



Annual Report
For the year ended 30 June 2022



Lakes Commercial Developments Limited
Annual Financial Statements
For the year ended 30 June 2022

Contents	Page
Director's Declaration	1
Auditor's Report	2
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Financial Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Statutory Information	22
Directory	23

Lakes Commercial Developments Limited

Director's Declaration

For the year ended 30 June 2022

Lakes Commercial Developments Limited ('the Company') is a joint venture partnership between Quayside Properties Limited and TPB Holdings Limited. Quayside Properties Limited is a wholly owned subsidiary of Quayside Holdings Limited whose ultimate controlling entity is the Bay of Plenty Regional Council. As a consequence, Lakes Commercial Developments Limited is deemed to be a 'Council Controlled Organisation' under the Local Government Act 2002. Lakes Commercial Developments Limited was incorporated on 13th March 2019.

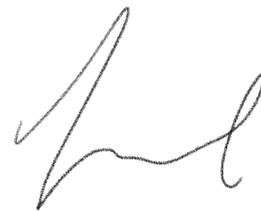
The Company's Statement of Intent, prepared in accordance with the Local Government Act 2002, covers prudent financial management and risk management. The Company achieved the objectives set out in the Statement of Intent for the year ended 30 June 2022. Refer to note 4 for further information.

The directors are pleased to present the financial statements of Lakes Commercial Developments Limited for the year ended 30 June 2022.

For and on behalf of the Board of Directors:



Alexander Scott Hamilton
Director



Tony Bradley
Director



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF LAKES COMMERCIAL DEVELOPMENTS LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2022

The Auditor-General is the auditor of Lakes Commercial Developments Limited (the company). The Auditor-General has appointed me, Glenn Keaney, using the staff and resources of KPMG, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 5 to 21, that comprise the statement of financial position as at 30 June 2022, 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 company on pages 13 to 14.

In our opinion:

- the financial statements of the company on pages 5 to 21:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; 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 New Zealand Equivalent to International Reporting Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 13 to 14 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2022.

Our audit was completed on 31st August 2022. 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 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.

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 for assessing the company'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 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 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 company'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'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'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'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 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 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 during 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 22 to 23, 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 company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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

Glenn Keaney
KPMG
On behalf of the Auditor-General
Tauranga, New Zealand

Lakes Commercial Developments Limited
Statement of Comprehensive Income
For the year ended 30 June 2022

	Note	2022 \$000	2021 \$000
Trading revenue	5	440	315
Expenses	6	(181)	(119)
Fair value gains	11	181	1,198
Operating profit before financing costs		440	1,394
Financial income		-	-
Financial expenses		(142)	(139)
Net finance costs	7	(142)	(139)
Profit/(loss) before income tax		298	1,255
Income tax (expense)/benefit	8	443	(351)
Profit/(loss) for the period		741	904
Other comprehensive income		-	-
Total comprehensive income		741	904



Lakes Commercial Developments Limited

Statement of Changes in Equity

For the year ended 30 June 2022

	Share Capital \$000	Additional shareholder capital contributions \$000	Retained earnings \$000	Total Equity \$000
Opening balance	1,230	790	290	2,310
Comprehensive income				
Profit/(loss) for the period	-	-	904	904
Total comprehensive income	-	-	904	904
Ordinary shares issued (note 14a)	-	-	-	-
Additional shareholder capital contributions (note 14b)	-	1,000	-	1,000
Total transactions with owners	-	1,000	-	1,000
Balance at 30 June 2021	1,230	1,790	1,194	4,214
Balance as at 1 July 2021	1,230	1,790	1,194	4,214
Comprehensive income				
Profit/(loss) for the period	-	-	741	741
Total comprehensive income	-	-	741	741
Ordinary shares issued (note 14a)	-	-	-	-
Additional shareholder capital contributions (note 14b)	-	392	-	392
Total transactions with owners	-	392	-	392
Balance at 30 June 2022	1,230	2,182	1,936	5,348

