

Lakes Commercial Developments Limited

Annual Financial
Statements

For the year ended
30 June 2020

Lakes Commercial Developments Limited

For the year ended 30 June 2020

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Lakes Commercial Developments Limited

Director's Declaration

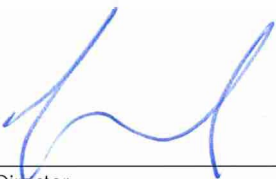
For the year ended 30 June 2020


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 2020. 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 2020.

For and on behalf of the Board of Directors:



Director

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 2020

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 19, that comprise the statement of financial position as at 30 June 2020, 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 and 14.

In our opinion:

- The financial statements of the Company on pages 5 to 19:
 - Present fairly, in all material respects:
 - Its financial position as at 30 June 2020; and
 - Its financial performance and cash flows for the year then ended.
 - Comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.
- The performance information of the Company on pages 13 and 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 2020.

Our audit was completed on 20 August 2020. 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.

Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Company as set out in Notes 10 and 19 to the financial statements. We draw specific attention to the following matter due to the specific level of uncertainty caused by Covid-19:

Investment property

Note 10 to the financial statements describes the significant market uncertainty as it relates to the estimation the fair values of the Company's investment property due to the impacts of Covid-19. The valuer has reported a significant market uncertainty in their valuations and consequently there is less certainty and a higher degree of caution attached to the valuations than would normally be the case.

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.

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 20 and 21, 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.

A handwritten signature in blue ink, appearing to read 'Glenn Keaney'.

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 2020

	Note	2020 \$000	2019 \$000
Trading revenue		67	-
Expenses	5	(85)	(8)
Fair value gains	10	503	-
Operating profit before financing costs		485	(8)
Financial income		1	-
Financial expenses		(75)	-
Net finance costs	6	(74)	-
Profit/(loss) before income tax		411	(8)
Income tax (expense)/benefit	7	(115)	2
Profit/(loss) for the period		296	(6)
Other comprehensive income		-	-
Total comprehensive income		296	(6)

Lakes Commercial Developments Limited
Statement of Changes in Equity
For the year ended 30 June 2020

	Share Capital \$000	Shareholder capital contributions \$000	Retained earnings \$000	Total Equity \$000
Opening balance	-	-	-	-
Comprehensive income				
Loss for the period	-	-	(6)	(6)
Total comprehensive income	-	-	(6)	(6)
Ordinary shares issued (note 13a)	1,230	-	-	1,230
Capital contributions (note 13b)	-	590	-	590
Total transactions with owners	1,230	590	-	1,820
Balance at 30 June 2019	1,230	590	(6)	1,814
Balance as at 1 July 2019	1,230	590	(6)	1,814
Comprehensive income				
Profit/(Loss) for the period	-	-	296	296
Total comprehensive income	-	-	296	296
Ordinary shares issued (note 13a)	-	-	-	-
Capital contributions (note 13b)	-	200	-	200
Total transactions with owners	-	200	-	200
Balance at 30 June 2020	1,230	790	290	2,310

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Lakes Commercial Developments Limited
Statement of Financial Position
As at 30 June 2020

	Note	2020 \$000	2019 \$000
Assets			
Current assets			
Cash and cash equivalents		118	39
Trade and other receivables	9	15	94
Total current assets		133	133
Non-current assets			
Investment properties	10	8,330	2,037
Deferred tax asset	8	-	2
Total non current assets		8,330	2,039
Total assets		8,463	2,172
Liabilities			
Current liabilities			
Related party payables	11	(278)	(50)
Trade and other payables	11	(71)	(308)
Borrowings	12	(5,691)	-
Total current liabilities		(6,040)	(358)
Non-current liabilities			
Deferred tax liability	8	(113)	-
Total non-current liabilities		(113)	-
Net assets		2,310	1,814
Equity			
Share capital	13 (a)	1,230	1,230
Shareholder capital contributions	13(b)	790	590
Retained earnings		290	(6)
Total equity		2,310	1,814

These financial statements have been authorised for issue by the Board of Directors on 20th August 2020.

