SEAVIEW MARINA LIMITED
ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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CHAIRMAN'S REVIEW
FOR THE YEAR ENDED 30 JUNE 2020

We are pleased to report on the year's activities and strategic direction for Seaview Marina Limited (SML) despite the setback incurred through the lockdown imposed under the management of Covid-19. With this impact being felt in the final quarter of the year, SML produced a strong result.

SML achieved a surplus of $206k compared to a budgeted surplus of $368k. Including the revaluation write-down on the Wellington Marine Centre (WMC) of $194k and the $400k revaluation gain on land, total comprehensive revenue and expenses of $606k was achieved. Equity increased to $9.543M, representing an increase of 6.8% over the previous year.

During the year we successfully renewed the sea bed licence for 35 years, through to 2054 and continued the planned in-water development as our short term strategy. Regrettably, due to Covid-19 related delays, the construction of Pier H (37 berths) has not been completed and will now be finished early 2021. This will be followed by the development of Pier I (31 berths) in 2021-22, which will complete the in-water development programme for the Marina. The renewal of the sea bed licence presents an ideal opportunity for SML to consider the sale of berths for this extended term.

The breakwater ownership has been concluded with an interim lease for the next two years, thereby enabling SML to work with Hutt City Council (HCC) on a more formal arrangement.

The District Plan review in 4 years' time will give SML time for planning submissions covering the future use of the Marina land and surrounds, which may encompass further on-land commercial developments along with the extension of marine related activities. Better utilization of our trailer park land and its potential relocation will be a focus for maximizing value to our shareholder, HCC, whilst not losing any of the excellent storage and launching facilities our users currently enjoy.

With the strong occupancy levels being experienced in all aspects of the Marina's operations, the challenges delivered by the Covid-19 experience showed SML to be resilient under difficult times. The superb team effort in ensuring communications, procedures, hygiene and cleanliness in all aspects of the Marina operations made it manageable for our users and tenants.

The continuous focus on health and safety to ensure a safe working environment remains central to our operations and procedures, whilst sea level rises from global warming threatens to pose the greatest risk for the Marina over the oncoming years.

Our appreciation and thanks must go to my fellow directors, Chris Milne and Peter Steel for their input and direction. To Alan McLellan and his team our sincere thanks for the results and outcomes and in particular for the way they managed the lockdown under Covid-19. Finally, thank you to our shareholder, HCC, who have supported the Board and SML on the continuous development and expansion of the Marina operations.

Brian Walshe
CHAIRMAN

CHIEF EXECUTIVE'S REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The 2019/2020 financial year was impacted by the Covid-19 lockdown. The hardstand and boat launching ramp were closed down, with a subsequent reduction in revenue. However, more significant was the decision to offer all Seaview Marina tenants, including the café, a 70% reduction in rent over April and May. The overall financial impact has been calculated at a loss of $32k (refer Note 23 for further information on the impact of covid-19).

A second issue impacting on net profit, outside the Marina's control, was the devaluation of the WMC by $194k, which had to be expensed.

Apart from these two main issues, the business performed well. While revenue was lower than budget, expenses were also below budget.

Excluding revaluation adjustments, the Marina achieved a 4.5% return on equity (ROE) against a budget return on equity of 4.0%.

Financial Results

Total revenue of $2.48M was achieved, which was $41k ahead of last year, but 7.3% below budget.

SML's core business, berth storage revenue, was ahead of last year's result by $93k but below budget by 7.6%. This was essentially due to the new berth development being postponed due to pressures on our contractor with the America's Cup and Covid-19. The income from these berths was therefore not realised. Trailer park revenue was 2.9% below budget but ahead of last year by $7k. The ramp income at year end was almost $12k above budget, even with the two month lockdown due to Covid-19.

Hardstand revenue was 14.2% above budget, which was an excellent result considering the Board approved a 50% reduction for the vessels left on the hardstand over the Covid-19 lockdown and the fact that there was no hardstand activity over the period. Unit 3, located in the WMC, was fully tenanted over the financial year.

Live-aboard revenue (including ablutions) was $3k below budget, as there was on average only 57 liveaboard vessels during the year, while the budget assumed 60.

Total expenses for the year were $33k below budget, notwithstanding a revaluation write-down of $194k on the WMC. Without the revaluation write-down, which was outside management's control, the total expenses would have been $226k above budget. Employee expenses were $20k above budget due to staff changes during the year. This year a lease for two breakwaters was negotiated with the Hutt City Council, resulting in an additional expense of $100k, which impacted on the Marina's bottom line.

The Marina achieved a profit of $206k against a budget of $368k, including the non-cash revaluation write-down on the WMC of $194k.

Operational

Seaview Marina's berth rental business saw occupancies average 94.5%. Demand has been strong for the 10m, 12m and14m berths with very few available for lease. With the postponement of the H and I pier installation SML has not been able to address the demand.

Trailer park demand remained high throughout the year with occupancy averaging close to 100% per month. However, there was significant turnover during the year and this meant revenue didn't quite reach budget.

The hardstand business (including travel lift and water blaster) had a very good year, even with two months of lockdown due to Covid-19. It ended the year 10.2% above budget and $32k ahead of last year's income. The hardstand occupancy averaged 91%.

Net product sales (gross product sales less cost of product sales) dropped significantly and only achieved 44% of budget. Uncompetitive prices resulted in Seaview Marina not being able to compete with Chaffers Marina and we lost a number of our commercial clients.

The launching ramp had an excellent year achieving 35% above budgeted income. This is despite no activity being possible during the Covid-19 lockdown.

