

26 February 2021

Mat Taylor
Bay of Plenty Regional Council
BY EMAIL: mat.taylor@boprc.govt.nz

Scott Hamilton
Quayside Properties Limited
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Tony Bradley
TPB Holdings Limited
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Dear Shareholders and Council,

Lakes Commercial Developments Limited - Interim report December 2020

In accordance with section 66 of the Local Government Act 2002 please find enclosed the interim accounts (unaudited) to 31 December 2020 for your information.

Company overview

Lakes Commercial Developments Limited pursues opportunities and has investments in the commercial and/or industrial property investments in the Rotorua region. It aims to provide sustainable, long term income for its shareholders through the acquisition of quality commercial industrial buildings, and provide economic value to the Rotorua region through development projects.

Progress

The Fenton Street building is currently fully tenanted and operating close to budget. The final development proposal for the Old Taupo Road site is currently being developed.

If you have any questions please contact our office.



Kind regards

Scott Hamilton
Director



Interim Report

Lakes Commercial Developments Limited

For the six months to 31 December 2020

Lakes Commercial Developments Limited

Background

For the period to 31 December 2020

These are the unaudited interim financial statements of Lakes Commercial Developments Limited (“the Company”).

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 is making good progress against the objectives set out in the Statement of Intent for the year ended 30 June 2021. Refer to the notes for further information.

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Lakes Commercial Developments Limited
Statement of Comprehensive Income
For the six months ended 31 December 2020

	Note	Unaudited six months Dec 2020 \$000	Unaudited six months Dec 2019 \$000	Audited full year June 2020 \$000
Trading revenue		147	11	67
Expenses		(63)	(32)	(85)
Fair value gains		0	0	503
Operating profit before financing costs		84	(21)	485
Finance income		-	1	1
Financial expenses		(77)	(9)	(75)
Net finance costs		(77)	(8)	(74)
Profit/(loss) before income tax		7	(29)	411
Income tax (expense)/benefit		-	-	(115)
Profit/(loss) for the period		7	(29)	296
Other comprehensive income		-	-	-
Total comprehensive income		7	(29)	296

Lakes Commercial Developments Limited
Statement of Changes in Equity
For the six months ended 31 December 2020

	Share capital \$000	Shareholder capital contributions \$000	Retained earnings \$000	Total Equity \$000
Opening balance	1,230	590	(6)	1,814
Comprehensive income				
Loss for the period	-	-	(29)	(29)
Total comprehensive income	-	-	(29)	(29)
Ordinary shares issued	-	-	-	-
Capital contributions	-	200	-	200
Total transactions with owners	-	200	-	200
Balance at 31 December 2019	1,230	790	(35)	1,985
Opening balance	1,230	790	(35)	1,985
Comprehensive income				
Profit for the period	-	-	325	325
Total comprehensive income	-	-	325	325
Ordinary shares issued	-	-	-	-
Capital contributions	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 30 June 2020	1,230	790	290	2,310
Opening balance	1,230	790	290	2,310
Comprehensive income				
Profit for the period	-	-	7	7
Total comprehensive income	-	-	7	7
Ordinary shares issued	-	-	-	-
Capital contributions	-	1,000	-	1,000
Total transactions with owners	-	1,000	-	1,000
Balance at 31 December 2020	1,230	1,790	297	3,317

Lakes Commercial Developments Limited
Statement of Financial Position
As at 31 December 2020

	Note	Unaudited six months Dec 2020 \$000	Unaudited six months Dec 2019 \$000	Audited full year June 2020 \$000
Assets				
Current assets				
Cash and cash equivalents		36	108	118
Trade and other receivables		7	0	15
Total current assets		43	108	133
Non-current assets				
Investment properties		8,613	6,966	8,330
Deferred tax asset		0	0	-
Total non current assets		8,613	6,966	8,330
Total assets		8,656	7,074	8,463
Liabilities				
Current liabilities				
Trade and other payables		(175)	(590)	(349)
Borrowings		(5,050)	(4,500)	(5,691)
Total current liabilities		(5,225)	(5,090)	(6,040)
Non-current liabilities				
Deferred tax liability		(113)	2	(113)
Total non-current liabilities		(5,338)	(5,089)	(113)
Net assets		3,318	1,986	2,310
Equity				
Share capital		1,230	1,230	1,230
Shareholder capital contributions		1,790	790	790
Retained earnings		298	(34)	290
Total equity		3,318	1,986	2,310

Lakes Commercial Developments Limited
Statement of Cash Flows
For the six months ended 31 December 2020