Director

Director

Lakes Commercial Developments Limited
Statement of Cash Flows
For the year ended 30 June 2020

	2020 \$000	2019 \$000
Cash flows from operating activities		
Receipts from customers	93	-
Interest received	1	-
Interest paid	(46)	-
GST received	88	
Payments to suppliers	(60)	(11)
Net cash flow from operating activities	76	(11)
Cash flows from investing activities		
Purchase of investment property	(1,400)	(1,230)
Improvements to investment property	(4,488)	(540)
Net cash flow from investing activities	(5,888)	(1,770)
Cash flows from financing activities		
Borrowings	5,691	
Issue of share capital	-	1,230
Shareholder capital contributions	200	590
Net cash flow from financing activities	5,891	1,820
Net increase in cash and cash equivalents	79	39
Cash and cash equivalents at the beginning of the year	39	-
Cash and cash equivalents at the end of the year	118	39

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Lakes Commercial Developments Limited

Notes to the Financial Statements

For the year ended 30 June 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

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 20th August 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.



Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2020

2 Basis of preparation (continued)

Changes in accounting policies

New accounting standards and interpretations

NZ IFRS 16 Leases is effective for annual reporting periods beginning on or after 1 January 2019. The Company has applied NZ IFRS 16 *Leases* from 1 July 2019. NZ IFRS 16 replaces NZ IAS 17 *Leases* and NZ IFRIC 4 *Determining whether an arrangement contains a lease*.

NZ IFRS 16 establishes one sole accounting model for lessees, where the amounts in the balance sheet are increased by the recognition of right of use assets and the financial liabilities for the future payment obligations relating to leases classified previously as operating leases. The right of use of the asset is initially measured at cost and subsequently at cost less cumulative depreciation and impairment losses; adjustments are made for any new measurement of the lease liability due to the amendment or reassessment of the lease.

IFRS 16 substantially carries forward existing lessor accounting requirements. Accordingly, under IFRS 16 a lessor will continue to classify its leases as either operating leases or finance leases, and to account for those two types of leases differently. However, lessors will be required to disclose additional information about their leasing activities, and in particular about their exposure to residual value risk.

As Lakes Commercial Developments Limited is only a lessor, there has been no impact on the financial statements from the application of NZ IFRS 16, other than to disclose additional information about leasing activities – refer Note 16.

Other than the application of NZ IFRS 16 as noted above, there have been no other changes in accounting policies. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Comparatives

The Company was incorporated on 13 March 2019, therefore the comparative figures are shown are for a four month period only.

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.

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 10).

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.

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Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2020

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.

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.

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.

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.

Properties leased to third parties under operating leases are generally classified as investment property unless:

- the occupants provide services that are integral to the operation of the Company's business and those services could not be provided efficiently and effectively by the lessee in another location;
- the property is being held for future delivery of services by the Company;
- the lessee uses services of the Company and those services are integral to the reasons for the lessee's occupancy of the property.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its costs for subsequent accounting.



Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2020

3 Significant accounting policies (continued)

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. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

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, and trade and other payables.

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.

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.

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Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2020

3 Significant accounting policies (continued)

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 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 two portfolio activities.

(a) Fenton Street property

Lakes Commercial Developments Limited owns a commercial building in the Rotorua central business district.

Performance measure	Performance target	2020 Result
1. To lease the 1087 Fenton Street Property to a minimum of 80% occupied	80% occupied	The Building is 100% leased. The final lease is due to commence 1 July. Covid-19 delayed the start date of two of the leases.
2. To engage with a reputable construction firm to commence construction of the 1087 Fenton Street Property	Construction commenced	LCD engaged a BOP Construction company as the managing contractor for the building. The company completed the works on time, and within budget.
3. Successfully achieve practical completion on the 1087 Fenton Street Property	Practical completion achieved	Practical completion of the 1087 Fenton Street building was achieved on the 6th of April with the issuance of the Code of Compliance Certificate No. 78897 from the Rotorua Lakes Council

Target met: **Yes**

(b) Investment opportunities

Performance measure	Performance target	2020 Result
1. Continue to seek out and actively review investment opportunities in Rotorua.	Investment opportunities identified.	The board of LCD met regularly throughout the financial year to review multiple options for investment opportunities. LCD conducted due diligence on the six potential assets:

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Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2020

4 Statement of service performance (continued)

Target met: **Yes**

In September 105 Old Taupo Rd was purchased. It is proposed to convert the site into short term storage accommodation. Negotiations have begun with specialist storage design and construction companies and an agreement with a national storage company has been agreed in principle.

