



LAKES
COMMERCIAL
DEVELOPMENTS

Statement of Intent

Lakes Commercial
Developments Limited
For the year to 30 June 2022



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Introduction

This statement of intent (SOI) is prepared in accordance with section 64(1) of the Local Government Act 2002 (the **Act**).

The SOI sets out the purpose, strategic objectives, natures and scope of the activities to be undertaken by Lakes Commercial Development Limited (LCD) and the measures by which the performance of LCD may be judged in relation to its objectives.

LCD is a council-controlled trading organisation (CCTO) for the purposes of the Act.

Purpose and objectives

LCD has been incorporated to purchase commercial and/or industrial property investments and pursue new developments in the Rotorua region for the benefit of Rotorua and the Bay of Plenty region.

The Board of LCD (the Board) have defined the company's objectives:

- To provide sustainable, long-term income for its shareholders through the acquisition of quality commercial industrial buildings built to current/ recent design and building requirements, in the Rotorua region, and
- Provide economic value to the Rotorua region through development projects that provide commercial returns to its shareholders and indirectly contribute to the economic growth of the region.

Nature and scope of activities

LCD was established in March 2019 as a joint venture between TPB Holdings Limited and Quayside Properties Limited, each party holding 50% of the shares. Quayside Properties Limited (QPL) is a wholly

owned subsidiary of Quayside Holdings Limited (QHL), which in turn is wholly owned by the Bay of Plenty Regional Council (Council).

The joint venture provides QPL with increased capacity and capability in development and project management

LCD's core activities for 2022-2024 include:

- Facilitating property focussed investment opportunities where LCD or QPL is the investment manager;
- Seeking development and investment opportunities that have the potential to enhance the wider Bay of Plenty region and deliver a sound financial return;
- Establishing credible mechanisms that enable early engagement, effective advocacy and strong working partnerships with the private sector and local government in the area.

Performance targets

LCD has agreed the following **specific objectives and performance targets for the next 3 years, which are updated annually:**

Governance

	Objective	Performance targets
1	LCD maintains a strategic direction that is consistent with that of its immediate shareholder.	Target 1 - LCD will submit a draft SOI for comment to GPL and Council by 1 March annually.
2	LCD keeps shareholders informed of all significant matters relating to it.	Target 2 - LCD will meet and provide updates to its shareholders quarterly on new opportunities and key works programmes. Target 3 - LCD will advise any significant matters to its shareholders at the earliest opportunity.
3	Corporate governance procedures are appropriate, documented and reflect best practice.	Target 4 - The Board will maintain an appropriate and thorough set of corporate governance policies and procedures which will be reviewed at least every two years.

Key initiatives

	Objective	Performance targets
1	To provide investment into the Rotorua, Whakatane, and Taupo regions through the identification of development projects that provide commercial returns to shareholders.	Target 5 – Advancement of the development at Old Taupo Road with a target completion in the 2022 financial year.
2	To maintain a portfolio of quality commercial/industrial buildings in the Rotorua, Whakatane and Taupo regions.	Target 6 - Identify a list of known development opportunities in the region to be pursued over the coming 12 months and provide updates on the progress at each directors meeting. Target 7 - Retain the currently held assets in Rotorua (Fenton St and Old Taupo Rd), so long as this remains the best commercial option.

Financial and operational objectives

	Objective	Performance targets
1	Work within an annual budget to deliver on the broad corporate objectives of this SOI.	Target 8 – Budgeted key performance indicators as approved by the Board are met or exceeded.

Target measures will be assessed in full on or after 30 June.

Accounting policies

The financial statements of LCD are 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).

The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards – Reduced Disclosure Regime (“NZ IFRS RDR”) and other applicable Financial Reporting Standards as appropriate to for-profit entities. ACL is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with that Act.

LCD applies External Reporting Board Standard A1 ‘Accounting Standards Framework (For-profit Entities Update)’ (‘XRB A1’). For the purposes of complying with NZ GAAP, the Company is eligible to apply Tier 2 For-profit Accounting Standards (NZ IFRS RDR) on the basis that it is not a large for-profit public sector entity. A full set of accounting policies are available on request.

Ratio of shareholder funds to total assets

Lakes Commercial Developments

Financial year		2022	2023	2024
Assets (\$m)		12.5	12.5	13.1
Liabilities (\$m)		9.0	9.0	9.0
Shareholder funds (\$m)		3.6	3.8	4.1
Shareholder funds to assets		28%	30%	30%

The figures above are all reflective of estimated 30 June positions for their respective years.

Distributions

As LCD is currently in a growth cycle, distribution is not intended to be paid to shareholders within the next three years.

Commercial valuation of investment

Financial year		2022	2023	2024
Quayside Properties investment (\$m)		1.8	1.9	2.06
TBP Properties investment (\$m)		1.8	1.9	2.06

The figures above are all reflective of estimated 30 June positions for their respective years. These will be reassessed annually at 30 June.

Governance

LCD is a limited liability company. LCD is managed by three directors. The current directors are:

Tony Phillip Bradley: Is an experienced property developer in the Rotorua region. He is the majority shareholder and director of Tony Bradley Properties Limited and a qualified builder.

Scott Hamilton: Scott is CEO of Quayside Holdings Limited and subsidiaries. Scott is a member of the Institute of Directors.

Samuel David Newbury: Sam is an employee of Quayside Holdings Limited as Investment Manager. Sam is a member of the Institute of Directors.

All directors of LCD are selected for their commercial expertise and other skill sets in accordance with the Quayside Group policy for appointment of directors to subsidiaries and investee companies. The Board will meet quarterly and more often when required.

The performance targets included in this SOI give an overview of LCD's main governance practices adopted/followed by the LCD board. The board strives to achieve best practice governance for LCD.

Committees and policies

The board of directors are responsible for all delegations and subsequent operations of the business. No subcommittees of the Board exist. LCD has no employees.

LCD has approved the adoption of the Quayside Group health and safety and fraud policies, and the Group Procurement Strategy.

A delegated authority policy provides for the management of the day to day activities of LCD.

Reporting to shareholders

LCD provides its shareholders and Council with an annual report in accordance with section 67 of the Local Government Act.

LCD provides its shareholders and Council with a half-year report in accordance with section 66 of the Local Government Act. It will contain unaudited information.

LCD will provide regular updates to its shareholders on its performance, which may include updates on financial, strategic, risk and operational issues.

Activities for which compensation is sought

There are no activities for which compensation is sought by LCD from the Council.