

URBAN PLUS LIMITED & GROUP

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018



Central Park - Copeland Street Reserve Development

CHAIRMAN'S REPORT

I am pleased to report on the performance of the Urban Plus Group (UPL) for the year ended 30 June 2018. The Group had an excellent year, and would have exceeded its earnings target if not for 6 houses within the Fairfield Waters development which were completed by 30 June 2018, but did not settle until early July 2018. The Group is well positioned for the continued development of its strategy of growth and profit generation for the purpose of increasing its portfolio of residential housing for the low income elderly.

During the year the Group 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. Construction commenced on the Parkview project in Avalon, comprising 24 standalone homes. Pre-sales for Parkview have been very encouraging. These and other development projects in the pipeline add to Hutt City Council's Urban Growth Strategy.

The Group also lodged two resource consent applications during the year for developments to be completed over the next 18 months. These are for the construction of 34 and 28 townhouses respectively in central Lower Hutt. Furthermore, a strategic and significant site was secured during the year for a major residential housing development for the low income elderly of Lower Hutt. We anticipate this project being completed by the end of the 2019/20 financial year.

This year reflects the first significant step for UPL in delivering quality homes, with scale and affordability, along with a clear strategy for increasing the number of residential housing units for the elderly to 220 by 30 June 2020, in line with the UPL current Statement of Intent.

The Board and the management team of UPL during the 2017/18 year continued to focus on its core objectives, as follows:

1. Optimising property services for UPL and Hutt City Council's assets by pursuing economies of scale and delivering best in class services;
2. Identifying and developing property on a large scale for the general market, whilst adding to and refreshing UPL's low income elderly housing portfolio; and
3. Managing clusters of property in an effective and efficient manner.

Financial Performance

The UPL Group achieved a surplus before tax and depreciation of \$2.681m compared to \$690k in 2016/17. The increase relates primarily to the surplus generated on commercial developments.

Comprehensive revenue and expenses for the year was \$3.1m inclusive of Gains on Property Revaluations of \$1.290m.

Equity for the Group is now \$23.897m representing an increase of 14.9 % from the previous year.

Our Future

Looking forward, I believe the UPL Group is well positioned to grow its portfolio of residential units for the low income elderly and to provide excellent property related services to its shareholder, Hutt City Council. The pipeline of future developments, to generate revenue and fund the cost of new residential accommodation for the low income elderly, is core to our success and a key contribution towards Hutt City Council's Urban Growth Strategy.

Our appreciation must go to the Company's Chief Executive, Craig Walton and his dedicated team for their significant contribution in creating the excellent result for the 2017/18 year. My sincere thanks is also extended to my fellow Directors, David Bassett and Hugh Mackenzie.

Brian Walshe
Chairman

Completed Projects:

FAIRFIELD WATERS DEVELOPMENT: GLEN EVANS CRES

The Fairfield Waters project was Urban Plus' first large scale development boasting 20 new homes across three broad housing styles; two-storey townhouses, single-storey homes and two-storey terraced housing.



Current Projects:

AVALON PARK DEVELOPMENT: PARKVIEW

An exciting new subdivision featuring 24 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:

COPELAND STREET DEVELOPMENT: CENTRAL PARK

A subdivision featuring 34, 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 28 unit development will provide a mix of two and three bedroom townhouses , and will appeal to a wide range of people looking to secure quality new housing products.



JACKSON STREET PROJECT:

UPL is proposing a multi-level apartment building in Jackson Street, with over 50 units spanning 5 levels. Upon completion, our key tenants, the low income elderly of Lower Hutt, will enjoy the benefits of being so close to amenities – supermarket, rail / bus transport - and everything Petone’s main commercial precinct has to offer.



CHIEF EXECUTIVE'S REPORT

UPL has continued to pursue its strategic intent as outlined in the Company's Statement of Intent. This has focused on the three key areas outlined below.

1. Residential Housing: Property Management

The 'core business' of UPL involves the management of 151 residential housing units specifically aimed at the 'low-income elderly'.

UPL has identified land that could add another 100 new units to its portfolio by the end of the 2019/20 financial year. Property occupancy has been maintained at greater than 97% over the 12 month period. Maintenance has continued with our strategy to optimise spend that will provide the lowest long-run cost. Expenditure has been below budget in this area.

It is worth noting that the majority of UPL tenants are low income.

Overall, Residential Housing achieved a surplus of \$310,452 for the 2017/18 financial year, which was above budget by \$93,934.

2. Property Services

UPL continues to assist Hutt City Council (HCC) and Seaview Marina Limited (SML) in the provision of professional property advice in terms of commercial property negotiations, leasing, property management and supporting major initiatives.

UPL's Facilities Management team has again been busy during the year leading and completing a number of one off capital projects in addition to the day to day management of the HCC facilities.

All operational maintenance and capital projects have been within budget and finalised on time. Our approach to long-term maintenance planning and execution continues to be a significant contributor to our success in this area, particularly our ability to prioritise works and their execution using formal project management disciplines.

Overall, Property Services achieved a surplus after depreciation of \$102,514, which was above budget by \$15,160. Operating expenses were kept within budget. All non-financial performance measures were achieved for the year.

3. Property Development

UPL develops land and houses for the low income elderly and affordable housing in Lower Hutt. Property development provided a significant contribution to the surplus of UPL this financial year, contributing \$2.783m.

UPL completed and sold out the Fairfield Waters subdivision and has plans for four further developments for low income elderly and affordable housing as outlined on Pages 3 and 4 of the Annual Report.

General

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 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 each of our businesses in the 2018/19 year.

