

**Statement of Intent**

**1 July 2017 to 30 June 2020**

**March 2017**



## 

# Contents

1 Purpose 3

2 Introduction 3

3 Background 3

4 Financial History 4

5 Mission Statement 4

6 Strategic Objectives 5

7 Business objectives 9

8 Pricing Policy 9

9 Health and Safety 10

10 Nature and Scope of Activities 10

11 Key Performance Indicators 11

12 Financial Forecasts ….. 12

Appendix 1 Statement of Accounting Policies ….. 13

Appendix 2 Directory 21

Appendix 3 2017/2018 to 2019/20120 Financial Projections……………………..22

1 Purpose

This Statement of Intent covers the years 1 July 2016 to 30 June 2019.

The purpose of this Statement of Intent is to:

* state publicly the activities and intentions of this Council Controlled Organisation (CCO) for the three years and the objectives to which those activities will contribute
* provide an opportunity for shareholders to influence the direction of the organisation
* provide a basis for the accountability of the Directors to their shareholders for the performance of the organisation.

The Statement of Intent is prepared in accordance with section 64(1) of the Local Government Act 2002 (Appendix 1)

2 Introduction

Seaview Marina Limited (SML) is responsible for the profitable operation of the marina facilities and services at 100 Port Road, Seaview, as well as for developing the marina to its full potential. SML operates as a CCO under the Local Government Act 2002 and has one shareholder, the Hutt City Council (HCC).

SML has a three member board, two independent members and one Councillor, all appointed by the HCC. A Chief Executive Officer (CEO) reports to the Board and is responsible for implementing the policies approved by the Board. A directory can be found in Appendix 2.

The SML Board and staff are committed to develop SML into the best marina facility in the lower North Island.

3 Background

The marina has operated as a CCO since 1 April 2003. The site occupies just less than 17 hectares in total, 5 hectares being reclaimed ground and 12 hectares seabed.

The marina is protected by a breakwater, which is not part of the marina business, but owned by the Shareholder. The in-water facilities now include 319 berths accommodating 10m to 20m vessels. On the land there is secure storage for 250 trailer boats and a four lane trailer boat launching ramp.

A boatyard provides hardstand storage for up to 32 vessels, where owners and contractors are able to do repair and maintenance work. A 2000 square metre marine service centre completes the boatyard, with units and workshops providing accommodation for marine related businesses servicing the boating public. A new self-service diesel fuel facility is located at the southern end of the boatyard providing 24/7 service to both SML boat owners and from other marinas.

The marina is focused on providing safe and secure storage facilities for mainly recreational boats and their servicing, although 4% of the berths are occupied by commercial vessels. The boatyard has a 50 tonne boat hoist to lift vessels from and to the water. One large workshop in the Wellington Marine Centre is operated as part of the boatyard and is set up as a paint shop and maintenance facility – the only one of its kind in Wellington.

The organisation also provides a base for a number of clubs and interest groups who make use of the facilities and sheltered waters of the marina. These include the Lowry Bay Yacht Club, Yachting New Zealand Have a Go Sailing, the Wellington Radio Controlled Model Yacht Club and Sailability. The general public are provided with a pleasant recreational environment and walkers and cyclists are frequently found using the marina.

4 Financial History

Since becoming a CCO the marina has returned a profit every year.  Our Shareholder has not requested a dividend to date and all profits are invested in further marine developments. The graphs below summarise the marina’s performance since 2005.



5

To achieve this SML will

* e
* e
* e-
* Provide
* e
* Ensure the development will not be a burden to the Lower Hutt rate payers.

**6 Strategic Objectives**

The SML site is zoned as a Special Recreational Activity area under the City of Lower Hutt District Plan. Permitted activities include:

* Recreational activities
* Boat building, repairs, sail making and other associated activities
* Parks and reserves
* Lighthouses, navigational aids, and beacons
* Pipelines within the pipeline corridor
* Restaurants and cafes

The full potential of the marina complex has yet to be achieved. SML’s Board focus has been to develop the site to provide facilities and services which are lacking elsewhere in the Wellington Region. The immediate aim is to complete the remaining in-water development, where there is potential for approximately another 60 berths at the south end of the marina basin. This will bring the berth capacity to around 380 berths. This development will be done as demand dictates, but it is anticipated that within 10 years full berth capacity will be reached.