Lakes Commercial Developments Limited

Statement of Financial Position

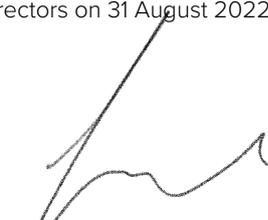
As at 30 June 2022

	Note	2022 \$000	2021 \$000
Assets			
Current assets			
Cash and cash equivalents		99	37
Trade and other receivables	10	214	5
Total current assets		313	42
Non-current assets			
Investment properties	11	13,200	9,900
Deferred tax asset	9	24	34
Total non-current assets		13,224	9,934
Total assets		13,537	9,976
Liabilities			
Current liabilities			
Related party payables	12	(418)	(52)
Trade and other payables	12	(646)	(161)
Borrowings	13	(7,080)	(1,200)
Total current liabilities		(8,144)	(1,413)
Non-current liabilities			
Borrowings	13	-	(3,850)
Deferred tax liability	9	(45)	(499)
Total non-current liabilities		(45)	(4,349)
Total liabilities		(8,189)	(5,762)
Net assets		5,348	4,214
Equity			
Share capital	14 (a)	1,230	1,230
Additional shareholder capital contributions	14(b)	2,182	1,790
Retained earnings		1,936	1,194
Total equity		5,348	4,214

These financial statements have been authorised for issue by the Board of Directors on 31 August 2022.



Alexander Scott Hamilton
Director



Tony Bradley
Director

Lakes Commercial Developments Limited
Statement of Cash Flows
For the year ended 30 June 2022

	2022 \$000	2021 \$000
Cash flows from operating activities		
Receipts from customers	497	311
Interest paid	(139)	(129)
GST received/(paid)	(212)	(3)
Payments to suppliers	(134)	(116)
Net cash flow from operating activities	12	63
Cash flows from investing activities		
Purchase of investment property	-	-
Improvements to investment property	(2,177)	(503)
Net cash flow from investing activities	(2,177)	(503)
Cash flows from financing activities		
Proceeds from Borrowings	2,227	(641)
Additional shareholder capital contributions	-	1,000
Net cash flow from financing activities	2,227	359
Net increase in cash and cash equivalents	62	(81)
Cash and cash equivalents at the beginning of the year	37	118
Cash and cash equivalents at the end of the year	99	37

Lakes Commercial Developments Limited

Notes to the Financial Statements

For the year ended 30 June 2022

1 Reporting entity

Lakes Commercial Developments Limited (the Company) is a company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. It is a joint venture between Quayside Properties Limited and TPB Properties Limited.

The Company is a council-controlled trading organisation as defined under Section 6 of the Local Government Act 2002, as the parent company of Quayside Properties Limited is Quayside Holdings Limited, whose ultimate controlling entity is the Bay of Plenty Regional Council.

The primary purpose of the Company is to purchase and develop commercial and industrial real estate assets for long-term hold in the Rotorua region. The Company is a for-profit entity.

2 Basis of preparation

Statement of compliance

The financial statements of the Company 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).

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. The Company is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with that Act.

NZ IFRS – reduced disclosure regime

The Company 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.

The financial statements were approved by the Board of Directors on 31 August 2022.

Basis of measurement

The financial statements have been prepared on a historical cost basis except that the following assets are stated at their fair value: investment properties.

Presentation currency

These financial statements are presented in New Zealand dollars (\$), and where presented, rounded to the nearest thousand.

Changes in accounting policies

There have been no changes in accounting policies. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Use of estimate and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2 Basis of preparation (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amount recognised in the financial statements, are: Valuation of investment properties (note 11).

Classification of property

The Company owns properties, which have been purchased for long term capital appreciation or rental rather than for short-term sale in the ordinary course of business. The directors in applying their judgement have classified this property as investment property according to NZ IAS 40.

Going concern

Management have made an assessment on the ability of the Company to continue as a going concern and conclude that the going concern assumption is appropriate. Current liabilities are significantly higher than current assets, however a loan restructure is due to occur in August 2022 which will reclassify some of these loans to non-current.

3 Significant accounting policies

Revenue

The principal source of revenue is rental income.