Craig Walton
Chief Executive

INTEREST REGISTER

Urban Plus Limited	Interests
Brian Joseph Walshe (Chair)	<p>Adelaide Commercial Limited, Director</p> <p>Burdan's Gate Properties Limited, Director</p> <p>Chan Fung Buildings Limited</p> <p>City Stay Apartments, Advisory Board</p> <p>Domet Investments Limited</p> <p>Gary Baker Trustees Limited, Director</p> <p>Kensway Property Consultants, Advisory Board</p> <p>Laura Fergusson New Zealand Limited</p> <p>Laura Fergusson Trust</p> <p>Pointhree Limited</p> <p>Scratch Design (NZ) Limited</p> <p>Seaview Marina Limited</p> <p>Te Omanga Hospice Trust</p> <p>The Integral Group Limited, Advisory Board</p> <p>UPL Developments Limited, Director <i>(previously: Fairfield Waters Limited)</i></p> <p>UPL Limited Partnership, Director <i>(previously: Fairfield Limited Partnership)</i></p>
David Bassett	<p>BJB Forestry Partnership</p> <p>Guildford Pastoral Limited, Director</p> <p>H₂O New Zealand Limited, Director</p> <p>Hutt City Auto Services Limited</p> <p>Hutt City Council, Deputy Mayor</p> <p>The Terrace - Martinborough Limited, Director</p> <p>UPL Developments Limited, Director <i>(previously: Fairfield Waters Limited)</i></p> <p>UPL Limited Partnership, Director <i>(previously: Fairfield Limited Partnership)</i></p> <p>Wellington Water Governance Committee, Chair</p>
Hugh Nicholas Mackenzie (from 1/04/2017)	<p>Christchurch Justice & Emergency Services Precinct's Disputes, Advisory Board</p> <p>Feeming Limited, Director (Removed 14/08/2017)</p> <p>HMAC Consulting Limited, Director</p> <p>Kensway Property Group, Advisory Board</p> <p>Medallion Trading Limited</p> <p>St Pauls Apartments Body Corporate, Advisory Board</p> <p>Shandon Golf Club, Board Member</p> <p>UPL Developments Limited, Director <i>(previously: Fairfield Waters Limited)</i></p> <p>UPL Limited Partnership, Director <i>(previously: Fairfield Limited Partnership)</i></p>

KEY PERFORMANCE INDICATORS

Measure	Target 2018	Achievement 2018	Target 2017	Achievement 2017
Facilities Management				
1.1. Operational expenditure within budget (1).	Operating \$314,259	Achieved \$304,685	Operating \$333,825	Achieved \$313,423
1.2. Capital expenditure within budget	Capital \$nil	Achieved Nil capital expenditure	Capital \$nil	Achieved Nil capital expenditure
1.3. Achieve not less than a 20% net profit margin	20% contribution margin	Achieved	20% contribution margin	Achieved
1.4. Resident satisfaction with public halls greater than or equal to peer average, subject to Council funding.	2016 Peer Average 94%	Achieved 97% The result excludes "Don't Know" responses.	2016 Peer Average 94%	Achieved 95% The result excludes "Don't Know" responses.
1.5. Resident satisfaction with public toilets greater than or equal to peer average, subject to Council funding.	2016 Peer Average 79%	Achieved 83% The result excludes "Don't Know" responses.	2016 Peer Average 79%	Not Achieved 77% The result excludes "Don't Know" responses.
1.6. Tenant satisfaction with Council-owned community buildings greater than or equal to 90%.	90%	Achieved 100% satisfied The result for satisfied is calculated using "neutral" and "above" responses.	90%	Achieved 100% satisfied The result for satisfied is calculated using "neutral" and "above" responses.
1.7. Council satisfaction with facilities management not less than 90%	90%	Achieved 90% satisfied	90%	Achieved 92% satisfied
Rental Housing				
1.8. Operational expenditure within budget. (1)	Operating \$915,952	Achieved \$746,220	Operating \$974,703	Achieved \$879,120
1.9. Capital expenditure within budget	Capital \$717,001	Achieved \$55,892	Capital \$1,162,393	Achieved \$60,301
1.10. Property portfolio gross earnings of greater than 5% before interest, tax, depreciation and amortization (EBITDA)	5%	Achieved 5.4%	5%	Achieved 7.4%
1.11. Tenant satisfaction with the provision of the company's rental housing greater than or equal to 90%. (2)	90%	Achieved 95%	90%	Achieved 94%
1.12. Percentage of total housing units occupied by low-income elderly greater than or equal to 85%.	85%	Not Achieved 79.6% identified primary source of income NZ National Superannuation.	85%	Not Achieved 79% identified primary source of income NZ National Superannuation.
1.13. Rentals charged shall not be less than 90% of "market" rent.	90%	Not Achieved 80.3% Market rentals outpaced tenant affordability	90%	Achieved 92.1%
1.14. Between 6 and 10 new units added to the portfolio aiming to increase portfolio size to 220 units by June 2020	Between 6 and 10 new units by June 2020	Not Achieved No new units added to the portfolio in 2017-18 financial year.	Between 6 and 10 new units by June 2017	Not Achieved No new units added to the portfolio in 2016-17 financial year.