The vision for SML over the next 10 years is to maintain the primary focus of a marine storage and service facility for Wellington. However, the aim is also to incorporate a wider range of services and facilities, as well as enhancing the area with improved landscaping and ‘public friendly’ spaces. Alternative uses of the existing land area could see trailer boat dry stack storage, more retail facilities and the possibility non-marine related retail and services.

An important issue confronting the Board is the renewal of the resource consent for the operation of the marina, which expires in 2027. Once this has been renewed for a further 35 year period the marina will be well positioned to provide the shareholder with a facility where the cash flow and capital value can be maximised. At this stage the shareholder will be in a position to make a decision on how to extract value from the facility, should they ever wish to do so.

A ten year strategy for the marina was developed in 2016 to support the decision by the Board to apply for changes to the District Plan to provide a less restrictive environment for future development. The Board took a broad view, not restricted to marine related activities, which included additional retail and possibly residential development. After consultation the key elements have been redefined as follows:

**6.1 Remove residential development as an option in the next 15 years**

It was considered unlikely that residential development on the marina will be undertaken within the next 15 years. The focus is now on marine related developments.

**6.2 Ownership of the seabed and reclaimed land**

The advice received from Morrison Mallet and DLA Piper regarding the status of the seabed under SML’s floating structures is unclear. To provide certainty for both SML and the Shareholder, ownership needs to be resolved. Guaranteed occupation of the seabed will provide the Board with the ability to apply for a 35-year extension from 2027, when the consent for the floating structures expires.

**6.3 Complete the final ‘in-water’ development of 60 additional berths.**

In-water development at the south end of the marina can provide approximately 60 new berths. This is likely to be a combination of commercial and recreational berth facilities. The aim is to provide separate facilities for each. At present they are intermixed, mainly on D and E Piers. Commercial berths will be restricted to a maximum of 5% of the total number of berths in the marina.

The berth occupancy rate at present is around 83%. A two-stage development is being considered. The first stage will be to complete the commercial pier on the south side of H Pier, which will provide thirteen berths. When the overall occupancy levels improve, the final development of approximately 47 additional berths will go ahead.

There are several other opportunities for berth development should demand require it. Piers A to D have wooden bridges, which if removed would provide 2 -3 additional berths each side resulting in an additional 16 -20 berths.

On the south side of Trailer Park A there is potential for an additional 50 x 10m berths by cutting back the seabed and rock batter and installing a vertical wall barrier.

**6.4 Provide a floating diesel/petrol facility at the southern end of the development**

The construction of the remaining floating berth structures will include a diesel/petrol fuel facility at the southernmost end. With the staging of development this facility is not possible in the short term and so the existing diesel facility has been upgraded to provide a user operated facility with a new credit card/eftpos pump and kiosk. With the completion of the southernmost berths the new equipment will be transferred to its ultimate new location. A petrol pump will be included.

**6.5 Resolve the tenure of the two breakwaters (south and west)**

Ownership of the breakwaters is currently with HCC. The breakwaters are integral to the marina business and a form of guaranteed tenure is necessary. Several options are available and a resolution needs to be negotiated with the HCC.

**6.6 Review the opportunity for additional retail and commercial facilities on the marina (not necessarily marine related)**

The Wellington Marine Centre provides limited retail outlets (a canvas products manufacturer, a ships chandler, ship broker, fishing charterer and a marine engineering parts tenancy). Under current zoning retailing on site is restricted to marine related businesses, including consent for a café/restaurant.

Other marinas around NZ have the luxury of being able to lease to non-related marine businesses, for example -convenience stores, hair dressers, cafes and bars. Other marine related businesses, which could be encouraged to the marina, if suitable facilities were provided include;

* Electronic and electrical repair and retail
* Wind surfing equipment sales and service
* Inflatable sales and service
* Dairy or convenience store
* Gas fitter sales and service
* Dive Shop
* Restaurant

**6.7 Provide facilities to support other marine related activities on the marina**

SML is an excellent location for several marine related activities. At present the following organisations use the Marina;

* The Lowry Bay Yacht Club
* Disabled sailing (Sailability)
* Model radio controlled yachting (Wellington Radio Controlled Model Yacht Club)
* Learn to sail activities (YNZ ‘Have a Go’ learn to sail programme)
* SML is often used by local yacht clubs for junior sail training when weather conditions are not favourable

SML will explore the opportunity to provide premises and facilities for activities such as canoeing, windsurfing, waka storage and marine qualification courses.