Rental income is recognised on a straight line basis over the leases term. Lease incentives provided to tenants are amortised on a straight line basis over the non-cancellable portion of the lease to which they relate, as a reduction of rental income.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

Finance expenses

Finance expenses comprise interest expense on borrowings. Except for interest capitalised directly attributable to the purchase or construction of qualifying assets, all borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method. Capitalised interest is included in improvements to investment property in the Statement of Cash Flows.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities in the Statement of Financial Position.

Trade and other receivables

Trade and other receivables are measured at amortised cost less provision for impairment.

Investment properties

Investment properties are property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Where part of the investment property is used for administrative purposes, the property is deemed to be investment property if an insignificant portion is held for this purpose. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. Cost includes any expenditure that is directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

3 Significant accounting policies (continued)

If it is determined that the fair value of an investment property under construction is not reliably measurable but it is expected that the fair value of the property will be reliably measurable when construction is complete, the investment property will be measured at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier). Once an entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it shall measure that property at its fair value.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Trade and other payables

Trade and other payables are stated at amortised cost.

Borrowings

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

Share capital

Incremental costs incurred in the issue of ordinary shares and share options are recognised as a deduction from equity.

Impairment

The carrying amounts of the Company's assets other than investment properties are reviewed for indicators of impairment as at each balance date. When there is an indicator of impairment, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the company would, if deprived of the asset, replace its remaining service potential.

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 impairment loss is recognised in the Statement of Comprehensive Income.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Goods and services tax

Lakes Commercial Developments Limited is GST registered. All amounts are shown exclusive of Goods and Services Tax (GST), except for trade receivables and trade payables that are stated inclusive of GST.

3 Significant accounting policies (continued)

Income tax

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

Current tax is the amount of income tax payable based on the taxable profit for the current year. Current tax also includes adjustments to income tax payable in respect of prior years.

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 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.

For deferred tax liabilities or assets arising on investment property measured at fair value, it is assumed that the carrying amounts of investment property will be recovered through sale.

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 affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

4 Statement of service performance

Lakes Commercial Developments Limited is a Council Controlled Organisation (CCO) and is required to prepare a Statement of Intent (SOI). Recorded below are the targets and results of the *Lakes Commercial Developments Limited* Statement of Intent categorised under portfolio activities.

Governance

Objective	Performance targets	2022 Result
LCD maintains a strategic direction that is consistent with that of its immediate shareholder.	LCD will submit a draft SOI for comment to QPL and Council by 1 March annually.	The draft Statement of Intent was submitted to Bay of Plenty Regional Council and Quayside on 28 February 2022. <i>(2021: draft SOI submitted to BOPRC and Quayside 26 February 2021)</i>
LCD keeps shareholders informed of all significant matters relating to it.	LCD will meet and provide updates to its shareholders quarterly on new opportunities and key works programme. LCD will advise any significant matters to its shareholders at the earliest opportunity.	The Lakes Commercial Developments Limited board met on a quarterly basis. Reporting was provided to the Quayside board of directors as part of the investment portfolio and performance updates. There were additional papers put forward to the Quayside board throughout the year. <i>(2021: reporting provided to the Quayside board through investment updates)</i>

Objective	Performance targets	2022 Result
Corporate governance procedures are appropriate, documented and reflect best practice.	The Board will maintain an appropriate and thorough set of corporate governance policies and procedures which will be reviewed at least every two years.	The policies are reviewed on a biennial basis with the last reviews conducted November 2020. Policies are next due for review by November 2022. <i>(2021: policies reviewed by the Lakes Commercial Developments board November 2020)</i>

Targets met: Yes

4 Statement of service performance (continued)

Key initiatives

Objective	Performance targets	2022 Result
To provide investment into the Rotorua, Whakatane, and Taupo regions through the identification of development projects that provide commercial returns to shareholders.	Advancement of the development at Old Taupo Road with a target completion in the 2022 financial year.	The Old Taupo Road development was completed to a quality standard and the site officially opened to the public on 15 Jul 2022. <i>(2021: not applicable new performance target)</i>
To maintain a portfolio of quality commercial/industrial buildings in the Rotorua, Whakatane and Taupo regions.	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. Retain the currently held assets in Rotorua (Fenton St and Old Taupo Rd), so long as this remains the best commercial option	The Board regularly discuss potential opportunities. A schedule of opportunities is kept on file. The Fenton Street building and Old Taupo Road development are retained. <i>(2021: not applicable, new performance target)</i>