Measure	Target 2018	Achievement 2018	Target 2017	Achievement 2017
Property Development				
1.15. Operational expenditure within budget (1).	Operating \$751,108,	Not Achieved \$879,650	Operating \$484,675	Not Achieved \$887,094 Not achieved due to recognition of Cost of Sales associated with commercial property sales during 2016/17 (net gain on sales - \$99,745).
1.16. Capital expenditure within budget	Capital \$2,617,481	Achieved \$1,108,262	Capital \$1,642,861	Achieved \$34,965
1.17. A return of not less than 10% after interest and tax on each project	10%	Not applicable in current year No commercial developments were completed in 2017/18	10%	Not applicable in current year No commercial developments were completed in 2016/17.
Professional Property Advice				
1.18. Achieve a market return on additional services provided to the shareholder	Achieve a market return on additional services provided to the shareholder	Not applicable Additional services were not charged to the shareholder during 2017/18.	Achieve a market return on additional services provided to the shareholder	Not applicable Additional services were not charged to the shareholder during 2016/17.

(1) Operating expenditure before depreciation and tax expense

(2) This measure is from a survey of tenants who on a 5 point rating scale, with 3 being 'neutral', rated their satisfaction as neutral or better.

Independent Auditor's Report

To the readers of Urban Plus Limited and group's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Urban Plus Limited and group (the company and group). 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 the performance information of the company and group, on his behalf.

Opinion

We have audited:

- the financial statements of the company and group on pages 15 to 33, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expenses, 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 company and group on pages 8 and 9.

In our opinion:

- the financial statements of the company and group on pages 15 to 33:
 - 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 Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the company and group on pages 8 and 9 presents fairly, in all material respects, the company and group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company and group'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 Board of Directors 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 Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company and group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company and group.

The Board of Directors 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 Board of Directors is responsible on behalf of the company and group for assessing the company and group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company and group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

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 company and group'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 company and group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company and group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and group'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 company and group 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 obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the company and group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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 in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 7, 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 the fact. We have nothing to report in this regard.

Independence

We are independent of the company and group 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 New Zealand Auditing and Assurance Standards Board.

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

A handwritten signature in black ink that reads "Andrew Clark". The signature is written in a cursive, flowing style.

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 Urban Plus Limited and Group (the Company) confirm in relation to the Annual Report that all statutory requirements as outlined in the Local Government Act 2002 have been complied with, apart from the requirement outlined in note 23 of this annual report.

Responsibility

The Board and management of the Company 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 Company 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 Company, 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 Company.



Brian Walshe
Chairman



David Bassett
Director

20 September 2018

20 September 2018

Statement of Comprehensive Revenue and Expenses for the Year Ended 30 June 2018

	Notes	PARENT			GROUP		
		Actual 2018	Budget 2018	Actual 2017	Actual 2018	Budget 2018	Actual 2017
Revenue							
Property rents/leases		1,733,859	1,671,851	1,759,122	1,733,859	1,671,851	1,759,122
Interest revenue	2	255,059	183,647	102,867	109,710	-	83,452
Property management fees		482,915	539,912	514,675	484,922	486,996	499,500
Commercial development sales		2,004,324	-	504,558	10,045,523	10,086,957	504,558
Gain on sale of property, plant and equipment		25,313	-	491,606	25,313	-	491,606
Subvention receipt		-	2,399,895	-	-	-	-
Other revenue		4,750	-	9,520	4,750	9,500	9,520
Total revenue		4,506,220	4,795,305	3,382,348	12,404,077	12,255,304	3,347,758
Expenses							
Personnel expenses	3	722,233	656,513	626,186	722,233	656,513	626,186
Operating expenses	4	975,976	1,064,481	1,004,154	1,278,602	1,276,292	1,062,303
Finance expenses	2	460,272	521,596	519,500	460,272	521,596	519,500
Cost of commercial development sales		1,706,487	-	404,814	7,262,403	7,237,699	404,814
Asset write-offs		-	-	44,483	-	-	44,483
Depreciation and amortisation	10	599,560	363,492	356,288	599,560	363,492	356,288
Total expenses		4,464,528	2,606,082	2,955,425	10,323,070	10,055,592	3,013,574
Surplus/(Deficit) before tax		41,692	2,189,223	426,923	2,081,007	2,199,712	334,184
Income tax expense / (benefit)	5	(60,382)	167,814	(214,494)	(38,664)	167,814	(236,212)
Surplus/(Deficit) after tax		102,074	2,021,409	641,417	2,119,671	2,031,898	570,396
Other comprehensive revenue and expenses							
<i>Items that will not be reclassified to surplus / (Deficit)</i>							
Gain on property revaluation		1,290,431	-	6,054,829	1,290,431	-	6,054,829
Less tax on revaluation		(309,521)	-	(951,472)	(309,521)	-	(951,472)
Total other comprehensive revenue and expenses		980,910	-	5,103,357	980,910	-	5,103,357
Total comprehensive revenue and expenses		1,082,984	2,021,409	5,744,774	3,100,581	2,031,898	5,673,753

Explanations of major variances against budget are detailed in note 22. The accompanying notes form part of these financial statements.

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

	Notes	PARENT			GROUP		
		Actual 2018	Budget 2018	Actual 2017	Actual 2018	Budget 2018	Actual 2017
Balance at 1 July		20,868,203	20,868,203	15,123,429	20,797,183	20,799,114	15,123,429
Total comprehensive revenue and expenses for the year		1,082,984	2,021,409	5,744,774	3,100,581	2,031,898	5,673,753
Balance at 30 June		21,951,187	22,889,612	20,868,203	23,897,764	22,831,012	20,797,183

Explanations of major variances against budget are detailed in note 22. The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2018