The liveaboard revenue was down on budget by 3.5% because there were fewer liveaboard vessels than budgeted for the year. Nevertheless we expect the liveaboard numbers to increase as there is demand for this service

The WMC at year end was fully tenanted. Unit 12a has been included with Unit 10 and 11 retail outlets for vintage and recycled marine related equipment (Shipwreck Traders).

Equity

The company's total equity (net assets employed) as at the end of the financial year was $9,542,646 compared with the previous year's position of $8,936,217.

Capital Expenditure

It had been planned to install another 31 berths in March of 2020 to accommodate the demand for 10m, 12m and 14m berths. Unfortunately, our contractors have been focused on the America's Cup development in Auckland and with the added complication of the Covid-19 lockdown, the development has been postponed until October 2020. The cost of this development is close to $1 million.

A major capital development was all but completed by the end of the financial year, which involved replacing all the original non-compliant power pedestals with new units. These enable the Marina to monitor individual power use by each vessel. Power costs have increased significantly over recent years and the Board has decided to recover the costs by charging individual boat owners for their use.

To further enhance the security for the berth licensees a barrier arm was installed at the beginning of entrance two. This is operated with a number plate recognition system, by the use of the licensee's proximity disc or by intercom to the office. This has reduced the illegal parking issues and made it more difficult for the criminal element to target our licensee's vessels.

The Compass Café upgrade was completed by replacing the container seating area with a purpose built undercover seating area and deck extending over the water.

Health and Safety

Over the 2019/20 financial year, there were no notifiable health and safety issues.

Reporting of health and safety matters at both staff meeting level and at monthly Board meetings continues to be a high priority. Ongoing improvements continue to improve safety over the whole Marina.

A major health and safety initiative occurred during the two months of Covid-19 lockdown. With around 80 liveaboards to support the Marina upgraded the cleaning of the ablution facilities from once to twice daily. It also provided hand sanitiser to the ablution facilities and at the entrance to the WMC and as well as each pier gate. Regular communications went out to this group updating them on the latest Covid-19 news and requirements.

Client Service

The Board has continued to focus on maintaining a high level of client service. This year the biennial client service survey was sent out to all our licensees. The results of this survey for the 2019/2020 financial year continued to show our clients rated the Marina very highly for the service it provides. This year the average continued at 93% satisfaction. As well as this there was an 18% increase in rating of those responding positively to the question 'was the Marina heading in the right direction'. It is gratifying that 93% supported the Board's strategy for development of the Marina.

Public Good

SML is committed to being a good corporate citizen as a contributor to the Hutt City Community and the Seaview area in particular. This is achieved by the Marina providing free or subsidised services and facilities to a number of marine related charities and clubs.

During the year, the company again provided support for the activities of the Lowry Bay Yacht Club by providing free berths for visiting yachts competing in the clubs sailing events, as well as prizes for these events. SML also provides a 50% rebate on the market rental for the club premises.

Sailing for the disabled, run by Sailability, operates from the Marina. The organisation is provided with free storage of their yachts on the Marina and free access to facilities for launching and retrieving their boats. There is also a $4,000 subsidy on the rental of unit 6 they lease in the WMC.

SML also provides the facilities for NZ Yachting to operate their school sailing programme, 'Have a Go Sailing', in the Marina. This year around 100 school children from the Hutt City area were able to experience sailing. This was a bit lower than expected because of Covid-19. Seaview Marina sponsored Randwick School enabling their pupils to participate in this program. The Marina also provides a location for the Wellington Radio Controlled Model Yacht Club to race their yachts.

In conclusion, the Marina business continued to improve, but the impact of issues outside SML's control did impact on final results and our development program. SML achieved a 4.5% ROE for the year against a target of 4%.

Alan McLellan
CHIEF EXECUTIVE

INTEREST REGISTER

Brian Walshe Chair	Adelaide Commercial Limited Burdans Gate Properties Limited Chang Fung Buildings Limited City Stay Apartments Limited, Advisory Board Domet Investments Limited Gary Baker Trustees Limited Integral Group Limited, Advisory Board Kenway Property Consultants, Advisory Board Laura Ferguson New Zealand Limited Laura Ferguson Trust Pointhree Limited Scratch Design (NZ) Ltd Te Omanga Hospice Trust Urban Plus Limited, Chair Urban Plus Developments Limited, Director Urban Plus Limited Partnership, Director
Chris Milne Director	Arcadia Associates, Partner BoardPro Limited, Shareholder Community Foundations of New Zealand, Trustee Hutt City Council, Councillor Kaynemaile Limited, Director Martinez Limited, Director Maungaraki Tennis Club Inc., Committee Member Nga Manu Nature Reserve, Trustee Nikau Foundation, Chair Technology Valley Inc., Chair
Peter Steel Director	Commerce Building Limited Taiwan NZ Trade Development Limited Accreditation Council
Alan McLellan CEO Seaview Marina Limited	Marina berth holder

STATEMENT OF SERVICE PERFORMANCE

Reporting against targets for the 2019/20 financial year

Key Performance Indicators	2020 Target	2020 Actual	2019 Target	2019 Actual
Berth Occupancy*	85%	94.5%	85%	92%
Trailer Park Occupancy*	95%	99.5%	95%	99%
Boat yard occupancy*	85%	91%	85%	81%
Boat Haul out (lifts per year)	550	545	550	494
Total Revenue	$2,673,886	$2,479,285	$2,359,556	$2,438,547
Net Surplus**	$368,526	$206,429	$596,704	$429,048
Return on Equity***	4%	4.5%	5%	5.04%
Manage and operate the marina within its 2019-20 budget	$2,305,360	$2,272,856	$1,762,852	$2,009,498

*Occupancy rates are derived by taking the total berths available less the average per month unoccupied divided by total berths available.