Target met: Yes

Financial and operational objectives

Objective	Performance targets	2022 Result
Work within an annual budget to deliver on the broad corporate objectives of this SOI.	Budgeted key performance indicators as approved by the Board are met or exceeded.	Due to the increase in building values asset values exceeded expectations - \$13.20 million. <i>(2021: \$9.98 million building asset values)</i>

Target met: Yes

Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

5 Trading revenue

	2022 \$000	2021 \$000
Lease income	382	269
Lease outgoings received	58	46
	440	315

6 Expenses

	2022 \$000	2021 \$000
Agent commission and property management fees	(109)	(15)
Insurance	(19)	(18)
Legal fees	(5)	(9)
Rates	(23)	(48)
Other	(25)	(29)
	(181)	(119)

Audit fees are borne by Quayside Properties Limited. The audit fees for the financial year 2022 were \$11,330 (excluding GST).

7 Net finance costs

	2022 \$000	2021 \$000
Interest income on bank deposits	-	-
Interest – intercompany	-	(26)
Interest – shareholder loan	-	(4)
Interest – ASB loans	(142)	(109)
Net finance costs	(142)	(139)

8 Income tax

	2022 \$000	2021 \$000
Reconciliation of effective tax rate		
Profit/(loss) before tax for the period	298	1,255
Income tax for the period at 28%	(83)	(352)
Tax effects of non-assessable income	50	-
Adjustment for derecognition of temporary difference on revaluation	476	-
Income tax expense	443	(352)
Income tax expense is represented by:		
Current tax expense	-	-
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	(33)	(352)
Adjustment for derecognition of temporary difference on revaluation	476	-
Income tax benefit / (expense)	443	(352)

Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

9 Deferred taxation

	Assets	Liabilities	Net
	2022	2022	2022
	\$000	\$000	\$000
Deferred tax asset / (liability)			
Tax losses	24	-	24
Timing differences	-	(45)	(45)
Total	24	(45)	(21)

	Assets	Liabilities	Net
	2021	2021	2021
	\$000	\$000	\$000
Deferred tax asset / (liability)			
Tax losses	34	-	34
Timing differences	-	(23)	(23)
Investment properties - revaluations	-	(476)	(476)
Total	34	(499)	(465)

10 Trade and other receivables

	2022	2021
	\$000	\$000
Prepayments	-	-
Trade receivable	-	3
GST receivable	214	2
Total	214	5

11 Investment properties

	2022	2021
	\$000	\$000
Opening balance	9,900	8,330
Additions - Work in progress (at cost)	-	128
Additions – Investment property (at cost)	3,043	218
Additions – Capitalised interest	76	26
Fair value gains on valuation	181	1,198
Balance at 30 June	13,200	9,900
Expenses from investment property generating income	(58)	(174)

Lakes Commercial Developments holds two commercial properties. The valuation of all investment property was carried out by independent registered valuers. The valuers are experienced valuers with extensive market knowledge in the type of investment properties owned. All investment properties were valued based on open market evidence and 'highest and best use' currently for the land. The date of valuation was 30 June 2022. The valuation for both

Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

properties assumes that a fee simple title free of any mortgage or other charge registered against the property is available.

The Fenton Street property is a three-story commercial building located in Rotorua and was completed in 2020. The building has a distinctive appearance and provides some of the most desirable office accommodation within the Central Business District. It is currently fully tenanted. The Old Taupo Road property was recently completed and opened to the public in July 2022.

The Old Taupo Road property was recently completed and comprises a brand new purpose designed car display and service centre with a high quality showroom space. Lakes Commercial Development have entered into a 10-year lease agreement with the tenant in April 2021 with lease payments becoming due from September 2022. The site opened to the public in July 2022.

12 Trade and other payables

	2022 \$000	2021 \$000
Current		
Trade payables	646	161
Related party payables (Note 16)	418	52
	1,064	213

Trade and other payables are non-interest bearing and are normally settled on 30-day terms. The carrying value of trade and other payables approximates their fair value.