	Note	Unaudited six months Dec 2020 \$000	Unaudited six months Dec 2019 \$000	Audited full year June 2020 \$000
Cash flows from operating activities				
Cash inflows		149	12	182
Cash outflows		(157)	(104)	(106)
Net cash flow from operating activities		(8)	(93)	76
Cash flows from investing activities				
Cash inflows		-	-	-
Cash outflows		(333)	(4,539)	(5,888)
Net cash flow from investing activities		(333)	(4,539)	(5,888)
Cash flows from financing activities				
Cash inflows		4,750	4,700	5,891
Cash outflows		(4,491)	-	-
Net cash flow from financing activities		259	4,700	5,891
Net increase in cash and cash equivalents		(82)	69	79
Cash and cash equivalents at the beginning of the year		118	39	39
Cash and cash equivalents at the end of the year		36	108	118

Lakes Commercial Developments Limited

Notes to the Financial Statements

For the six months ended 31 December 2020

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 in the Rotorua region. The Company is a for-profit entity.

2 Basis of preparation

Statement of compliance

These are the unaudited interim financial statements of the Company for the six months ended 31 December 2020.

The interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and New Zealand generally accepted accounting practice as appropriate for Tier 2 for-profit entities. 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 interim financial statements do not include all the information and disclosures required in the annual financial statements. As such, these should be read in conjunction with the company's annual financial statements as at 30 June 2020.

Basis of measurement

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

Presentation currency

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

Accounting policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements as at 30 June 2020. There were no changes in accounting policies during the period.

Use of estimates 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.

3 Events subsequent to balance date

There were no significant events subsequent to balance date requiring disclosure or that would materially affect these financial statements.

4 Statement of Service Performance

Lakes Commercial Developments 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* Statement of Intent categorised under the following portfolio activities.

Governance

	Performance measure	Performance target	Performance to date
1	LCD maintains a strategic direction that is consistent with that of a 50% shareholder of QPL and Council.	Target 1 - LCD will submit a draft SOI for 2021/22 for approval to QPL and Council by 1 March 2021.	The preparation of the draft SOI is underway.
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. LCD will advise any major matters of urgency to its shareholders at the earliest opportunity.	LCD provides six-weekly updates to its shareholders via investment update papers.
3	Corporate governance procedures are appropriate, documented and reflect best practice.	Target 3 - The Board will maintain an appropriate and thorough set of corporate governance policies and procedures which will be reviewed at least every two years.	Policies have been reviewed appropriately.

Key initiatives

	Performance measure	Performance target	Performance to date
1	To provide economic value throughout the Rotorua Region through the identification of development projects that provide commercial returns to its shareholders.	<p>Target 4 – To conduct feasibility and agree on a highest and best use for the development of the 105 Old Taupo Rd site.</p> <p>Target 5 – To successfully gain investment approval from its shareholder for the development of the 105 Old Taupo Rd Property.</p> <p>Target 6 – To continue to seek out and actively review development opportunities.</p>	<p>LCD has conducted several feasibility studies and agreed on a final investment proposition for the site.</p> <p>LCD is currently developing the final development proposal for the site including lease negotiations, detailed design, construction costs, finance, valuation.</p> <p>LCD is continuing to seek out opportunity and has reviewed three opportunities.</p>
2	To maintain a quality commercial/industrial building built to current/recent design and building requirements, in the Rotorua region.	<p>Target 7- Ensure all real estate assets are managed in accordance with the law, shareholders agreement and all leases.</p> <p>Target 8 - LCD will continue to seek out and actively review investment opportunities for the acquisition of real assets.</p>	<p>LCD has a contract in place for the management of the 1088 Fenton Street building and actively monitors the building to ensure it is managed in accordance with the law, shareholders agreement and all leases.</p> <p>LCD has reviewed one opportunity for an asset acquisition.</p>

Financial and operational objectives

	Performance measure	Performance target	Performance to date
1	Meet the financial targets contained within this SOI.	Target 7 – Budgeted key performance indicators are met or exceeded.	Financial results are generally in line with the budget.

Lakes Commercial Developments Limited

Statutory information

For the six months ended 31 December 2020

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.

Donations

No donations were made during the period.

Remuneration of directors

The following directors held office during the period:

- T Bradley
- S Hamilton
- S Newbury

There was no director remuneration.

Loans

There were no loans by Lakes Commercial Limited to directors.

Employees

Lakes Commercial Developments Limited does not have any employees.

Lakes Commercial Developments Limited Directory 31 December 2020

Registered office

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

Postal address

PO Box 13564
Tauranga 3141

Auditors

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