**Net surplus is after interest expense and depreciation but before the gain on land revaluation.

***ROE is calculated as the net Surplus/ (Deficit) excluding losses or gains arising from the revaluation of similar assets within an asset class divided by the opening balance of equity at the start of the year.

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Financial

Key Performance Indicators	2020 Target	2020 Actual	2019 Target	2019 Actual
FINANCIAL				
Deliver annual budgeted revenues for each of the four business entities: • Boat storage • Hardstand • Marine centre • Launching ramp (New measure 2019/20 financial year)	 100% 100% 100% 100%	 94% Not achieved 102% Achieved 101% Achieved 135% Achieved	Not applicable	Not applicable
Deliver annual budgeted revenue.	Not applicable	Not applicable - Measure retired in current financial year.	Achieve greater than or equal to 100% of $2,359,556	$2,438,547 Achieved
Control operational expenses - operational expenses (1) within budget	Achieve less than or equal to 100% of $2,305,360	$2,272,856 Achieved	Achieve less than or equal to 100% of $1,762,852	$2,009,498 Not achieved
Achieve prescribed return on equity (2)	Achieve greater than or equal to 4%	4.5% Achieved	Achieve greater than or equal to 5%	5.04% Achieved
Manage capital expenditure (3)	Complete within budget and on time	Not achieved. (Overall, capital spend was under budget due to a delay in starting the H and I pier development and the postponement of the Catamaran Haul-out project to next year. Three projects were over budget – Café development, Miscellaneous items and the Tunnel house).	Complete within budget and on time	Not achieved. (Overall, capital spend was under budget due to Power pedestal project being brought forward, and a small overspend against Miscellaneous capital items).

(1) Operational expenses are defined as all expenses controllable by Seaview management. Excludes losses arising from the revaluation of similar assets within an asset class.

(2) ROE is calculated as the net Surplus/ (Deficit) excluding losses or gains arising from the revaluation of similar assets within an asset class divided by the opening balance of equity at the start of the year. Note Page 6 of the 2019/20 Statement of Intent should read "Achieve a prescribed rate of return on equity" and not "Achieve a prescribed rate of return on investment".

(3) Capital expenditure excludes carry forward of expenses on projects from previous years.

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Relationship and Communication

Key Performance Indicators	2020 Target	2020 Actual	2019 Target	2019 Actual
RELATIONSHIP AND COMMUNICATION				
Newsletter communications	Complete 4 newsletters in 2019/20	Achieved	Complete 4 newsletters in 2018/19	Not achieved due to departure of staff member
Meet all shareholder reporting deadlines	Reporting Deadlines for 2019/20	Achieved.	Reporting Deadlines for 2018/19	Not achieved.
Client Service	85% satisfaction for the exit/entry survey (bi-annual survey*)	Achieved - 93%	85% satisfaction for the exit/entry survey (bi-annual survey *)	Achieved - 91%

*This is a Survey Monkey based measure.

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Risk Management and Human Resources

Key Performance Indicators	2020 Target	2020 Actual	2019 Target	2019 Actual
RISK MANAGEMENT				
Notifiable health and safety incidents	Nil incidents	Achieved.	Nil incidents	Achieved
Business Continuity Plan	Run test scenario and review	Achieved - refer to Note 1	Run test scenario and review	Achieved
Staff satisfaction	Achieve 85% staff satisfaction	Achieved – 88%	Not applicable	Not applicable

Note 1: Before Covid-19 impacted on SML, the company intended to run a test scenario of our business continuity plan. Instead of this SML had to implement its business continuity plan to continue business during the 7 weeks of Covid19 lockdown. The Board and staff successfully implemented the plan over this period allowing the business to be run remotely.

Marketing

Key Performance Indicators	2020 Target	2020 Actual	2019 Target	2019 Actual
Marketing				
Implement marketing strategy to improve occupancy rates	Not applicable	Not applicable - Measure retired in current financial year.	Berth occupancy to 90%	Achieved
Media and Public Relations	10 enquiries per month from website	Achieved	10 enquiries per month from website	Achieved

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AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Seaview Marina Limited's financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of Seaview Marina Limited (the company). The Auditor-General has appointed me, Stephen Usher, using the staff and resources of Audit New Zealand, 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 17 to 36, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expense, 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 8 to 11.

In our opinion:

- The financial statements of the company on pages 17 to 36:
  - 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; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.
- The performance information of the company on pages 8 to 11 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 26 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the company. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

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 note 23 to the financial statements.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 7, 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.

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Stephen Usher
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

FINANCIAL STATEMENTS

Statement of Compliance and Responsibility

The Board and management of SML confirm that all statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been complied with.

The Directors and management of the Company accept responsibility for the preparation of the annual Financial Statements and the Statement of Service Performance and the judgements used in them.

The Directors have authority to sign the Financial Statements and the Statement of Service Performance.

The Directors and management of the Company accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial, including performance reporting.

In the opinion of the Directors and management of the Company, the annual Financial Statements and the Statement of Service Performance for the year ended 30 June 2020 fairly reflect the financial position and operations of the Company.

