SEAVIEW MARINA LIMITED

STATEMENT OF INTENT

2020/21 to 2022/23

Contents

1. Mission

Seaview Marina Limited's mission is to be the centre for recreational marine activities and services in the Wellington Region.

2. Nature and Scope of Activities

Seaview Marina Limited (the Company) is responsible for the operation of the boating facilities and services, the maintenance of infrastructural assets and the development of additional facilities and services as demand dictates.

3. Corporate Governance Statement

The Company is 100% owned by Hutt City Council and accordingly is a Council Controlled Trading Organisation (CCTO) as defined by the Local Government Act 2002 (LGA). The Directors' role is defined in Section 58 of the LGA which requires that all decisions relating to the operation of a CCTO shall be made pursuant to the authority of the directorate of the CCTO and its Statement of Intent (SOI). In addition to the obligations of the LGA, the Company is also covered by the Companies Act 1993 which places other obligations on the Directors.

The Directors are responsible for the preparation of the SOI which, along with the three-year financial plan, is provided to the Company's Shareholder, Hutt City Council. Six monthly and Annual reports of financial and operational performance are provided to the Shareholder. Financial and operational /management reports are prepared monthly for the Directors.

The Directors of the Company are responsible for the overall control of the Company but no cost-effective internal control system will permanently preclude all errors or irregularities. The control systems operating within the Company reflect the specific risks associated with the business of the company.

4. Corporate Goals

The principle goal of the Company is to operate as a successful business, achieving the objectives of its shareholder as specified in this Statement of Intent. The specific corporate goals of the Company are as follows:

General

4.1 To ensure that the Statement of Intent and operating policies for the Company are consistent with the operating policies of Hutt City Council.

4.2 To ensure that the Statement of Intent and operating strategies are adhered to.

4.3 To keep the Shareholder informed of matters of substance affecting the Company.

4.4 To perform continual reviews of the operating strategies, financial performance and service delivery of the Company.

4.5 To develop the Company into one of New Zealand's premier marina businesses.

4.6 To further expand and diversify the Company's marina facilities.

Economic

4.7 To maximise the financial returns achieved and the value added by the Company.

4.8 To return a minimum of 5% return on equity (ROE) per annum.

4.9 To maintain the Company's financial strength through sound and innovative financial management.

Social and Environmental

4.10 To support recreational boating activities in the Wellington Region.

4.11 To promote safe work practices.

4.12 To act as a socially responsible and environmentally aware corporate citizen and to contribute to, or assist where possible, with Hutt City Council's community outcomes (as listed in the HCC Annual or Long Term Plan).

4.13 The Company will take steps to respond to the potential impacts of climate change and align itself with the Council's "carbon zero" initiatives.

5. Specific Objectives for the Year Ending 30 June 2021

In pursuit of its corporate goals, the Company has the following objectives for the next 12 months:

General

5.1 To review the Statements of Intent and Strategic Plans for consistency with the objectives of Hutt City Council.

5.2 To review the operating activities of the Company for compliance with the goals and objectives stated in the Statement of Intent and Strategic Plan.

5.3 To report all matters of substance to the Shareholder.

Economic

5.4 To achieve all financial projections.

5.5 To achieve or exceed a 5% Return on Equity (ROE).

5.6 To ensure that the reporting requirements of the Company and the Shareholder are met.

Social and Environmental

5.7 To maintain good employer status by:
  (a) complying with all employment legislation;
  (b) operating open and non-discriminatory employment practices.

5.8 To ensure no transgression of environmental and resource laws.

5.9 To review the activities undertaken by the Company for the purposes of being a good socially and environmentally responsible corporate citizen.

6. Shareholder Expectations

The Shareholder has provided the Company with its expectations for the business over the next three years. These expectations are laid out under the following four categories: development, return to shareholder, social and environmental and lastly health and safety. The details are outlined below:

Continue with development plans

Focus on completing the remaining in-water development as the market demands and operating cash flows permit. Any substantial variations will require engagement with the Shareholder.