**6.8 Expansion of the boat storage across Port Road by the purchase/ lease of land**

Ownership of land or buildings on the north side of Port Road would provide the opportunity for SML to relocate trailer storage and free up seafront land to provide areas for higher value use.

**6.9 Explore the potential for a dry stack facility on the marina site**

With many trailer boats now costing more than $100k, some owners would prefer these stored under cover. With land at a premium a dry stack option at SML will need to be considered during the review period. The main issue relates to the building height restriction. The 8m height allowed at present makes a dry stack uneconomic. We will seek a height restriction to match the industrial zone opposite. It will be necessary to retain outside storage for trailer yachts as these cannot be stored in a dry stack.

**6.10** **Continue to improve the facilities to encourage the use of the Marina by the public**

Plans are in place to continue the designated walkway through the marina (joining the Great Harbour Way/Te Aranui o Poneke) and provide facilities and landscaping to encourage the use of the marina by the public. It will also provide separation between the increasing vehicle activity and pedestrians.

There are two sections of walkway needed to complete the pathway around the water’s edge of the marina. One section is scheduled for completion in 2016/2017 with the final one in 2017/2018. The plan is to make Seaview Marina a destination location for the public.

SML retains an ‘industrial’ look and while some landscaping has been started there is scope to substantially improve and soften the environment. Included will be the provision of seating and tables to allow the public to sit and enjoy the marina vista. With the provision of a café and other refreshment facilities, as well as retail opportunities, the Marina is seen as a perfect stopping off point for walkers and cyclists.

**6.11 District Plan Submission**

To achieve the strategy outlined above, SML will apply for a change in the District Plan to accommodate the vision detailed above. The key elements will be;

* Increasing the building height restriction to the same as that imposed on the north side of Port Road
* Removing the restriction for business activities on the marina to be ‘marine related’
* Eliminating the maximum 100 square metre restriction on the building structures
* Removing the 5 square metre total of signage on the site

**6.12 Summary**

By the end of the Vision period, the in-water facilities will be complete and the land facilities much improved and comprehensive. With the tenure of the breakwaters resolved the value of the business will be maximised for the benefit of the Shareholder. Strong cash flows will provide an excellent return by way of dividend or from sale as a going concern.

7 Business objectives

# SML’s principal objectives are to:

* Operate as a successful safe business, returning benefits to shareholders.
* Exhibit a sense of social and environmental responsibility by having regard to the interests of the community and to conduct its affairs in accordance with sound business practice.
* Provide a first class service to SML’s licensees, tenants, casual users, contractors and the general public.

These objectives align with Section 59 of the Local Government Act 2002, which details the principal objectives of Council Controlled Organisations

In order to meet these objectives we focus our work on asset planning and development, capital project management, operations management, risk management, health and safety, environmental issues, strategic direction and corporate governance.

**8 Pricing Policy**

SML operates in a competitive market competing with four other marinas within the Wellington Region and in some part with the Marlborough marinas. The Shareholder stipulates an annual minimum return on equity (ROE) target that the business is expected to achieve.

All marina charges, apart from the Wellington Marine Centre Leases, are reviewed on an annual basis. The review is based on a number of criteria which are listed below:

* Comparison of charges at other marinas in the Wellington marina market
* Increases in operating costs related to the marina compared to the previous year (not CPI)
* Achievement of the ROE

The Board is acutely aware of the need to provide affordable charges but is also tasked with running a profitable and sustainable business for the Shareholder and to fund future development. It has positioned SML pricing at the lower end of the Wellington marina market, when comparing like facilities and services.

The CEO is tasked with making a recommendation to the Board on the pricing structure each year, which is previewed at the February board meeting. The new pricing structure is then provided to the representatives of the marina tenants for input and comment. At present this is the Seaview Marina Community Group (SMCG).