Brian Walshe
Chairman

26 November 2020

Peter Steel
Director

26 November 2020

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2020

	Note	Actual 2020	Budget 2020	Actual 2019
Revenue				
Rental revenue	2	2,274,245	2,352,131	2,139,247
Other user charges		74,060	116,635	63,326
Interest revenue	3	2,111	5,000	7,988
Product sales		113,210	190,120	207,496
Other revenue		15,659	10,000	20,490
Total revenue		**2,479,285**	**2,673,886**	**2,438,547**
Expenses				
Personnel expenses	4	472,779	452,205	419,671
Operating expenses	5	998,288	1,122,357	907,623
Finance expenses	3	99,436	100,510	103,005
Loss on sale of asset		11,703	-	-
Revaluation write down		193,950	-	-
Product cost of sales		101,360	163,350	182,993
Depreciation and amortisation	12	395,340	466,938	396,206
Total expenses		**2,272,856**	**2,305,360**	**2,009,498**
Surplus/(Deficit) before tax		**206,429**	**368,526**	**429,049**
Income tax expense	6	-	-	-
Surplus/(Deficit) after tax		**206,429**	**368,526**	**429,049**
Other comprehensive revenue and expense				
Items that will not be reclassified to surplus / (deficit)				
Gain on Land Revaluation		400,000	-	-
Less tax on Revaluation		-	-	-
Total other comprehensive revenue and expense		**400,000**	-	-
Total comprehensive revenue and expense		**606,429**	**368,526**	**429,049**

Budgeted rental revenue includes $55,960, which was separately identified in the 2019/20 Statement of Intent as revenue earned from the on-charging of electricity. In addition, $837,398 has also been re-classified to operating expenses, being expenses that were separately identified in the 2019/20 Statement of Intent. Both re-classifications are designed to ensure the budget better aligns with the prior and current year's treatment. Note no revenue has been recognised in the current year from electricity on-charging.

Explanations of the major variances against budget are provided in note 21. The accompanying notes form part of these statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Actual 2020	Budget 2020	Actual 2019
Balance at 1 July	**8,936,217**	**8,969,167**	**8,507,168**
Total comprehensive revenue and expense for the year	606,429	368,526	429,049
Balance at 30 June	**9,542,646**	**9,337,693**	**8,936,217**

Explanations of the major variances against budget are provided in note 21. The accompanying notes form part of these statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Actual 2020	Budget 2020	Actual 2019
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	7	726,066	163,104	656,429
Debtors and other receivables	8	65,423	51,609	38,472
Inventory	9	19,482	17,973	21,204
Prepayments		-	9,036	7,394
Total current assets		**810,971**	**241,722**	**723,499**
NON CURRENT ASSETS				
Property, plant and equipment	12	10,932,635	13,070,832	10,769,439
Intangible assets	12	1,197	1,197	1,257
Assets under construction		710,184	-	363,571
Total non current assets		**11,644,016**	**13,072,029**	**11,134,267**
Total assets		**12,454,987**	**13,313,751**	**11,857,766**
LIABILITIES				
CURRENT LIABILITIES				
Payables and deferred revenue	10	132,426	453,602	176,309
Employee entitlements	15	37,953	22,456	26,521
Advances from related parties	13	41,962	-	18,720
Total current liabilities		**212,341**	**476,058**	**221,550**
NON CURRENT LIABILITIES				
Borrowings	11	2,700,000	3,500,000	2,700,000
Total non current liabilities		**2,700,000**	**3,500,000**	**2,700,000**
Total liabilities		**2,912,341**	**3,976,058**	**2,921,550**
Net assets (assets minus liabilities)	14	**9,542,646**	**9,337,693**	**8,936,217**
EQUITY				
Accumulated funds		(14,492,099)	(14,297,051)	(14,698,528)
Revaluation reserve		2,752,842	2,352,841	2,352,842
Share capital		21,281,903	21,281,903	21,281,903
Total equity	14	**9,542,646**	**9,337,693**	**8,936,217**

Explanations of the major variances against budget are provided in note 21. The accompanying notes form part of these statements.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Actual 2020	Budget 2020	Actual 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from rentals	2,247,294	2,296,171	2,152,385
Interest received	2,111	5,000	7,988
Receipts from user charges and other income	174,337	372,715	292,938
	2,423,742	**2,673,886**	**2,453,311**
Cash was applied to:			
Payments to employees	(461,346)	(452,205)	(415,606)
Payments to suppliers	(1,105,822)	(1,285,707)	(1,173,835)
Interest paid	(99,436)	(100,510)	(103,005)
	(1,666,604)	**(1,838,422)**	**(1,692,446)**
Net cash flows from operating activities	**757,138**	**835,464**	**760,865**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of assets held for sale	-	-	-
	-	-	-
Cash was applied to:			
Purchase of property, plant and equipment	(364,129)	(2,142,000)	(311,186)
Purchase of assets under construction	(346,613)	-	(286,580)
	(710,742)	**(2,142,000)**	**(597,766)**
Net cash flows from investing activities	**(710,742)**	**(2,142,000)**	**(597,766)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from borrowings - Hutt City Council	23,241	800,000	-
	23,241	**800,000**	-
Cash was applied to:			
Repayment of borrowings - Hutt City Council	-	-	(183,568)
	-	-	**(183,568)**
Net cash flows from financing activities	**23,241**	**800,000**	**(183,568)**
Net increase / (decrease) in cash, and cash equivalents	**69,637**	**(506,536)**	**(20,469)**
Cash, cash equivalents and bank overdrafts at beginning of the year	656,429	669,640	676,898
Cash, and cash equivalents at the end of the year	**726,066**	**163,104**	**656,429**

Explanations of the major variances against budget are provided in note 21. The accompanying notes form part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

REPORTING ENTITY

SML is a Council Controlled Trading Organisation (CCTO), 100 per cent owned by Hutt City Council.

The primary objective of SML is the operation of a Marina, which benefits the community of Hutt City. SML is designated a public benefit entity for financial reporting purposes.