Returns to Shareholder

In the medium term the Shareholder expects financial returns by way of dividends and breakwater lease payments. Breakwater lease payments commenced in 2019/20. The timing of dividend payments is dependent on completion of the in-water development programme. The Board will develop a Dividend Policy for consideration and approval of the shareholder.

Social and environmental

Support of charitable non-profit ventures connected with the Company's business will continue to be a focus.

The Company will take steps to respond to the potential impacts of climate change and align itself with the Council's 'carbon zero' initiatives.

Health and safety

Health and safety will continue to be a top priority and embedded within all activities of the marina.

7. Performance Measures

	Key Performance Indicator	2020/21	2021/22	2022/23	Reporting Frequency
	Financial				
1	Deliver annual budgeted incomes for each of the four business entities • Boat storage • Hardstand • Marine Centre • Launching ramp	Achieve 100% of budgeted incomes	Achieve 100% of budgeted incomes	Achieve 100% of budgeted incomes	Six monthly
2	Control operational expenses **(1)**	Operational expenses within budget	Operational expenses within budget	Operational expenses within budget	Annually
3	Achieve prescribed return on investment **(2)**	4.6%	4.7%	5.2%	Annually
4	Manage Capital Expenditure **(3)**	Complete within capital budget and on time	Complete within capital budget and on time	Complete within capital budget and on time	Annually
	Relationship & Communication				
5	Client Service	88% satisfaction in the bi-annual survey	88% satisfaction for the exit/entry survey	88% satisfaction in the bi-annual survey	Annually
6	Newsletter communications	Complete four newsletters per annum	Complete four newsletters per annum	Complete four newsletters per annum	Quarterly
7	Meet all shareholder reporting deadlines	See Section 9	See Section 9	See Section 9	Schedule in Section 9
	Risk Management and Human Resources				
8	Notifiable health and safety incidents	None	None	None	Monthly to board
9	Business Continuity Plan	Run one test scenario and review	Run one test scenario and review	Run one test scenario and review	Annually
10	Staff Satisfaction	Achieve 85% staff satisfaction	Achieve 85% staff satisfaction	Achieve 85% staff satisfaction	Six Monthly
	Marketing				
11	Implement marketing strategy to improve occupancy rates (additional berth development initially impacts negatively on berth occupancy rates)	Berth occupancy to 85%	Berth occupancy to 88%	Berth occupancy to 90%	Monthly
12	Media and Public Relations	20 enquiries per month from website	25 enquiries per month from website	30 enquiries per month from website	Monthly

Notes to Financial Measures

(1) Operational expenses are defined as all expenses controllable by Seaview Management. Excludes depreciation and finance charges

(2) Return on equity is defined as net Surplus / (Deficit) divided by the opening balance of equity at the start of the year

(3) Excludes carry forward of expenses on projects from prior years, unless specifically budgeted for (e.g. where project spans two or more fiscal periods)

8. Financial Projections

The projections have been prepared using a number of assumptions about the future as well as business trends over the previous five years. In determining these projections the Board and Management have applied their judgement to the future commercial environment in which the Company operates.

Financial Year Ended 30 June	2020/21	2021/22	2022/23
Total revenue	2,671,843	2,755,555	2,868,397
Total expenses	2,237,539	2,292,319	2,335,217
Net (Surplus) / Deficit	**434,304**	**463,236**	**533,180**
Total assets	13,422,040	14,317,809	13,777,513
Total liabilities	-3,637,361	-4,069,894	-3,196,418
Total equity	**9,784,678**	**10,247,915**	**10,581,095**
Return on equity	4.6%	4.7%	5.2%

The Return on equity without the breakwater lease is:

Return on equity	5.7%	5.6%	6.0%

Capital Expenditure Projections

Financial Year Ended 30 June	2020/21 Budget	2021/22 Plan	2022/23 Plan
Jetski Pontoons	30,000		
Additional Office Space	400,000		
Pier Upgrade	25,000		
Ramp Tarseal	90,000	90,000	
Miscellaneous	80,000	250,000	250,000
H and I Pier		1,000,000	
Catamaran Trailer / Haulout	400,000		
Total capital programme	**1,025,000**	**1,340,000**	**250,000**

Note 1: Ownership of infrastructural assets is retained by the Shareholder (or other clients).