	Notes	PARENT			GROUP		
		Actual 2018	Budget 2018	Actual 2017	Actual 2018	Budget 2018	Actual 2017
Current assets							
Cash and cash equivalents	6	7,131,253	2,768,886	4,189,691	8,891,080	2,978,073	4,198,059
Debtors and other receivables	7	12,656	32,540	32,540	30,694	37,456	32,540
Inventories	8	930,220	2,617,481	2,075,853	2,647,614	2,558,881	3,875,623
Other financial assets	9	392,000	-	1,500,000	-	-	-
Related party receivables	7	3,391	-	-	3,391	-	-
Total current assets		8,469,520	5,418,907	7,798,084	11,572,779	5,574,410	8,106,222
Non current assets							
Property, plant and equipment	10	25,009,062	28,225,219	24,433,957	25,009,062	28,225,219	24,433,957
Intangible assets	10	3,950	-	4,754	3,950	-	4,754
Assets under construction		-	717,001	17,001	-	717,001	17,001
Total non current assets		25,013,012	28,942,220	24,455,712	25,013,012	28,942,220	24,455,712
Total assets		33,482,532	34,361,127	32,253,796	36,585,791	34,516,630	32,561,934
Current liabilities							
Trade and other payables	11	136,146	100,131	182,022	218,417	314,234	343,964
Employee entitlements	14	13,618	30,413	30,764	13,618	30,764	30,764
Borrowings	12	4,000,000	-	5,000,000	4,000,000	-	5,000,000
Other liabilities	15	-	47,629	47,629	1,074,411	47,629	286,564
Total current liabilities		4,149,764	178,173	5,260,415	5,306,446	392,627	5,661,292
Non current liabilities							
Employee entitlements	14	33,550	26,636	26,285	33,550	26,285	26,285
Borrowings	12	5,000,000	9,000,000	4,000,000	5,000,000	9,000,000	4,000,000
Deferred tax liability		2,348,031	2,266,706	2,098,893	2,348,031	2,266,706	2,077,174
Total non current liabilities		7,381,581	11,293,342	6,125,178	7,381,581	11,292,991	6,103,459
Total liabilities		11,531,345	11,471,515	11,385,593	12,688,027	11,685,618	11,764,751
Net Assets	16	21,951,187	22,889,612	20,868,203	23,897,764	22,831,012	20,797,183
Equity							
Accumulated funds		(5,789,190)	(3,869,853)	(5,891,264)	(3,842,613)	(3,928,454)	(5,962,283)
Share capital		15,300,000	15,300,000	15,300,000	15,300,000	15,300,000	15,300,000
Revaluation reserve		12,440,377	11,459,465	11,459,466	12,440,377	11,459,466	11,459,466
Total equity	16	21,951,187	22,889,612	20,868,202	23,897,764	22,831,012	20,797,183

Explanations of major variances against budget are detailed in note 22. The accompanying notes form part of these financial statements.

Statement of Cash Flows for the Year Ended 30 June 2018

	PARENT			GROUP		
	Actual 2018	Budget 2018	Actual 2017	Actual 2018	Budget 2018	Actual 2017
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Cash was provided from:</i>						
Receipts from rent and leases	1,755,138	1,671,848	1,753,429	1,755,138	1,666,935	1,753,429
Receipt for management fee	482,915	486,996	514,675	482,915	496,496	514,675
Receipts from other revenue	4,750	52,916	9,520	4,750	-	9,519
Interest received	255,059	183,647	102,867	109,541	-	83,452
Subvention receipts	-	2,399,895	-	-	-	-
Receipts from sales of commercial developments	2,004,324	-	555,889	10,045,523	10,086,957	555,889
	4,502,186	4,795,302	2,936,380	12,397,867	12,250,388	2,916,964
<i>Cash was applied to:</i>						
Payments to employees	(732,114)	(656,513)	(625,776)	(732,114)	(656,513)	(625,776)
Payments to suppliers	(1,023,244)	(1,146,371)	(954,435)	(1,316,490)	(1,197,986)	(1,004,345)
Interest paid	(460,272)	(521,596)	(519,500)	(460,272)	(521,596)	(519,504)
Purchase of assets held for commercial developments	(560,855)	(541,628)	(34,965)	(6,139,307)	(7,779,327)	(1,696,203)
	(2,776,485)	(2,866,108)	(2,134,676)	(8,648,183)	(10,155,422)	(3,845,828)
Net cash flows from operating activities	1,725,701	1,929,194	801,704	3,749,684	2,094,966	(928,864)
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Cash was provided from:</i>						
Sale of property, plant and equipment	214,775	-	2,883,040	214,775	-	2,883,040
Proceeds from loan to related parties	1,108,000	-	-	-	-	-
Other investment receipts	-	-	-	-	-	-
	1,322,775	-	2,883,040	214,775	-	2,883,040
<i>Cash was applied to:</i>						
Purchase and construction of property, plant and equipment	(55,894)	(4,850,000)	(44,898)	(55,894)	(4,850,000)	(44,898)
Loan to related parties	-	-	(1,500,000)	-	-	-
	(55,894)	(4,850,000)	(1,544,898)	(55,894)	(4,850,000)	(44,898)
Net cash flows from investing activities	1,266,881	(4,850,000)	1,338,142	158,881	(4,850,000)	2,838,142
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Cash was provided from:</i>						
Advance from Hutt City Council	-	-	-	835,476	-	-
Proceeds from borrowings	-	1,500,000	-	-	1,543,416	-
	-	1,500,000	-	835,476	1,543,416	-
<i>Cash was applied to:</i>						
Repayment of advance from Hutt City Council	(51,020)	-	(388,314)	(51,020)	-	(149,378)
	(51,020)	-	(388,314)	(51,020)	-	(149,378)
Net cash flows from financing activities	(51,020)	1,500,000	(388,314)	784,456	1,543,416	(149,378)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	2,941,562	(1,420,806)	1,751,532	4,693,021	(1,211,618)	1,759,900
Cash, cash equivalents and bank overdrafts at the beginning of the year	4,189,691	4,189,692	2,438,159	4,198,059	4,189,692	2,438,159
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	7,131,253	2,768,886	4,189,691	8,891,080	2,978,073	4,198,059
<i>Cash balance at end of the year comprises:</i>						
Cash and on call deposits	7,131,253	2,768,886	4,189,691	8,891,080	2,978,073	4,198,059
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	7,131,253	2,768,886	4,189,691	8,891,080	2,978,073	4,198,059

Explanations of major variances against budget are detailed in note 22. The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

REPORTING ENTITY

Urban Plus Limited (UPL) is a Council Controlled Organisation (CCO), 100% owned by the Hutt City Council (HCC).