The final decision on the pricing is the prerogative of the Board and must be communicated to licensees no later than two months before the new pricing is implemented (normally 1 June of the new financial year).

10 Nature and scope of activities

The Board and Management of Seaview Marina operate within tight guidelines both operationally and with development projects. Annual budgets are set and capital projects planned. The Board monitors both the financial and capital expenditure, on a monthly basis. Seaview Marina reports on a six monthly basis to the HCC.

Below is a summary of SML activities:

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity** | **Nature** | **Scope** | **Measurement** |
| Provision of services | The marina provides facilities and services for recreational and some small commercial vessels. The aim is to be a ‘one stop’ facility. | * Lease in-water berths * Lease trailer boat dry storage * Lease of Wellington Marine Centre office and workshop space to marine related services * Lift vessels to and from the water * Lease of hardstand and boat cradle facilities * Boat Ramp * Live-aboard facilities | * Achieve budgeted income targets for each category. |
| Maintenance | The marina is located in a harsh marine environment which is subject to strong winds from both the north west and the south. With a large capital component in floating berths, maintenance is a critical issue. | * Programming maintenance schedules for each category of asset under SML’s control * Inspection of all assets on a prescribed schedule * Provision of maintenance work either by contractors or by SML staff * Review of the industry knowledge with regards to maintenance * Where necessary replacement of worn or damaged facilities | * Achieve annual asset management plan objectives. |
| Monitoring/Compliance | Monitoring all aspects of the marinas operation provides the management and Board information to maintain the marina in good heart and in compliance with all regulatory requirements. | * Health and Safety * Client service survey results * Trade waste monitoring * MAF surveys within the marina | * + Report to fortnightly management meeting and report to monthly board meeting   + Biennial survey (Feb 2016)   + Six monthly testing   + As prescribed by MAF scientists (normally annually) |
| Management | Ensure timely and efficient delivery of facilities and services to our clients coupled with necessity to provide the ROE required by the shareholder. | * Project management * Service delivery * Improvement opportunities * Staff management * Financial performance | * Achieved against Board established targets |
| Development | The Marina has the capacity to provide further storage and service facilities. Development also includes improving the aesthetics of the general environment. | * + Completion of the in water marina berth capacity, which will be around 380 berths. Additional on shore facilities as required as the vessel numbers grow.   + Possible expansion of both covered and uncovered trailer boat storage onto adjacent available areas along Port Road   + Joint venture opportunities with clubs or service providers where applicable | * The SML Strategic Plan provides targets for completion of each of the strategic developments. Management and staff will be monitored on the project management of achieving the completion of these projects |
| Public Access | SML is required under the District Plan to provide public access to the Marina land area. It is used extensively by walkers and bikers as a link between the Hutt River Trail to the west and the Eastern Bays to the east.. | * + Continue the designated walkway through the marina joining the two existing walkways   + Provide facilities and landscaping to encourage the use of the marina by the general public | * Establish a walkway around the water’s edge of the central causeway, including landscaping and upgrades of public facilities. * Timing of the stages of this development detailed in the 2017/2020 Strategic Plan. |

1. Key performance indicators

In line with the scope of activities outlined in Section 5 the Board has set up a number of key performance indicators for the 2016, 2017 and 2018 financial years. The management and staff are monitored on these criteria over the course of the year. The success of Seaview Marina will be measured against how well these are achieved.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Key performance indicators** | **Target** | | | **Reporting frequency** |
| **2017/2018** | **2018/2019** | **2019/2020** |
| Maintain asset management plans annually as detailed in the operational plan. Completion of maintenance programme | 100% completion by 30 June. | 100% completion by 30 June. | 100% completion by 30 June. | Annually |
| Deliver the annual budgeted net surplus. | As detailed in the 2017/2018 operational plan | As detailed in the 2018/2019 operational plan | As detailed in the 2019/2020operational plan | Annually |
| Manage and operate SML within approved budget. | Net Surplus $461k | Net Surplus $487k | Net Surplus $529k | 6 monthly |
| Provide an agreed minimum return on equity (ROE) (after depreciation and tax) to the Hutt City Council | 5.0% | 5.0% | 5.0% | Annually |
| Achieve excellent customer satisfaction, including all licensees, casual users of the marina and the general public | Customer exit and entry survey target 85% satisfaction rating | February 2019 client survey targe 85% satisfaction rating | Customer exit and entry survey target 85% satisfaction rating | Annually |
| Comply with financial, technical and regulatory standards | Full compliance | Full compliance | Full compliance | 6 Monthly |
| Achieve the capital development projects as detailed in the 2015/2016 Strategic Plan | Complete internal pathway development | Complete stage one of the commercial development | Complete commercial development and finalise breakwater ownership | Annually |
| Operate SML so that no notifiable Health and Safety incidents occur | 100% compliant | 100% compliant | 100% compliant | Monthly |

