,262	190,143	32,435
Rates	6,772	6,121	2,039
Other expenses	16,888	125	14
Finance expenses	-	183,647	19,416
<b>Total expenses</b>	<b>5,979,765</b>	<b>7,633,157</b>	<b>69,326</b>
<b>Profit / (Loss)</b>	<b>2,066,308</b>	<b>2,453,800</b>	<b>(69,326)</b>
Subvention payments	-	2,399,895	-
<b>Profit / (Loss) after subvention payments</b>	<b>2,066,308</b>	<b>53,905</b>	<b>(69,326)</b>
<b>Total comprehensive income</b>	<b>2,066,308</b>	<b>53,905</b>	<b>(69,326)</b>

Explanations of the major variances against budget are provided in note 11. The accompanying notes form part of these statements.

### Statement of Changes in Equity for the Year Ended 30 June 2018

	Actual 2018	Budget 2018	Actual 2017
<b>Balance at 1 July</b>	<b>(69,326)</b>	<b>(53,905)</b>	<b>-</b>
Total comprehensive income for the year	2,066,308	53,905	(69,326)
<b>Balance at 30 June</b>	<b>1,996,982</b>	<b>-</b>	<b>(69,326)</b>

Explanations of the major variances against budget are provided in note 11. The accompanying notes form part of these statements.

## Statement of Financial Position as at 30 June 2018

	Notes	Actual 2018	Budget 2018	Actual 2017
<b>Current Assets</b>				
Cash & cash equivalents		1,755,963	209,187	1,156
Debtors and other receivables		168	-	-
Inventories	6	1,767,800	-	1,814,946
<b>Total current assets</b>	4	<b>3,523,931</b>	<b>209,187</b>	<b>1,816,102</b>
<b>Total assets</b>				
		<b>3,523,931</b>	<b>209,187</b>	<b>1,816,102</b>
<b>Current Liabilities</b>				
Trade & other payables		74,037	209,187	153,708
Borrowings from related party	8	392,000	-	1,500,000
Other liabilities	2	1,060,912	-	231,720
<b>Total current liabilities</b>	4	<b>1,526,949</b>	<b>209,187</b>	<b>1,885,428</b>
<b>Total liabilities</b>				
		<b>1,526,949</b>	<b>209,187</b>	<b>1,885,428</b>
<b>Net assets (assets minus liabilities)</b>				
		<b>1,996,982</b>	<b>-</b>	<b>(69,326)</b>
<b>Equity</b>				
Accumulated funds		1,996,982	-	(69,326)
<b>Total equity</b>		<b>1,996,982</b>	<b>-</b>	<b>(69,326)</b>

Explanations of the major variances against budget are provided in note 11. The accompanying notes form part of these statements.

## Statement of Cash Flows for the Year Ended 30 June 2018

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 June 2018		
	Actual 2018	Actual 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Interest received	4,706	-
Receipts from sales of commercial developments	8,041,199	-
	<b>8,045,905</b>	<b>-</b>
<i>Cash was applied to:</i>		
Payments to suppliers	(283,614)	(34,474)
Interest paid	(150,224)	(19,430)
Cost of commercial developments	(5,578,452)	(1,676,660)
	<b>(6,012,290)</b>	<b>(1,730,564)</b>
<b>Net cash flows from operating activities</b>	<b>2,033,615</b>	<b>(1,730,564)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Advance from Urban Plus Limited	829,192	231,720
Proceeds from borrowings	-	1,500,000
	<b>829,192</b>	<b>1,731,720</b>
<i>Cash was applied to:</i>		
Repayment of borrowings	(1,108,000)	-
	<b>(1,108,000)</b>	<b>-</b>
<b>Net cash flows from financing activities</b>	<b>(278,808)</b>	<b>1,731,720</b>
<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>	<b>1,754,807</b>	<b>1,156</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year	1,156	-
<b>CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR</b>	<b>1,755,963</b>	<b>1,156</b>

Explanations of the major variances against budget are provided in note 11. The accompanying notes form part of these statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Statement of Accounting Policies

### REPORTING ENTITY

UPL Limited Partnership, formerly Fairfield Limited Partnership (the "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. These financial statements

represent the second, but first full year, of operations. 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 2018. The financial statements were authorised for issue by the Board of Directors on 20 September 2018.

## **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.

Property sales are recognised on settlement date, along with the related expenses.

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.

### **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. Once properties are sold the borrowing costs and other inventory associated with the sale are expensed on settlement as cost of sales.