The financial statements of SML are for the year ended 30 June 2020. The financial statements were authorised for issue by the Board of Directors on 26 November 2020.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

These financial statements 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). They comply with IPSAS and other applicable Financial Reporting Standards, as appropriate for public benefit entities (PBE) that apply Tier 2 PBE accounting standards. As SML's total expenses are under $30,000,000, it has elected to apply Tier 2 PBE accounting standards.

Measurement base

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

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings.

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the period.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values have been rounded to the nearest dollar. The functional currency of SML is New Zealand dollars.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Goods and services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

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The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

Commitments and contingencies are disclosed exclusive of GST.

The net GST paid to, or received from, the IRD; including the GST relating to investing and financing activities is classified as an operating cash flow in the statement of cash flows.

Critical accounting estimates and assumptions

In preparing these financial statements, the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

2. Rental revenue

Accounting policy

Revenue is measured at the fair value of the consideration received. Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided. Sales of goods are recognised when a product is sold to the customer. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

	2020	2019
Berth and trailer park rentals	1,736,840	1,630,951
Boat lifts and hardstand rentals	231,468	200,771
Wellington marine centre rentals	305,937	307,525
Other rentals	-	-
Total rental revenue	**2,274,245**	**2,139,247**

3. Interest revenue and finance expenses

Accounting policy

Interest revenue is recognised using the effective interest method.

	2020	2019
Interest revenue		
Call and term deposits	2,111	7,988
Related party deposits	-	-
Total interest revenue	**2,111**	**7,988**
Finance expenses		
Call and term deposits	-	-
Related party loans	99,436	103,005
Total finance expenses	**99,436**	**103,005**
Net finance expenses	**(97,325)**	**(95,017)**

4. Personnel expenses

	2020	2019
Salaries and wages	415,733	372,654
Employer contributions to defined contribution plans		11,170
Training	5,781	4,645
Other employee expenses	39,832	27,137
Increase/(decrease) in employee entitlements/liabilities	11,433	4,065
Total personnel expenses	**472,779**	**419,671**

5. Operating expenses

	2020	2019
Directors' fees	43,539	45,638
Electricity	103,493	73,753
Insurance	176,007	120,533
Vehicle lease expenses	-	-
Operational contracts	251,579	261,925
Equipment purchases	5,698	2,881
Legal expenses	15,107	6,904
Fees for the audit of the financial statements	15,526	14,756
Specialist services	4,476	83,394
Shared services cost	46,400	46,400
Promotion expenses	2,241	20,213
Impairment of receivables	7,574	-
Bad debts written off	-	-
Printing and stationery	5,668	4,701
Maintenance	66,774	64,231
Rates and water charges	95,718	99,165
Breakwater rental	100,000	-
Other expenses	58,488	63,129
Total operating expenses	**998,288**	**907,623**

6. Taxation

Accounting policy

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

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The

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measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

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 is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

	2020	2019
Net surplus / (Deficit) before tax	206,429	429,049
Tax at 28%	57,800	120,133
Plus (less) tax effect of:		
Non-deductible expenditure	194	240
Imputation credit adjustment	-	
Re-introduction of tax depreciation on buildings	(378,829)	
Tax losses not recognised	174,993	
Group loss offset	164,288	
Deferred tax adjustment	(18,446)	(120,373)
Tax expense	-	-
Current tax	-	-
Deferred tax adjustment	-	-

There are no imputation credits available for use.

	Property, Plant & Equipment	Employee Entitlements	Other Provisions	Tax Losses	Total
Balance at 30 June 2018	(681,675)	6,288	835	674,552	-
Charged to surplus or deficit	(32,810)	1,138	(292)	31,964	-
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2019	**(714,485)**	**7,426**	**543**	**706,516**	**-**
Charged to surplus or deficit	415,007	3,201	2,195	(420,403)	-
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2020	**(299,478)**	**10,627**	**2,738**	**286,113**	**-**

A deferred tax asset has not been recognised in relation to tax losses of $2,035,816 (2019: of $6,058,129) with a tax effect of $570,028 (2019: $1,696,276). Total tax losses of $3,057,648 (2019: $8,581,401) are available to offset against future taxable income.

Tax losses of $3,674,730 (2019: $587,584) will be transferred to Urban Plus Limited by loss offset.

7. Cash and cash equivalents

Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value. SML does not hold funds (included in cash or cash equivalents) with restrictions specifying how the funds are to be spent.

	2020	2019
Cash at bank and on hand	726,066	656,429
Term deposits with maturities less than three months at inception	-	-
Cash and cash equivalents	**726,066**	**656,429**

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	2020	2019
Cash at bank and on hand	726,066	656,429
Term deposits with maturities less than three months at inception	-	-
Bank overdrafts	-	-
Total	**726,066**	**656,429**

8. Debtors and other receivables

Accounting policy

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

	2020	2019
Rent receivable	74,340	40,412
Gross debtors and other receivables	**74,340**	**40,412**
Less provision for impairment	(8,917)	(1,940)
Total debtors and other receivables	**65,423**	**38,472**

Fair value

Debtors and other receivables are non-interest bearing and receipts is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

Impairment

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated is $nil (2019: $nil).

The impairment provision has been calculated based on expected losses for the SML's pool of debtors. Expected losses have been determined based on an analysis of the SML's losses in previous periods, and review of specific debtors as detailed below:

	2020	2019
Individual impairment	8,917	1,940
Collective impairment	-	-
Total provision for impairment	**8,917**	**1,940**

	2020	2019
At 1 July	(1,940)	(2,983)
Additional provisions made during the year	(8,917)	(1,940)
Provisions reversed during the year	1,343	2,983
Receivables written-off during the period	597	-
At 30 June	**(8,917)**	**(1,940)**

At 30 June 2020 no boats are held as collateral for unpaid debts. (2019: No boats were held as collateral for unpaid debts). No other collateral, as security or other credit enhancements over receivables that are either past due or impaired, are held.