12 Financial Forecasts

The Board will continue to reinvest in the marina using profits and existing credit facilities to fund future developments. The Board continues to repay debt and maintain current facilities in accordance with asset management plans.



Detailed SML financial projections, including capital development program are shown in Appendix 3.

APPENDIX 1: CORPORATE GOVERNANCE

1 Corporate Governance

This statement provides an overview of SML’s main corporate governance policies, practices and processes adopted by the Board.

## 1.1 The Board of Directors

The board of directors consists of three members. They are responsible for the proper direction and control of SML.

To ensure that SML has the continuity of the relevant knowledge, skills and experience, the expiry dates of their terms of office vary for each director. Each director may serve a maximum of three terms. Each term is three years.

Unanimous approval of the Board is required for:

1.1.1. significant changes to the company’s structure

1.1.2. extraordinary transactions (entering into any contract or transaction except in the ordinary course of business)

1.1.3. delegation of Directors’ powers to any person

1.1.4. any decision to diversify into a business not forming part of or being naturally ancillary to the core business of managing water services

1.1.5. major transactions including establishment and renewal of contracts for delivery of services

1.1.6. disputes (commencing or settling any litigation, arbitration or other proceedings which are significant or material to the company’s business)

1.1.7. borrowings in a manner that materially alter the company’s banking arrangements, advancing of credit (other than normal trade credit) exceeding $5,000 to any person except for making deposits with bankers, or giving of guarantees or indemnities to secure any person’s liabilities or obligations

1.1.8. sale of assets (sell or dispose of fixed assets for a total price per transaction exceeding $100,000 or a series of aggregated transactions exceeding $200,000)

1.1.9. capital expenditure (other than in the ordinary course of doing business) at a total cost to the company, per transaction, exceeding $100,000 or a series of aggregated transactions exceeding $200,000.

The agreement of the Shareholder is required for:

1.1.10. any changes to the constitution

1.1.11. any increases in capital and the issue of further securities, share buybacks and financial assistance

1.1.12. any alteration of rights attaching to shares

1.1.13. any arrangement, dissolution, reorganisation, liquidation, merger or amalgamation of the company

1.1.14. any “major transactions” as that term is defined in the Companies Act 1993.

## 1.2 Ratio of consolidated shareholders’ funds to total assets

## Ownership of infrastructural assets is retained by the shareholder (or other clients). As a business that returns all benefits to shareholders, a statement of the ratio of shareholders’ funds to assets is not considered appropriate.

## 1.3 Accumulated profits and capital reserves

Seaview Marina returns all financial benefits to its shareholder through increases in the capital value of the marina. All trading profits are retained by Seaview Marina and invested in the strategic development programme.

## 1.4 Information to be provided to shareholders

In each year SML shall comply with the reporting requirements under the Local Government Act 2002 and the Companies Act 1993 and regulations. In particular SML will provide:

***Statement of Intent***

A statement of intent detailing all matters required under the Local Government Act 2002, including financial information for the next three years.

***Half Yearly report***

Within two months after the end of the first half of each financial year, the Company shall provide a report on the operation of SML to enable an informed assessment of its performance, including financial statements (in accordance with section 66 of the LGA 2002).

***Annual report***

Within three months after the end of each financial year, SML will provide an annual report which provides a comparison of its performance with the statement of intent, with an explanation of any material variances, audited consolidated financial statements for that financial year, and an auditors report (in accordance with section 67, 68 and 69 of the LGA 2002).