### **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**

A 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.

### **Inventory**

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.

### **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. Other liabilities

	2018	2017
<b>Current Portion</b>		
Due related parties	1,060,912	231,720
<b>Total other liabilities - current portion</b>	<b>1,060,912</b>	<b>231,720</b>

## 3. 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	2018	2017
B Walshe, Chair	1.00	1.00
D Bassett	1.00	1.00
H MacKenzie	1.00	0.25
A Stewart	-	0.75
A Finlayson	-	0.75
	<b>3.00</b>	<b>3.75</b>

## 4. Categories of financial instruments

	2018	2017
<b>Financial Assets</b>		
<i>Loans and receivables</i>		
Cash and cash equivalents	1,755,963	1,156
Debtors and other receivables	168	-
<b>Total financial assets</b>	<b>1,756,131</b>	<b>1,156</b>
<b>Financial Liabilities</b>		
<i>Financial liabilities at amortised cost:</i>		
Other liabilities	1,060,912	231,720
Borrowings	392,000	1,500,000
Trade and other payables	74,037	153,708
<b>Total financial liabilities at amortised cost</b>	<b>1,526,949</b>	<b>1,885,428</b>

## 5. 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:

	2018	2017
<i>Sales and purchases of goods and services</i>		
Sale of property to an employee	804,258	-
Payment of management services	31,031	15,175
Payment of rates to Hutt City Council	6,772	2,039
Payment of interest to parent	150,224	19,416

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

	2018	2017
<i>Current payables (purchase of goods and services)</i>		
Borrowings from parent	392,000	1,500,000
Advance from parent	1,060,912	231,720

## 6. Inventory

	2018	2017
<b>Commercial property development at 1 July</b>	1,814,946	-
Transfers In from UPL	-	276,394
Cost of Sales of Commercial Development Property	(5,685,421)	-
Additional Developments during the year	5,638,275	1,538,552
<b>Commercial property development at 30 June</b>	<b>1,767,800</b>	<b>1,814,946</b>

No inventory has been pledged as security for liabilities.

## 7. Borrowing costs

Borrowing costs at the end of the reporting period totalled \$150,224. As these costs were directly attributable to the Fairfield Waters development, they were capitalised as part of inventory. During the reporting period, 14 of the 20 houses under development settled and \$129,504 of borrowing costs were expensed and included within Cost of sales.

## 8. Borrowings

	2018	2017
Loans from related parties	392,000	1,500,000
<b>Total borrowings - current</b>	<b>392,000</b>	<b>1,500,000</b>

## 9. Capital commitments and operating leases

### *CAPITAL COMMITMENTS*

Capital commitments as at 30 June 2018 amounted to \$ nil (2017: \$ nil).

### *OPERATING LEASES AS LESSEE*

The Limited Partnership had \$nil commitments for operating leases as at 30 June 2018 (2017: \$nil).

### *OPERATING LEASES AS LESSOR*

The Limited Partnership had \$nil commitments for operating leases as at 30 June 2018 (2017: \$nil).

## 10. Contingent liabilities and assets

### *Contingent Assets*

As at 30 June 2018 the Limited Partnership had no contingent assets, (2017: \$nil).

### *Contingent Liabilities*

As at 30 June 2018 the Limited Partnership had no contingent liabilities, (2017: \$nil).

## 11. Explanation of major variances against budget

### *Statement of Financial Performance*

Overall, the Limited Partnership achieved a profit before subvention payments of \$2.066m, compared with the budgeted profit of \$2.454m. The shortfall against budget is due to not all properties settling before 30 June 2018. Hence revenue and expenses for the year were lower than planned.

Of the 20 houses planned for, 14 sold in the 2017/18 financial year with the remaining 6 houses in the Fairfield Waters development completed but not settled before 30 June 2018. These houses were settled in early July 2018.

### *Statement of Financial Position*

Cash and inventories are higher than planned largely due to timing delays in the settlement of the properties. This has in turn delayed the closing out of the Fairfield Waters development.

## 12. Events after balance date

There have been no significant events since balance date.

**13. Failure to issue a Statement of Intent for the period beginning 1 July 2018, by 30 June 2018**

In accordance with Section 64 and Clause 3 of Schedule 8 of the Local Government Act 2002, the General Partners are required to complete the Limited Partnership's Statement of Intent for the period beginning 1 July 2018 by 30 June 2018. This requirement has not been met as the Statement of Intent was completed after 30 June 2018.