13 Borrowings

	2022 \$000	2021 \$000
Current		
Loan from ASB		
Balance at 1 July	700	700
Transfer from non-current	3,850	-
Repayments	-	-
Balance at 30 June	4,550	700
Loan from Quayside Holdings Limited		
Balance at 1 July	-	4,491
Advances	-	-
Repayments	-	(4,491)
Balance at 30 June	-	-
Loan from Quayside Holdings Limited		
Balance at 1 July	-	-
Advances	2,227	-
Repayments	-	-
Balance at 30 June	2,227	-
Loan from Quayside Properties Limited		
Balance at 1 July	500	500
Advances	-	-
Repayments	(197)	-
Balance at 30 June	303	500

Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

Total current	7,080	1,200
Non-current		
Loan from ASB		
Balance at 1 July	3,850	-
Advances	-	3,850
Transfer to current	(3,850)	3,850
Balance at 30 June	-	3,850
Total non-current	-	3,850

Lakes Commercial Developments Limited has an interest only loan from ASB of \$700,000 for the purchase of Old Taupo Road. This loan has interest charged at BKBM rate plus a margin. The facility term is 12 months and is reviewable annually. It has been extended.

Lakes Commercial Developments Limited had a loan from Quayside Holdings Limited for the construction of the Fenton Street property. Upon completion of the Fenton Street property this was repaid and replaced with a loan from ASB of \$3,850,000 million. The ASB loan has interest charged at BKBM plus a margin. The facility term is 24 months and expires in August 2022. In 2021 it was classified as non-current.

The Board of Directors have approved and resolved the board paper to refinance the existing external debt of Lakes Commercial Developments Limited to Quayside Holdings Limited. Thus, subsequent to balance date, all ASB debt will be replaced with borrowings from Quayside Holdings Limited.

Lakes Commercial Developments Limited has a loan from Quayside Holdings Limited of \$2,227,000 for the construction of the Old Taupo Road property. The facility expires in November 2022.

Lakes Commercial Developments Limited has a shareholder loan from Quayside Properties Limited. This loan has interest charged at BKBM rate plus a margin. This loan is repayable on demand. This loan will be converted to equity as development progresses on the recently acquired investment property. In 2022 \$196,000 was converted to equity as milestones were reached. The interest accrued of \$33,000 is showing as a payable.

14 Capital and reserves

a) Share capital

	2022 No.	2021 No.
Ordinary shares		
Opening balance	1,200	1,200
Issue of ordinary shares	-	-
Balance at 30 June	1,200	1,200

The holders of the ordinary shares are entitled to dividends as declared from time to time and all shares have equal voting rights at meetings of the Company, and rank equally with regard to the Company's residual assets on wind up. All shares were issued for \$1,025 each and are fully paid.

b) Additional shareholder capital contributions

	2022 \$000	2021 \$000
Opening balance	1,790	790
Additional shareholder capital contributions	392	1,000
Balance at 30 June	2,182	1,790

Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

The additional shareholder capital contributions are non-reciprocal. They are therefore classed as equity and there is no requirement to repay the amounts under any circumstances. Repayment is at the discretion of the Company.

15 Financial instruments

Categories of financial instruments

	2022 \$000	2021 \$000
Financial assets at amortised cost		
Cash and cash equivalents	99	37
Trade and other receivables	-	3
	99	40
Financial liabilities at amortised cost		
Related party payables	418	52
Trade and other payables – current	646	161
Borrowings - current	7,080	1,200
Borrowings – non current	-	3,850

GST receivable and prepayments which are included within trade and other receivables in the Statement of Financial Position, are not classified as financial instruments

16 Related party transactions

Identity of related parties

Ultimate controlling parties

The Company is 50% owned by Quayside Properties Limited, and 50% owned by TBP Holdings Limited. Quayside Properties Limited is part of the Quayside Group which is ultimately owned by the Bay of Plenty Regional Council.