The Group consists of the ultimate parent, UPL, and its subsidiaries – UPL Developments Limited (*formerly Fairfield Waters Limited*) and UPL Limited Partnership (*formerly Fairfield Limited Partnership*) - all Council Controlled Organisations' and 100% owned by UPL.

UPL provides a portfolio of rental housing for the elderly and socially disadvantaged. UPL also provides professional property management services to HCC and will deal with any development property sold to it by HCC.

UPL is designated as a public benefit entity for financial reporting purposes. UPL has chosen to present the parent's financial results within the financial statements notwithstanding that this is not required by legislation.

The financial statements of UPL 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

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 International Public Sector Accounting Standards (IPSAS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities (PBE) that apply the Public Benefit Entity Standards Reduced Disclosure Regime. As UPL's total expenses are under \$30,000,000 and UPL does not have public accountability as defined by the External Reporting Board (XRB) it can elect to report under this framework.

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the period.

Measurement base

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

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings.

The financial statements are presented in New Zealand dollars. The functional currency of UPL is New Zealand dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of Comprehensive Revenue and Expenses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated Financial Statements are prepared by adding together like items of assets, liabilities, equity, revenue and expenses of entities in the Group on a line-by-line basis. All intragroup balances, transactions, revenue and expenses are eliminated on consolidation.

Subsidiaries/Council Controlled Entities (CCO's)

UPL consolidates in the Group Financial Statements all entities where UPL has the capacity to control their financial and operating policies so as to obtain benefits from the activities of the subsidiary/CCO. The power exists where UPL controls the majority voting power on the governing body or where such policies have been irreversibly

predetermined by UPL or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary/CCO.

The Financial Statements of the controlled entities are prepared for the same reporting period as UPL, using consistent accounting policies. Controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is lost. Assets, liabilities, income and expenses of a controlled entity acquired or disposed of during the year are included in the Financial Statements from the date the Group gains control until the date the Group ceases to control the controlled entity.

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

Property, plant and equipment consist of the following asset classes: land, buildings, and plant and equipment.

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation. All other asset classes are measured 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 revenue and expenses 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 revenue and expenses 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 revenue and expenses.

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 revenue and expenses.

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

Estimated economic lives	Years	Rate
Buildings	5 – 65	1.54% - 20.00%
Plant and equipment	8 - 11	9.09% - 12.50%

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 revenue and expenses.

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%

Assets under construction

Assets under construction are recognised at cost less impairment and are not depreciated.

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 Revenue and Expenses.

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

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and,
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

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 UPL has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

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 expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expenses or directly in equity.

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

Finance Leases

UPL has not entered into any material finance leases.

Financial instruments

UPL 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 Revenue and Expenses.

All financial instruments are recognised in the Statement of Financial Position on the basis of the UPL's accounting policies. All financial instruments disclosed on the Statement of Financial Position are recorded at fair value other than those specifically identified in the Notes to the financial statements.

Budget figures

The budget figures are those approved by the Board at the beginning of the year. The budget figures have been prepared in accordance with 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, UPL has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of the useful life and residual value of property, plant and equipment

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

An incorrect estimate of the useful life or residual value will affect the depreciable amount of an asset, therefore affecting the depreciation expense recognised in the surplus or deficit and the asset's carrying amount. UPL minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programs;
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

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

2. Interest revenue and finance expenses

	Parent		Group	
	2018	2017	2018	2017
Interest revenue				
Call and term deposits	104,835	83,451	109,710	83,452
Related party deposits	150,224	19,416	-	-
Total interest revenue	255,059	102,867	109,710	83,452
Finance expenses				
Interest on bank borrowings	-	-	-	-
Interest paid to related parties	460,272	519,500	460,272	519,500
Total finance expenses	460,272	519,500	460,272	519,500
Net finance expenses	205,213	416,633	350,562	436,048

3. Personnel expenses

	Parent		Group	
	2018	2017	2018	2017
Salaries and wages	666,616	607,647	666,616	607,647
Recruitment expenses	3,602	-	3,602	-
Training	4,469	1,513	4,469	1,513
Other employee expenses	3,436	4,190	3,436	4,190
Retiring and long service leave	33,550	350	33,550	350
Defined contribution plan employer contributions	10,560	12,428	10,560	12,428
Increase/(decrease) in employee entitlements/liabilities	-	58	-	58
Total personnel expenses	722,233	626,186	722,233	626,186