9. Inventory

Accounting policy

Inventory is recorded at cost on a first in – first out basis.

	2020	2019
Commercial inventories held for sale:		
Diesel	19,482	21,204
Other items	-	-
Total inventory	**19,482**	**21,204**

No inventory is pledged as security for liabilities (2019: $nil).

10. Payables and deferred revenue

Accounting policy

Short term creditors and other payables are recorded at their face value.

	2020	2019
Deposits and bonds	1,770	1,770
Trade payables and accrued expenses	110,501	125,792
Rentals in advance	20,155	48,747
Total payables and deferred revenue	**132,426**	**176,309**

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11. Borrowings

Accounting policy

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

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

	2020	2019
Current portion		
Loans from related parties	-	-
Total current portion	**-**	**-**
Non-current portion		
Loans from related parties	2,700,000	2,700,000
Total non-current portion	**2,700,000**	**2,700,000**
Total borrowings	**2,700,000**	**2,700,000**

No securities are held over the borrowings.

12. Property, plant and equipment

Accounting policy

Property, plant and equipment

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Additions

Expenditure of a capital nature of $500 or more has been capitalised. Expenditure of less than $500 has been charged to operating expenditure. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to SML and the cost of the item can be measured reliably.

Labour costs relating to self-constructed assets are capitalised if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to SML and the cost of the item can be measured reliably.

Assets under construction are recognised at cost less impairment and are not depreciated.

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Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the Statement of Comprehensive revenue and expense.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to SML and the cost of the item can be measured reliably.

Revaluation

Land and buildings are reviewed each year to ensure that their carrying amount does not differ materially from fair value, and are revalued when there has been a material change. All other asset classes are carried at depreciated historical cost. Revaluation movements are accounted for on a class of asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expenses and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expenses but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expenses.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The straight-line depreciation rates are as follows:

Estimated economic lives

Asset Class	Years	Rate
Buildings	5 - 53 years	1.8% - 20%
Service Centre	5 - 60 years	1.7% - 20%
Site improvements	3 - 80 years	1.25% - 33.3%
Piers and marina berths	4 - 80 years	1.25% - 25%
Plant and equipment	1.5 – 80 years	1.25% - 67%
Vehicles	5 years	20%

The residual value and useful life of an asset is reviewed and adjusted if applicable at each financial year end.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by SML, are recognised as an intangible asset.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive revenue and expense.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Asset Class	Years	Rate
Computer software	2.5 - 33 years	3% - 40%

Impairment of non-financial assets

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The total impairment loss is recognised in the Statement of Comprehensive revenue and expense.

Estimation of the useful life and residual value of property, plant and equipment

At each balance date, SML reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates requires SML to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by SML, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciable amount of an asset, therefore affecting the depreciation expense recognised in the surplus or deficit and the asset's carrying amount. SML minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programs;
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

Movements for each class of property, plant and equipment and Intangibles are as follows:

	Cost / valuation	Accumulated depreciation & impairment	Carrying amount	Additions	Category adjustments to cost	Disposals	Accumulated depreciation and impairment on disposals	Impairment	Depreciation	Depreciation on Disposals	Category adjustments to depreciation	Elimination of accumulated depreciation on revalaution	Revaluation surplus	Cost / valuation	Accumulated depreciation & impairment	Carrying amount
2020	1/07/2019	1/07/2019	1/07/2019											30/06/2020	30/06/2020	30/06/2020
Land	2,800,000	-	2,800,000	-	-	-	-	-	-	-	-	-	400,000	3,200,000	-	3,200,000
Site improvements	1,727,454	(541,373)	1,186,081	-	-	(2,143)	-	-	(76,032)	876	-	-	-	1,725,311	(616,529)	1,108,782
Buildings	3,249,848	(114,824)	3,135,024	28,206	-	-	-	-	(78,593)	-	-	187,104	(381,054)	2,897,000	(6,313)	2,890,687
Plant and equipment	1,760,937	(843,132)	917,805	313,805	-	(40,704)	-	-	(86,705)	12,897	-	-	-	2,034,038	(916,940)	1,117,098
Vehicle	29,974	(5,995)	23,979	-	-	-	-	-	(5,995)	-	-	-	-	29,974	(11,990)	17,984
Piers and Marina Berths	4,424,404	(1,717,854)	2,706,550	39,489	-	-	-	-	(147,955)	-	-	-	-	4,463,893	(1,865,809)	2,598,084
Total property, plant & equipment	13,992,617	(3,223,178)	10,769,439	381,500	-	(42,847)	-	-	(395,280)	13,773	-	187,104	18,946	14,350,216	(3,417,581)	10,932,635
Intangible assets																
Software	53,632	(52,375)	1,257	-	-	-	-	-	(60)	-	-	-	-	53,632	(52,435)	1,197
Total property, plant & equipment and intangibles	14,046,249	(3,275,553)	10,770,696	381,500	-	(42,847)	-	-	(395,340)	13,773	-	187,104	18,946	14,403,848	(3,470,016)	10,933,832
2019	1/07/2018	1/07/2018	1/07/2018											30/06/2019	30/06/2019	30/06/2019
Land	2,800,000	-	2,800,000											2,800,000	-	2,800,000
Site improvements	1,477,443	(466,115)	1,011,328	250,911		(900)			(75,677)	419				1,727,454	(541,373)	1,186,081
Buildings	3,233,163	(37,706)	3,195,457	16,685					(77,118)					3,249,848	(114,824)	3,135,024
Plant and equipment	1,850,217	(991,743)	858,474	147,434		(236,714)			(88,026)	236,637				1,760,937	(843,132)	917,805
Vehicle	13,958	(13,958)	-	29,974		(13,958)			(5,995)	13,958				29,974	(5,995)	23,979
Piers and Marina Berths	3,950,030	(1,569,477)	2,380,553	475,859		(1,485)			(149,331)	954				4,424,404	(1,717,854)	2,706,550
Total property, plant & equipment	13,324,811	(3,078,999)	10,245,812	920,863	-	(253,057)	-	-	(396,147)	251,968	-	-	-	13,992,617	(3,223,178)	10,769,439
Intangible assets																
Software	53,632	(52,315)	1,317						(60)					53,632	(52,375)	1,257
Total property, plant & equipment and intangibles	13,378,443	(3,131,314)	10,247,129	920,863	-	(253,057)	-	-	(396,207)	251,968	-	-	-	14,046,249	(3,275,553)	10,770,696