*1.5 Compensation from Local Authority*

It is not anticipated that the company will seek compensation from the Hutt City Council other than in the context of normal commercial contractual relationships.

## 1.6 Commercial value of the shareholders’ investment

The net value of the shareholders’ investment in the company is estimated to be valued at $4,853,951 as at 30 June 2014. This value shall be assessed by the Directors on completion of the annual accounts or at any other time determined by the Directors. The method of assessment will use the value of shareholders’ funds as determined in the annual accounts as a guide.

2 Statement of accounting policies

***Basis of preparation***

SML will apply the following accounting policies consistently during the year and apply these policies to the Statement of Intent. In accordance with the New Zealand Institute of Chartered Accountants Financial Reporting Standard 42 (FRS 42), the following information is provided in respect of the Statement of Intent.

***Measurement base***

The measurement basis applied is historical cost.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless otherwise stated.

## Cautionary note

*Prospective financial information*

The statement of intent’s forecast financial information is prospective. Actual results are likely to vary from the information presented, and the variations may be material.

*Nature of prospective information*

The financial information presented consists of forecasts that have been prepared on the basis of best estimates and assumptions on future events that Seaview Marina expects to take place.

*Statement of compliance with International Financial Reporting Standard*

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial reporting Standards (NZIFRS) and other applicable financial reporting standards, as appropriate for public benefit entities.

## Reporting entity

SML is a company registered under the Companies Act 1993 and a Council Controlled Organisation as defined by Section 6 of the Local Government Act 2002. The current shareholder is the Hutt City Council.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

For the purposes of financial reporting SML is a public benefit entity.

## Reporting period

The reporting period covers the 12 months from 1 July 2016 to 30 June 2017. Comparative projected figures for the year ended 30 June 2018 and 30 June 2019are provided.

## Early adopted amendments and revisions to standards

The following amendments and revision to standards have been early adopted.

NZ IFRS 7 Financial Instruments: Disclosures – The effect of early adopting these amendments in the following information is no longer disclosed:

* The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated; and
* The maximum exposure to credit risk by class of financial instrument if the maximum credit risk exposure is best represented by their carrying amount.

NZ IAS 24 Related Party Disclosures (Revised 2009) – The early adoption of NZ IAS 24 has had no effect on related party disclosures.

NZ IFRS 9 Financial Instruments has not been adopted. NZIFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit.

## Judgements and estimations

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note to the financial statements.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes.

## Significant accounting policies

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

## a) Revenue

SML derives revenue from its licensees and casual clients. The income is generated from a range of rentals for boat storage and building tenancies as well as services available through facilities provided by SML.

Revenue is recognised when earned and is reported in the financial period to which it relates.

## b) Expenses

Expenses are recognised when the goods or services have been received on an accrual basis.

## c) Taxation

Income tax expense is charged in the statement of financial performance in respect of the current year’s earnings after allowing for permanent differences. Deferred taxation is determined on a comprehensive basis using the liability method.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

## d) Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated as GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

## e) Financial instruments

SML classifies its financial assets and financial liabilities according to the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and evaluates this designation at every reporting date.

Financial assets

SML classifies its investments into the following categories: financial assets at fair value through profit and loss and loans and receivables.

Loans and receivables comprise cash and cash equivalents, trade and other receivables.

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, and call deposits with up to three months maturity from the date of acquisition. These are recorded at their nominal value.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Trade and other receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date for loans of a similar maturity and credit risk. Trade and other receivables issued with duration of less than 12 months are recognised at their nominal value. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired.

## Financial liabilities

SML classifies its financial liabilities into the following categories: financial liabilities at fair value through profit and loss or other financial liabilities.

Financial liabilities comprise trade and other payables and borrowings. Financial liabilities with duration of more than 12 months are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortisation is recognised in the statement of financial performance as is any gain or loss when the liability is derecognised. Financial liabilities entered into with duration of less than 12 months are recognised at their nominal value.

## f) Property, plant and equipment

*Recognition*

Property, plant and equipment consist of operational assets. Expenditure is capitalised as property, plant and equipment when it creates a new asset or increases the economic benefits over the total life of an existing asset and can be measured reliably. Costs that do not meet the criteria for capitalisation are expensed.