4. Operating expenses

	Parent		Group	
	2018	2017	2018	2017
Fees for the audit of the financial statements	26,597	26,222	50,253	49,878
Impairment of receivables	1,535	2,757	1,535	2,757
Rent and lease costs	33,083	34,333	33,083	34,333
Professional services charges - Hutt City Council	45,000	45,000	45,000	45,000
Rates and waste water charges - Hutt City Council	177,793	177,620	184,565	179,659
Bank charges	87	83	187	102
Directors' fees	53,823	63,794	53,823	63,794
Insurance	98,791	87,557	98,791	87,557
Specialist services	180,063	132,375	180,063	132,375
Operational contracts	74,962	80,029	74,962	80,029
Building maintenance	187,477	257,682	187,477	257,683
Other expenses	96,765	96,702	368,863	129,136
Total operating expenses	975,976	1,004,154	1,278,602	1,062,303

5. Taxation

	Parent		Group	
	2018	2017	2018	2017
Net surplus/(deficit) before tax	41,692	426,923	2,081,007	334,184
Tax at 28%	11,674	119,538	582,682	93,572
Non deductible expenditure	1,317	926	1,317	926
Prior year adjustment	(19,411)	(20)	-	(20)
Deferred tax adjustment	(304,802)	(334,939)	(294,938)	(330,690)
Tax on partnership share	578,566	-	-	-
Group loss offset	(327,725)	-	(327,725)	-
Tax expense	(60,382)	(214,495)	(38,664)	(236,212)
Current tax	-	-	-	-
Deferred tax	(60,382)	(214,495)	(38,664)	(236,212)

	Parent				
	Property, Plant & Equipment	Employee Entitlements	Other Provisions	Tax Losses	Total
Balance at 30 June 2016	(1,915,945)	15,859	6,201	531,971	(1,361,914)
Charged to surplus or deficit	306,297	115	(5,125)	(86,793)	214,494
Charged to other comprehensive income	(951,472)	-	-	-	(951,472)
Balance at 30 June 2017	(2,561,120)	15,974	1,076	445,178	(2,098,892)
Charged to surplus or deficit	508,973	(2,767)	(646)	(445,178)	60,382
Charged to other comprehensive income	(309,521)	-	-	-	(309,521)
Balance at 30 June 2018	(2,361,668)	13,207	430	-	(2,348,031)

	Group				
	Property, Plant & Equipment	Employee Entitlements	Other Provisions	Tax Losses	Total
Balance at 30 June 2016	(1,915,945)	15,859	6,201	531,971	(1,361,914)
Charged to surplus or deficit	306,297	115	(5,125)	(65,075)	236,212
Charged to other comprehensive income	(951,472)	-	-	-	(951,472)
Balance at 30 June 2017	(2,561,120)	15,974	1,076	466,896	(2,077,174)
Charged to surplus or deficit	508,973	(2,767)	(646)	(466,896)	38,664
Charged to other comprehensive income	(309,521)	-	-	-	(309,521)
Balance at 30 June 2018	(2,361,668)	13,207	430	-	(2,348,031)

It is intended that tax losses of \$1,170,445 will be transferred from Hutt City Council to UPL at no cost to UPL to eliminate the 2018 income tax liability of UPL.

6. Cash and cash equivalents

	Parent		Group	
	2018	2017	2018	2017
Cash at bank and on hand	7,131,253	4,189,691	8,891,080	4,198,059
Cash and cash equivalents	7,131,253	4,189,691	8,891,080	4,198,059

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value. UPL does not hold funds (included in cash or cash equivalents) with restrictions specifying how the funds are to be spent.

Cash and cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	Parent		Group	
	2018	2017	2018	2017
Cash at bank and on hand	7,131,253	4,189,691	8,891,080	4,198,059
Total	7,131,253	4,189,691	8,891,080	4,198,059

7. Debtors and other receivables

	Parent		Group	
	2018	2017	2018	2017
Debtors and rent receivable	14,191	35,297	32,229	35,297
Other receivables:				
Other receivables	-	-	-	-
Related party receivables	3,391	-	3,391	-
Gross debtors and other receivables	17,581	35,297	35,620	35,297
Less provision for impairment	(1,535)	(2,757)	(1,535)	(2,757)
Total debtors and other receivables	16,046	32,540	34,085	32,540
Total receivables comprises:				
Receivables from the sale of goods and services (exchange transactions)	16,046	32,540	34,085	32,540
Receivables from grants (non exchange transactions)	-	-	-	-

Fair value

Debtors and other receivables are non-interest bearing and receipts are normally on 30-day terms; therefore the carrying value of debtors and other receivables approximates their fair value.

Impairment

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated is \$nil (2017: \$nil).

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

	Parent		Group	
	2018	2017	2018	2017
At 1 July	(2,757)	21,673	(2,757)	21,673
Additional provisions made during the year	1,535	2,757	1,535	2,757
Provisions reversed during the year	-	-	-	-
Receivables written off during the period	(313)	(27,187)	(313)	(27,187)
At 30 June	(1,535)	(2,757)	(1,535)	(2,757)

8. Inventories

	Parent		Group	
	2018	2017	2018	2017
Commercial inventory:				
Property being developed for sale	930,220	2,075,853	2,647,614	3,875,623
Commercial property development at 30 June	930,220	2,075,853	2,647,614	3,875,623

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

No inventory is pledged as security for liabilities (2017: \$ nil).



9. Other financial assets

After initial recognition, loans to subsidiaries are measured at amortised cost using the effective interest method.