Note 2: Seaview Marina has to date returned all financial benefits to its Shareholder through increasing the capital value of the marina with trading profits being retained and invested in the strategic development programme. Dividends are expected to be returned to the Shareholder after completion of the marina in-water capital development programme.

Prospective Statement of Comprehensive Revenue and Expenses

	2020/21	2021/22	2022/23
Net diesel sales	11,000	11,000	11,000
Tenancy revenue	311,018	311,018	311,018
Electricity recharges	55,960	55,960	55,960
Finance revenue	-	-	-
Ramp revenue	35,000	35,000	35,000
Boat storage revenue	1,910,987	1,985,595	2,094,375
Hardstand revenue	247,500	251,500	251,500
Liveaboard revenue	88,379	93,483	97,545
Other revenue	12,000	12,000	12,000
(Gain) / Loss on sale of assets	-	-	-
Total revenue	**2,671,843**	**2,755,555**	**2,868,397**
Personnel expenses	510,102	522,030	534,351
Maintenance	66,500	68,163	69,867
Electricity EMO expenses	5,596	5,596	5,596
Electricity charges	108,785	111,504	114,292
Insurance	184,500	189,113	193,840
Security	122,742	122,742	122,742
Operational contracts	21,164	21,693	22,236
Environmental services	111,055	113,831	116,677
Rates and water charges	112,377	115,187	118,067
Promotion and publicity	25,000	25,000	25,000
Travel	5,000	5,000	5,000
Business cases and research	50,000	50,000	50,000
Payment to HCC - breakwater rental	*100,000*	*100,000*	*100,000*
(Gain) / Loss on sale of assets	-	-	-
Other expenses	211,607	212,773	213,968
Finance expenses	128,330	117,375	101,078
Total expenses	**1,762,758**	**1,780,006**	**1,792,712**
Net Surplus / (Deficit) before Depreciation	**909,085**	**975,549**	**1,075,685**
Depreciation	474,781	512,313	542,505
Net Surplus / (Deficit) after Depreciation	**434,304**	**463,236**	**533,180**

Prospective Statement of Movements in Equity

For the Year Ended 30 June	2020/21	2021/22	2022/23
Balance at 1 July	9,350,374	9,784,678	10,247,915
Net (Surplus) / Deficit after Depreciation	434,304	463,236	533,180
Dividend payment to HCC	-	-	-200,000
Balance at 30 June	**9,784,678**	**10,247,915**	**10,581,095**

Prospective Statement of Financial Position

	2020/21	2021/22	2022/23
Cash and cash equivalants	324,698	385,919	144,276
Debtors and other receivables	46,344	48,877	50,401
Prepayments	-	-	-
Inventory	17,736	22,064	14,393
Advances related parties	-	-	-
Total Current Assets	**388,778**	**456,860**	**209,069**
Assets under construction	-	-	-
Fixed assets at cost	17,227,998	18,567,998	18,817,998
Accumulated depreciation	-4,194,736	-4,707,049	-5,249,554
Total Non Current Assets	**13,033,262**	**13,860,949**	**13,568,444**
Total Assets	**13,422,040**	**14,317,809**	**13,777,513**
Payables and accruals	33,071	63,071	88,071
Receipts in advance	71,176	73,709	75,233
Employee entitlements	33,115	33,115	33,115
Advances related parties	-	-	-
Total Current Liabilities	**137,361**	**169,894**	**196,418**
Borrowings	3,500,000	3,900,000	3,000,000
Total Non Current Liabilities	**3,500,000**	**3,900,000**	**3,000,000**
Total Liabilities	**3,637,361**	**4,069,894**	**3,196,418**
Net Assets	**9,784,678**	**10,247,915**	**10,581,095**
Accumulated funds	-14,284,371	-13,850,067	-13,386,830
Net (Suplus) / Deficit	434,304	463,236	533,180
Dividend payable to Hutt City	-	-	-200,000
Share capital	21,281,903	21,281,903	21,281,903
Revaluation reserve	2,352,842	2,352,842	2,352,842
Total Equity	**9,784,678**	**10,247,915**	**10,581,095**