##### Measurement

Items of property, plant and equipment are initially recorded at cost.

The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose. Subsequent expenditure that extends or expands the asset’s service potential and that can be measured reliably is capitalised.

##### Impairment

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset’s recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item’s fair value less costs to sell and value in use. Losses resulting from impairment are reported in the statement of financial performance.

##### Disposal

Gains and losses arising from the disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the statement of financial performance in the period in which the transaction occurs.

##### Depreciation

Depreciation is provided on all property, plant and equipment, except for assets under construction (work in progress). Depreciation is calculated on a straight line basis, to allocate the cost or value of the asset (less any residual value) over its useful life. The depreciation rates of the major classes of property, plant and equipment are as follows:

Telephone system 10.75 per cent

Furniture 7.80–18.60 per cent

Plant and equipment 7.80–48.0 per cent

Buildings 75 years

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance date.

##### Work in progress

The cost of projects within work in progress is transferred to the relevant asset class when the project is completed and then depreciated.

## g) Intangible assets

Acquired intangible assets are initially recorded at cost.

Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment losses. Amortisation is charged to the statement of financial performance on a straight-line basis over the useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

Computer software - five years

Realised gains and losses arising from disposal of intangible assets are recognised in the statement of financial performance in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset’s recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the statement of financial performance.

## h) Employee benefits

A provision for employee benefits (holiday leave) is recognised as a liability when benefits are earned but not paid. These include salaries and wages accrued up to balance date.

Holiday leave is calculated on an actual entitlement basis at the greater of the average or current hourly earnings in accordance with sections 16(2) and 16(4) of the Holidays Act 2003.

## i) Other liabilities and provisions

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

## j) Equity

Equity is the shareholders' interest in the entity and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the entity.

The components of equity are accumulated funds and retained earnings.

## k) Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items, are classified as operating leases. Payments made under these leases are charged as expenses in the statement of financial performance in the period in which they are incurred. Payments made under operating leases are recognised in the statement of financial performance on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of financial performance as an integral part of the total lease payment. Leases, which effectively transfer to the lessee substantially all the risks and benefits incident to ownership of the leased item, are classified as finance leases.

## l) Statement of cash flows

The statement of cash flows has been prepared using the direct approach.

Operating activities include cash received from all income sources of the company and a record of the cash payments made for the supply of goods and services. Investing activities relate to the acquisition and disposal of assets. Financing activities relate to activities that change the equity and debt capital structure of the company.

## m) Related parties

A party is related to SML if:

* directly or indirectly through one or more intermediaries, the party:

– controls, is controlled by, or is under common control with SML

– has an interest in SML that gives it significant influence over the control of the company

– has joint control over SML

* the party is an associate of SML
* the party is a director of SML
* the party is a member of key management personnel of SML
* the party is a close member of the family of any individual referred to above
* the party is an entity controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to above.

Directors’ remuneration is any money, consideration or benefit received receivable or otherwise made available, directly or indirectly, to a Director during the reporting period. Directors’ remuneration does not include reimbursement of legitimate work expenses or the provision of work-related equipment such as cell phones and laptops.

### APPENDIX 2: DIRECTORY

### Directors

Brian Walshe (Chairman)

Arthur Stewart

Chris Milne

### Chief Executive

Alan McLellan

### Registered office

100 Port Road

Seaview

Lower Hutt

New Zealand

### Postal address

Private Bag 33 230

Petone 5045

Lower Hutt

### Telephone

64 4 5683736

### Web

[www.seaviewmarina.co.nz](http://www.seaviewmarina.co.nz)

### Auditor

Audit New Zealand on behalf of the Auditor-General

### Bankers

Westpac New Zealand Limited

Lower Hutt

New Zealand

### Solicitors

Thomas Dewar Sziranyi Letts

Level 2, Corner Queens Drive and Margaret Street

Lower Hutt

New Zealand

## APPENDIX 3: 2017/18 to 2019/20 FINANCIAL PROJECTIONS

**Statement of Financial Performance**



**Statement of Financial Position**



**Statement of Cash Flows**



**Three Year Capital Programme**