	Parent		Group	
	2018	2017	2018	2017
Loans to subsidiaries	392,000	1,500,000	-	-
Total investment in subsidiaries	392,000	1,500,000	-	-

10. Property, plant and equipment

Parent/Group	Opening		Movements during the year					Closing	
2018	Cost	Accumulated depreciation and impairment	Carrying amount	Additions	Disposals	Accumulated depreciation and impairment on disposals	Elimination of accumulated depreciation on revaluation	Revaluation surplus	Accumulated depreciation and impairment
Operational assets									
Land	11,335,000	-	11,335,000	-	(125,000)	-	-	185,000	11,395,000
Buildings	13,097,000	-	13,097,000	72,893	(65,000)	538	287,728	817,702	13,612,452
Plant and equipment	6,614	(4,657)	1,957	-	-	-	(348)	-	6,614
Total intangible assets	17,273	(12,520)	4,753	-	-	-	(803)	-	(5,005)
Total operational assets	24,455,887	(17,177)	24,438,710	72,893	(190,000)	538	287,728	1,002,702	(328,471)
									25,013,012
Parent/Group	Opening		Movements during the year					Closing	
2017	Cost	Accumulated depreciation and impairment	Carrying amount	Additions	Disposals	Accumulated depreciation and impairment on disposals	Elimination of accumulated depreciation on revaluation	Revaluation surplus	Accumulated depreciation and impairment
Operational assets									
Land	10,198,285	-	10,198,285	-	(1,520,000)	-	-	2,656,715	11,335,000
Buildings	11,346,271	(526,842)	10,819,429	105,199	(936,161)	65,650	815,728	2,581,690	13,097,000
Plant and equipment	7,757	(4,224)	3,533	-	(1,143)	219	(552)	-	6,614
Total intangible assets	34,149	(28,296)	5,853	-	(16,876)	16,876	(1,100)	-	17,273
Total operational assets	21,586,462	(559,362)	21,027,100	105,199	(2,474,180)	82,745	815,728	5,238,405	(17,177)
									24,438,710

No class of Property, plant and equipment is pledged as security for liabilities, nor are any tiles restricted.

Land is valued as vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current potential usage. Buildings comprise of residential dwellings that have been valued in relation to market based evidence. Market rents and capitalisation rates were applied to reflect market value while considering the highest and best use alternatives. The most recent independent valuation was performed by Aon Valuation Services effective as at 31 December 2017. The total valuation was for \$25,480,000.

11. Trade and other payables

	Parent		Group	
	2018	2017	2018	2017
Creditors and other payables	92,141	138,187	174,411	300,129
Revenue in advance	44,005	43,835	44,006	43,835
Total trade and other payables under exchange transactions	136,146	182,022	218,417	343,964

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

12. Borrowings

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

	Parent		Group	
	2018	2017	2018	2017
Current portion				
Unsecured loans - current	-	-	-	-
Secured loans - Current	4,000,000	5,000,000	4,000,000	5,000,000
Total current portion	4,000,000	5,000,000	4,000,000	5,000,000
Non-current portion				
Unsecured loans - non current	-	-	-	-
Secured loans - Non-current	5,000,000	4,000,000	5,000,000	4,000,000
Total non-current portion	5,000,000	4,000,000	5,000,000	4,000,000
Total borrowings	9,000,000	9,000,000	9,000,000	9,000,000

Security

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

13. Categories of financial instruments

	Parent		Group	
	2018	2017	2018	2017
Financial Assets				
<i>Loans and receivables</i>				
Cash and cash equivalents	7,131,253	4,189,691	8,891,080	4,198,059
Debtors and other receivables	16,046	32,540	34,085	32,540
Other financial assets:				
- Loans to related parties	392,000	1,500,000	-	-
Total financial assets	7,539,299	5,722,231	8,925,165	4,230,599
Financial Liabilities				
<i>Financial liabilities at amortised cost:</i>				
Other liabilities	-	47,629	1,074,411	286,564
Borrowings	9,000,000	9,000,000	9,000,000	9,000,000
Trade and other payables	136,146	182,022	218,417	343,964
Total financial liabilities at amortised cost	9,136,146	9,229,651	10,292,828	9,630,528

14. Employee entitlements

	Parent		Group	
	2018	2017	2018	2017
Current portion				
Annual leave	13,618	30,764	13,618	30,764
Total Current portion	13,618	30,764	13,618	30,764
Non-current portion				
Retirement and long service leave	33,550	26,285	33,550	26,285
Total Non-current portion	33,550	26,285	33,550	26,285
Total employee entitlements	47,168	57,049	47,168	57,049

15. Other liabilities

	Parent		Group	
	2018	2017	2018	2017
Due related parties	-	47,629	1,074,411	286,564
Total other liabilities - current portion	-	47,629	1,074,411	286,564

16. Equity

	Parent		Group	
	2018	2017	2018	2017
Accumulated funds				
Balance at beginning of year	(5,891,263)	(6,532,680)	(5,962,283)	(6,532,679)
Net surplus/(deficit)	102,074	641,417	2,119,671	570,396
Balance at year end	(5,789,189)	(5,891,263)	(3,842,612)	(5,962,283)
Share capital				
Balance at beginning of year	15,300,000	15,300,000	15,300,000	15,300,000
Movements during the year	-	-	-	-
Balance at year end	15,300,000	15,300,000	15,300,000	15,300,000
Asset revaluation reserve				
Balance at beginning of year	11,459,467	6,356,109	11,459,467	6,356,109
Movements during the year taken to equity	-	-	-	-
Movements during the year from revaluation	980,910	5,103,357	980,910	5,103,357
Movements during the year from asset disposal	-	-	-	-
Balance at year end	12,440,377	11,459,466	12,440,377	11,459,466
Asset revaluation reserve consist of:				
Buildings	5,285,473	4,489,562	5,285,473	4,489,562
Land	7,154,904	6,969,904	7,154,904	6,969,904
Total	12,440,377	11,459,466	12,440,377	11,459,466
Total equity				
Balance at beginning of year	20,868,203	15,123,428	20,797,183	15,123,429
Movements during the year	1,082,984	5,744,774	3,100,581	5,673,754
Balance at year end	21,951,187	20,868,202	23,897,764	20,797,183

Equity is Hutt City Council's interest in UPL, being a 100% council controlled organisation, as measured by total assets less total liabilities. Equity has been classified into various components to identify those portions of equity held for specific purposes.