A contract project management agreement was agreed between Lakes Commercial Developments Limited and TBP Holdings Limited from 1 April 2019. Over the term of the agreement a management fee totalling \$200,000 will be paid based on the completion of project milestones. In 2022, the remaining \$100,000 outstanding in 2021 has been recorded for completion of the milestone and converted to equity. Another \$96,000 relating to brokerage and tenant recruitment fees for services provided by TBP was also converted to equity resulting in 196,000 for additional shareholder contribution. A further \$339,000 has been accrued for milestones met on another development. From the \$500,000 loan payable to Quayside Property Limited in 2021, \$196,000 was converted to equity in 2022.

Lakes Commercial Developments Limited has a loan from Quayside Holdings Limited for the construction of the Old Taupo Road property.

Key management personnel

The Company has a related party relationship with its directors. The Company has no employees.

Other related entities

Other related parties include subsidiaries and equity accounted investees in the Quayside Group.

Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2022

Related party transactions and balances

Transaction values and balances outstanding with related parties at 30 June 2022 include:

	2022 \$000	2021 \$000
Quayside Properties Limited		
Additional shareholder capital contributions	196	500
Loan payable to Quayside Properties Limited	303	500
Interest charged by Quayside Properties Limited	5	14
Interest receivable by Quayside Properties Limited	33	28
TPB Holdings Limited		
Additional shareholder capital contributions	196	500
Project management fees payable	339	100
Services provided by TPB Holdings Limited	19	14
Accounts receivable by TPB Holdings Limited	-	1
Quayside Holdings Limited		
Loan advanced by Quayside Holdings Limited	2,227	-
Loan payable to Quayside Holdings Limited	2,227	-
Interest charged by Quayside Holdings Limited	46	26
Interest receivable by Quayside Holdings Limited	46	-
Accounts receivable by Quayside Holdings Limited	-	23
Bay of Plenty Regional Council		
Office lease charged to Bay of Plenty Regional Council	165	160
Office lease paid in advance	27	27

No related party debts have been written off or forgiven during the period.

Transactions with key management personnel

There has been no director remuneration.

17 Operating leases as lessor

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate.

Although the Company is exposed to changes in the residual value at the end of the current leases, the Company typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Future minimum lease receivables in the current year relate to operating leases for the lease of commercial space at Fenton Street, Rotorua and the yard at Old Taupo Road.

Future minimum lease receivables from non-cancellable operating leases are as follows:

	2022 \$000	2021 \$000
Within one year	676	385
One year to two years	676	385
Two years to five years	1,973	1,102
Greater than five years	2,491	1,076
Total	5,816	2,948

18 Capital commitments and contingencies

The Company has no contractual commitments.

19 Subsequent events

All debt in note 13 has been refinanced with a loan to ultimate shareholder Quayside Holdings Limited in August 2022.

Statutory Information

For the year ended 30 June 2022

Information used by directors

During the financial period there were no notices from directors of Lakes Commercial Developments Limited requesting to use information received in their capacity as a director which would not otherwise have been available to them.

Indemnification and insurance of directors and officers

The Company has arranged policies of Directors' and Officers' Liability Insurance and separate Directors' and Officers' defence costs insurance.

Donations

No donations were made by Lakes Commercial Developments Limited during the period ended 30 June 2022.

Directors

The following directors of Lakes Commercial Developments Limited held office during the period ended 30 June 2022:

- T Bradley
- S Hamilton
- S Newbury

There was no director remuneration.

Loans

There were no loans by Lakes Commercial Developments Limited to directors.

Employees

Lakes Commercial Developments Limited does not have any employees.

Auditor's remuneration

The following amounts are payable to the auditors of the company for the year. As agreed between shareholders, these are being borne by shareholder Quayside Properties Limited.

KPMG: Audit fees \$11,330

Lakes Commercial Developments Limited Directory

Registered office

Level 2, 41 The Strand
Tauranga 3110
Ph: (07) 579 5925

Postal address

PO Box 13564
Tauranga 3141

Auditors

Glenn Keaney of KPMG
On behalf of the Auditor-General
247 Cameron Road
Level 2
Tauranga 3110
New Zealand

Solicitor

Cooney Lees Morgan
PO Box 143
Tauranga 3110