No class of Property, plant and equipment is pledged as security for liabilities, nor are any titles restricted.

No class of Property, plant and equipment is pledged as security for liabilities, nor are any titles restricted.

The last valuation of Land and Buildings was undertaken by Aon Valuation Services as at 31 May 2020. The total valuation was for $6,097,000.

13. Advances from related parties

	2020	2019
Current portion		
Due from related parties	41,962	18,720
Total other liabilities - current portion	**41,962**	**18,720**
Total other liabilities	**41,962**	**18,720**

14. Equity

	2020	2019
Accumulated funds		
Balance at beginning of the year	(14,698,528)	(15,127,577)
Net surplus/(deficit) after tax	206,429	429,049
Balance at end of the year	**(14,492,099)**	**(14,698,528)**

	2020	2019
Share capital		
Balance at beginning of the year	21,281,903	21,281,903
Movements during the year	-	-
Balance at end of the year	**21,281,903**	**21,281,903**

	2020	2019
Asset revaluation reserve		
Balance at beginning of the year	2,352,842	2,352,842
Movements during the year from revaluation	400,000	-
Balance at end of the year	**2,752,842**	**2,352,842**

	2020	2019
Asset revaluation reserve consists of:		
Land	2,752,842	2,352,842
Balance at end of the year	**2,752,842**	**2,352,842**

	2020	2019
Total equity		
Balance at beginning of the year	8,936,217	8,507,168
Movements during the year	606,429	429,049
Balance at end of the year	**9,542,646**	**8,936,217**

Equity is Hutt City Council's interest in SML, being a 100 % council controlled organisation, as measured by total assets less total liabilities. Equity has been classified into various components to identify those portions of equity held for specific purposes.

These components of equity are:

- Accumulated funds;
- Share capital; and,
- Land revaluation reserve (this reserve relates to the revaluation of land to fair value as at 31 May 2020).

As at 30 June 2020, SML had 6,000,000 ordinary shares on issue, all of which are fully paid. Ordinary shares have a face value of $3.55 per share. No shares were outstanding at the beginning or the end of the year. No rights, preferences or restrictions attach to the shares. The shares in SML are held by the controlling entity Hutt City Council. No shares are reserved for issuance under options and sales contracts.

Registered holders of equity shares as at 30 June 2020	2020	2020	2019	2019
Hutt City Council	6,000,000	100%	6,000,000	100%

15. Employee entitlements

Accounting policy

Short-term entitlements

Employee benefits that SML expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken at balance date.

SML recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

	2020	2019
Current portion		
Annual leave	37,953	26,521
Total employee entitlements - current portion	**37,953**	**26,521**
Total employee entitlements	**37,953**	**26,521**

16. Financial instruments

Accounting policy

SML is party to financial instrument arrangements as part of its normal operations. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue and Expenses.

Financial instruments are recognised in the Statement of Financial Position on the basis of the SML's accounting policies. The carrying amounts of financial assets and liabilities in each of the financial instruments categories are as follows:

Financial assets disclosed on the Statement of Financial Position are recorded at amortised cost.

Financial assets, such as receivables and loans are assessed for impairment using the "expected credit loss" model based on whether a significant increase in the general level of credit risk has occurred.

Financial liabilities are recorded at amortised cost.

	2020	2019
Financial Assets		
Loans and receivables at amortised cost		
Cash and cash equivalents	726,066	656,429
Debtors and other receivables	65,423	38,472
Other financial assets:	-	-
Loans to related parties	-	-
Total financial assets at amortised cost	**791,489**	**694,901**
Financial Liabilities		
Financial liabilities at amortised cost		
Borrowings	2,700,000	2,700,000
Advances from related parties	41,962	18,720
Trade and other payables	110,501	125,792
Total financial liabilities at amortised cost	**2,852,462**	**2,844,512**

17. Remuneration

Key management personnel consist of the Board and the Chief Executive.

Senior Management Remuneration	2020	2019
Senior Management		
Total remuneration	144,401	136,474
Full-time equivalent members	**1.0**	**1.0**
Remuneration of Board Members		
B Walshe (Chairman)	19,617	19,560
P Steel	13,286	13,039
C Milne	10,637	13,039
Total remuneration	**43,540**	**45,638**
Number of Board members, including Chair	**3.0**	**3.0**

Due to the difficulty in determining the full-time equivalent for Board members, the full-time equivalent figure is taken as the number of Board members.

Total remuneration includes any non-financial benefits provided to employees. At balance date, SML employed 6.0 full time employees (2019: 5.5). A full time employee is determined on the basis of a 40 hour working week.

Severance Payments

No severance payments were made by SML during the year (2019: Nil).