5 Expenses

	2020 \$000	2019 \$000
Agent commission	(5)	-
Audit fees	(11)	-
Consultants	(25)	-
Insurance	(4)	-
Legal fees	(11)	(2)
Rates	(16)	(4)
Other	(13)	(2)
	(85)	(8)

6 Net finance costs

	2020 \$000	2019 \$000
Interest income on bank deposits	1	-
Interest – intercompany	(44)	-
Interest – shareholder loan	(14)	-
Interest – ASB loan	(17)	-
Net finance costs	(74)	-

7 Income tax

	2020 \$000	2019 \$000
Reconciliation of effective tax rate		
Profit/(loss) before tax for the period	411	(8)
Income tax for the period at 28%	(115)	2

Income tax expense is represented by:

Current tax expense

Current tax on profits for the year

Deferred tax benefit/(expense)

Recognition of temporary differences (Refer note 8)

	115	2
Income tax benefit / (expense)	115	2

Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2020

8 Deferred taxation

	Assets	Liabilities	Net
	2019	2019	2019
	\$000	\$000	\$000
Deferred tax asset / (liability)			
Tax losses	2	-	2

	Assets	Liabilities	Net
	2020	2020	2020
	\$000	\$000	\$000
Deferred tax asset / (liability)			
Tax losses	28	-	28
Investment properties - revaluations	-	(141)	(141)
Total	28	(141)	(113)

9 Trade and other receivables

	2020	2019
	\$000	\$000
Prepayments	13	7
Trade receivable	2	-
GST receivable	-	87
	15	94

10 Investment properties

	2020	2019
	\$000	\$000
Opening balance	2,037	-
Additions – Acquisition (at cost)	1,400	1,230
Additions - Work in progress (at cost)	22	807
Additions – Investment property (at cost)	4,368	-
Fair value gains on valuation	503	-
Balance at 30 June	8,330	2,037
Rental / lease income from investment properties	67	-
Expenses from investment property generating income	(7)	-

The Fenton Street property was completed during the year and is fully tenanted. Last year it was determined that while the property was under construction that the fair value could not be reliability measured and it was measured at cost, however this year as it has been completed it has been revalued to fair value.

During the year a new investment property was purchased in Rotorua. It is proposed to convert the site into short term storage accommodation.

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Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2020

10 Investment properties (continued)

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 2020. Significant assumptions applied in the valuation of the Fenton street property are that code of compliance certificates are issued for the two outstanding building consents and that formal lease agreements for the tenancies are prepared (currently Agreements to Lease). The valuation for both properties assumes that a fee simple title free of any mortgage or other charge registered against the property is available.

Valuation impact due to Covid-19 pandemic

The valuation was prepared at a time when the Covid-19 pandemic is having a profound and unprecedented impact on global economies, stock markets and capital markets. As at 30 June 2020, New Zealand was at Covid-19 alert level 1 which allows more freedom of movement and most businesses are again operating. International borders effectively remain closed. The valuation of the investment property factored this impact into its valuation, but due to the nature of the pandemic and the uncertainty as to future impacts, the valuers consider that they cannot rely on previous market comparable evidence to fully inform opinions on value. The valuation is therefore reported on the basis of "significant market uncertainty". A higher degree of caution should be attached to the valuation than would normally be the case.

11 Trade and other payables

	2020 \$000	2019 \$000
Current		
Trade payables	71	308
Related party payables (Note 15)	278	50
	349	358

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.