These components of equity are:

- Accumulated funds;
- Share capital; and,
- Buildings and Land revaluation reserve (these reserves relate to the revaluation of buildings and land to fair value).

As at 30 June 2018, UPL had 27 million ordinary shares on issue, all of which are fully paid. Ordinary shares have a face value of \$0.57 per share. No shares were outstanding at the beginning or the end of the year. No rights, preferences or restrictions attach to the shares. The shares in UPL are held by the controlling entity Hutt City Council. No shares are reserved for issuance under options and sales contracts.

Registered holders of equity shares as at 30 June 2018	Parent		Parent	
	2018	2017	2017	2017
Hutt City Council	27,000,001	100%	27,000,001	100%

17. Remuneration

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

Senior management	Parent		Group	
	2018	2017	2018	2017
Total remuneration	203,660	193,364	203,660	193,364
Full-time equivalents	1.00	1.00	1.00	1.00

Remuneration of Board members	Parent		Group	
	2018	2017	2018	2017
B Walshe	23,067	22,515	23,067	22,515
A Stewart (to 31 March 2017)	-	11,258	-	11,258
A Finlayson (to 31 March 2017)	-	11,258	-	11,258
D Bassett	15,378	15,010	15,378	15,010
H Mackenzie (from 1 April 2017)	15,378	3,753	15,378	3,753
Total Board remuneration	53,823	63,794	53,823	63,794
Number of Board members	3.00	3.75	3.00	3.75

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

Total remuneration includes any non-financial benefits provided to employees.

A full time employee (FTE) is determined on the basis of a 40 hour working week.

Severance payments

For the year ended 30 June 2018, UPL made no severance payments, (2017: \$Nil).

18. Related party disclosures

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect Urban Plus Limited and its parent (Hutt City Council) or its subsidiaries (UPL Developments Limited and UPL Limited Partnership) would have adopted in dealing with those entities at arm's length in the same circumstances.

19. Capital commitments and operating leases

Capital commitments

Capital commitments as at 30 June 2018 are nil (2017: \$nil) for the parent and Group.

Operating leases as lessee

UPL leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable leases are as follows:

	Parent		Group	
	2018	2017	2018	2017
Not later than one year	33,083	32,484	33,083	32,484
Later than one year and not later than two years	10,591	33,083	10,591	33,083
Later than two years and not later than five years	-	10,591	-	10,591
Later than five years	-	-	-	-
Total non-cancellable operating leases	43,674	76,158	43,674	76,158

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$nil (2017: \$nil).

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

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

Operating leases as lessor

UPL leases housing properties under operating leases that have a non-cancellable term of 3 weeks.

No contingent rents have been recognised in the statement of comprehensive revenue and expenses during the period.

20. Contingencies

Contingent liabilities

As at 30 June 2018 there were nil contingent liabilities (2017: \$nil).

Contingent assets

As at 30 June 2018 contingent assets were \$nil (2017: \$nil).

21. Events after balance date

There have been no significant events after balance date (2017: 47 Laings Road sold for \$750,000.).

22. Variance explanations

Statement of Comprehensive Revenue and Expenses

Urban Plus Limited (the parent) achieved a surplus after depreciation and before tax of \$42k (2017: \$427k). The group achieved a surplus after depreciation and before tax of \$2.081m (2017: \$334k).

Revenue

Overall revenue for the parent was below budget by \$289k for the year. This was due to the budget assumption that the Fairfield Waters development would be completed before 30 June 2018 and the net receipts recognized in the parent's accounts by way of subvention receipt. Excluding the subvention receipt, revenue for UPL was above

budget by \$2.111m due to the sale of one residential property during the year and three properties held as inventory. These sales were not planned for in the current year. With the exception of Property management fees, all other revenue was above or in line with budget. Property management fees were reviewed during the year and the fee charged to Hutt City Council reduced.

The group revenue for the year reflects the gross sales relating to the settlement of 14 properties (part of the Fairfield Waters development) prior to 30 June 2018.

Expenses

Expenses were above budget by \$1.858m. This was primarily due to expenses incurred in selling properties held as inventory. The sale of these properties resulted in a net gain of \$298k. Operating expenses were lower than planned due to careful management of expenditure during the year, coupled with lower finance charges than planned due to UPL's loan being renegotiated on more favourable terms. Depreciation charges were higher than budgeted due to the 30 June and 31 December 2017 revaluations of UPL's property portfolio. Both revaluations resulted in an overall increase in asset values.

Expenses at the group level reflect the cost of sales associated with the settlement of Fairfield Waters' properties, and other expenses incurred relating to marketing and audit fees.

Statement of Financial Position

Current assets compared with budget are higher than planned due to higher cash balances. Further development properties (other than the one property purchased as inventory) were planned for, but did not eventuate, due to timing differences; as a consequence, this has given rise to a higher cash balance.

Non-current assets are lower than planned due to no assets under construction being commenced and the net book value of assets reflecting pre-revaluation values.

Total liabilities are in line with budget.

Statement of Cash Flows

Net cash is higher than planned due to the timing delay in purchasing properties for development.

23. Failure to Issue a Statement of Intent

In accordance with Section 64 and Clause 3 of Schedule 8 of the Local Government Act 2002, the Board of Directors are required to complete the company'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.