18. Related party disclosures

Related party disclosures have not been made for transactions with related parties that are within a normal supplier, client or recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect SML would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

19. Capital commitments and operating leases

Capital commitments

As at 30 June 2020 SML had $936,910 in commitments for capital expenditure relating to four capital projects - the H and I pier development, and the pier power pedestals, fibre network and hardstand tunnel house projects. (2019: Nil).

Operating leases as lessor

Accounting policy

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease revenue from operating leases are recognised as revenue on a straight-line basis over the lease term.

Finance leases

SML has not entered into any finance leases.

The units within the WMC are leased under operating leases. The majority of leases have a non-cancellable term of 36 months, some with rights of renewal. The future aggregate minimum lease payments to be collected under non-cancellable leases are as follows:

	2020	2019
Not later than one year	256,387	202,273
Later than one year and not later than five years	212,850	308,657
Later than five years	-	-
	469,237	**510,930**

20. Contingent liabilities and assets

Contingent assets

As at 30 June 2020 SML had no contingent assets (2019: $nil).

Contingent liabilities

As at 30 June 2020 SML had no contingent liabilities ($2019: Nil).

21. Explanation of major variances against budget

The Surplus after tax was $206 (2019: $429k) for the year ended 30 June 2020. This was below budget by $162k (2019: $168k).

Operating Revenue

Operating revenue was below budget by $195k, but $41k ahead of last financial year. Revenue was lower due to:

- lower boat storage revenue largely as a result of the H and I pier development being delayed until next year;
- no revenue being earned from the planned charging of licensees for their power consumption. The installation of power pedestals on all piers was not completed in time for a new charging regime to be effectively implemented within the current financial year; and,
- for the first time this year lower than planned product sales.

Operating expenses

Total expenses are $33k below budget, notwithstanding the $194k loss on revaluation of the SML buildings (unbudgeted) and higher than planned personnel expense of $20k.

Operating expenses were below budget by $124k largely due to:

- electricity being $15k below budget as a result of the delay to next year in the on-charging of users for their power consumption, resulting in no handling fees being incurred;
- $77k of savings against budget from significantly lower engineering and other specialist fees; and,
- $32k of savings against the promotional, rates and insurance budgets.

Product costs were lower due to lower product sales by $62k.

Depreciation was lower by $72k largely due to capital project delays (power pedestal project) and the postponement of catamaran haul-out project. Finance expenses are broadly in line with budget. Personnel expenses were above budget due to higher than planned staff turn-over and the associated costs of recruiting and back- filling of positions.

Statement of Financial Position

Cash is above budget due to a mix of delays in carrying out the capital programme, coupled with the postponement to next year of the catamaran haul-out project estimated to cost $400k. Non-Current assets are lower as a result of the capital programme not being implemented as intended. Total liabilities are lower than planned due to fewer outstanding creditors at year-end than anticipated.

Statement of Cash Flows

SML has continued to maintain a positive cash flow. Operating activities are positive, reflecting the increased berth occupancy in Boat Storage and Tenancy revenue compared with the previous year. Investing activities saw expenditure on a range of large and small-scale developments during the year,

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including the completion of the second stage of the café development, the purchase of nauti-cradles for use in the hardstand business and the erection of the electronically controlled entrance gate.

22. Events after balance date

There have been no significant events after balance date (2019: No significant event after balance date).

23. The Impact of Covid-19

The impact of Covid-19 and the lockdown at alert level's 4 and 3 on SML's financial results, including its financial performance measures, are outlined below:

Revenue Impact

The impact on revenue occurred in two areas:

- The Board decided, within a week of the lockdown commencing, to grant WMC tenants a 70% reduction to their April and May rentals. This reduction was taken up by most tenants. The rental revenue forgone due to the level 4 and 3 lockdown totaled $25,171.

- Hardstand activities, comprising 9% of total SML revenue, ceased all operations during level 4 and 3 of the lockdown. The Board offered boat owners a 50% discount on the usual fee for boats sitting idle on the hardstand. The 50% discount resulted in lost revenue from the hardstand of $7,110.

Expense Impact

The impact on expenses was not significant. An additional $9k was incurred for increased security patrols during the lockdown period; the purchase of hand sanitisers and one extra clean a day at the ablution facilities that was arranged as a direct result of covi-19.

SML Performance Measures

SML systems continued to be maintained remotely off-site by staff over the lockdown period. Therefore, covid-19 has not hindered or prevented SML from collecting performance information and reporting against its performance targets.

Going Concern Assumption

In preparing the SML Annual Report for the year ended 30 June 2020, the Going Concern assumption was reviewed. Our assessment indicated the continued validity and appropriateness of the assumption.

Borrowings

The Shareholder has indicated its intention in writing not to withdraw support for the $2.7M loan prior to 31 October 2021.

Capital developments

Covid-19 and the lockdown at alert level's 4 and 3 prevented work taking place on two key projects – installation of the power pedestals and additional berths on pier's H and I. However, both the projects were experiencing delays prior to covid-19. Therefore, it is not possible to say whether the projects would have been completed by 30 June 2020 if covid-19 had not occurred.

Valuation

SML's buildings and land were re-valued as at 31 May 2020 by our independent valuer – Aon Valuation Services - using the capitalised income approach whereby a yield is applied to the property's income to assess its value. At the time of the valuation there was uncertainty as a result of covid-19, which the valuer took into consideration when determining the assumptions used in the valuation. For instance, a softer capitalisation rate was used to reflect expected downside risk. The valuer also used additional valuation methods such as the Depreciated Replacement Cost method to test assumptions, each time arriving at the same conclusion. Subsequent to the valuation there is no indication from market evidence of a significant decline in the value of industrial property as at 30 June 2020 due to covid-19.