12 Borrowings

	2020 \$000	2019 \$000
Current		
Loan from Quayside Holdings Limited		
Balance at 1 July	-	-
Advances	4,491	-
Balance at 30 June	4,491	-
Loan from ASB		
Balance at 1 July	-	-
Advances	700	-
Balance at 30 June	700	-
Loan from Quayside Properties Limited		
Balance at 1 July	-	-
Advances	500	-
Balance at 30 June	500	-
Total current	5,691	-

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Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2020

12 Borrowings (continued)

Lakes Commercial Developments Limited has a loan from Quayside Holdings Limited. This loan has interest charged at the Bank Bill Rate plus a margin. This loan is repayable by 31 July 2020.

Lakes Commercial Developments Limited has an interest only loan from ASB 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 (September 2020) and may subsequently be extended by a further 12 months at the bank's discretion.

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. The interest accrued of \$14,000 showing as a payable.

13 Capital and reserves

a) Share capital

	2020 No.	2019 No.
Ordinary shares		
Opening balance	1,200	-
Issue of ordinary shares	-	1,200
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) Shareholder capital contributions

	2020 \$000	2019 \$000
Opening balance	590	-
Working capital contributions	200	590
Balance at 30 June	790	590

14 Financial instruments

Categories of financial instruments

	2020 \$000	2019 \$000
Financial assets at amortised cost		
Cash and cash equivalents	118	39
Trade and other receivables	2	-
	120	39
Financial liabilities at amortised cost		
Trade and other payables – current	349	358

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

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Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2020

15 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. At 30 June 2020, \$200,000 has been accrued for completion of the milestones.

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.

Related party transactions and balances

Transaction values and balances outstanding with related parties at 30 June 2020 include:

	2020 \$000	2019 \$000
Quayside Properties Limited		
Shares issued	-	615
Working capital introduced	100	295
Loan advanced by Quayside Properties Limited	500	-
Loan payable to Quayside Properties Limited	500	-
Interest charged by Quayside Properties Limited	14	-
Interest receivable by Quayside Properties Limited	14	-
TPB Holdings Limited		
Shares issued	-	695
Working capital introduced	100	295
Project management fees payable	200	50
Quayside Holdings Limited		
Loan advanced by Quayside Holdings Limited	4,491	-
Loan payable to Quayside Holdings Limited	4,491	-
Interest charged by Quayside holdings Limited	127	-
Interest receivable by Quayside Holdings Limited	15	-
Services provided by Quayside Holdings Limited	20	-
Accounts receivable by Quayside Holdings Limited	23	-
Bay of Plenty Regional Council		
Office lease charged to Bay of Plenty Regional Council	45	-
Office lease paid in advance	27	-

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

Lakes Commercial Developments Limited
Notes to the Financial Statements (continued)
For the year ended 30 June 2020

15 Related party transactions (continued)

Transactions with key management personnel

There has been no director remuneration.

16 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 group is exposed to changes in the residual value at the end of the current leases, the group 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.

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

	2020 \$000	2019 \$000
Within one year	184	-
One year to two years	184	-
Two years to five years	546	-
Greater than five years	756	-
Total	1,670	-

17 Capital commitments and contingencies

The Company has a contractual commitments of \$210,000 for fit-out of office space.

18 Subsequent events

There have been no events subsequent to balance date which would materially affect the financial statements.

19 Covid-19 impact disclosures

The Directors have considered the current and future potential effects on the business caused either directly or indirectly by Covid-19. The financial effect on the overall results in this financial year was relatively minimal due to the short period of lockdown within this financial year and the timing of the leases.

Level 4 restrictions over April 2020 caused delays and disruptions to two tenant fitouts in the Fenton Street building. This has resulted in the following:

- A lease that was due to start on the 1st April was delayed by one month.
- The design and fit-out for the final tenant was significantly delayed and work is continuing. The target date lease commencement date has now moved to 1 September 2020.

Future potential effects are speculative. However, Directors believe that as the building is fully tenanted and these tenants are of high calibre, with one being classed as an essential service, any negative effect on future lease income is possible but should be minimal. Operating expenses are unlikely to change significantly.

Progress on the Old Taupo Road property has slowed as Directors evaluate the market in light of Covid-19.

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Statutory Information

For the year ended 30 June 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.

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 2020.

Directors

The following directors of Lakes Commercial Developments Limited held office during the period ended 30 June 2020:

- 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:

KPMG: Audit fees \$10,850

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

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