Prospective Statement of Cash Flows

For Year Ended 30 June:	2020/21	2021/22	2022/23
Cashflows from Operating Activities			
Cash was provided from:			
Receipts from rentals	2,469,505	2,548,113	2,656,893
Interest received	-	-	-
Receipts from user chrges and other revenue	202,339	207,443	211,505
Cash was applied to:			
Payments to employees	-510,102	-522,030	-534,351
Payments to suppliers	-1,189,142	-1,114,929	-1,124,612
Dividend payments			-200,000
Interest paid	-128,330	-117,375	-101,078
Tax paid			
Net cash flows from operating activities	**844,269**	**1,001,221**	**908,357**
Cashflows from Investing Activities			
Cash was provided from:			
Asset sales			
Cash was applied to:			
Purchase of property, plant and equipment	-1,025,000	-1,340,000	-250,000
Purchase of assets under construction	-	-	-
Net cash flows from investing activities	**-1,025,000**	**-1,340,000**	**-250,000**
Cashflows from Financial Activities			
Cash was provided from:			
Borrowings from Hutt City Council	-	400,000	-
Cash was applied to:			
Repayment of borrowings to Hutt City Council	-	-	-900,000
Net cash flows from financing activities	**-**	**400,000**	**-900,000**
Net Increase / (Decrease) in Cash	**-180,731**	**61,221**	**-241,643**
Cash at beginning of year	505,429	324,698	385,919
Cash at end of year	**324,698**	**385,919**	**144,276**

Equity Value of the Shareholders' Investment

The estimated net value of the shareholders' investment in the company at 30 June 2020 will be $9.4m and $9.8m on 30 June 21.

Ratio of Shareholders Funds to Total Assets

The target ratio for consolidated shareholders' funds to total assets is at least 50%. Consolidated shareholders' funds comprise share capital and accumulated reserves. Total assets comprise all tangible assets of the Company, the main component being the marina berths, infrastructure and the Wellington Marine Centre building.

As at 30 June	2020/21	2021/22	2022/23
Equity / Total Assets (%)	73%	72%	77%
Gearing	26.3%	27.6%	22.1%

9. Accumulated Profits and Capital Reserves

The intention is to pay a dividend to the Shareholder commencing in 2022/23. The Company will develop a Dividend Policy upon completion of the planned in-water developments (H and I Piers).

10. Share Acquisition

There is no intention to subscribe for shares in any other company or invest in any other organisation during the period covered by this Statement of Intent. Not with standing this, the purchase of any shares requires shareholder approval.

11. Information to be provided to Shareholders

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

11.1 Statement of Intent

A draft Statement of Intent by 1 March of the year preceding the financial year to which it relates detailing all matters required under the Local Government Act 2002, including financial information for the next three years.

A final Statement of Intent before the commencement of the financial year to which it relates.

11.2 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, and progress on activities and projects (in accordance with section 66 of the LGA 2002).

11.3 Annual Report

Within three months after the end of each financial year, the Company 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 Auditor's Report (in accordance with section 67, 68 and 69 of the LGA 2002).

12. Pricing Policy

The Company operates in a competitive market competing with four other marinas within the Wellington Region and to a lesser extent with the Marlborough marinas. 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:

12.1 Market Trends

The Company positions it charges at the lower end of the Wellington marina market but will adjust charges according to movements in other marinas of a similar standard.

12.2 Operating Costs

Increases in operating costs related to the marina activities compared with the previous year (not CPI).

12.3 Achievement of ROE

Hutt City Council sets a minimum ROE which the Company is required to achieve each year and to achieve this rental charges are set accordingly.

13. Transactions with Related Parties

Transactions between the Company, Lower Hutt City Council and other Hutt City Council controlled enterprises will be conducted on a wholly commercial basis. Charges from Hutt City Council and its other companies will be made for services provided as part of the normal trading activities of the Company.

Related Party	Transaction
Hutt City Council Finance Department	Provision of accounting services and the consolidation of the Company's financial accounts into the Hutt City Council's accounts.
Hutt City Council IT Department	Provision of technical support for the Company's computer hardware and systems.

14. Directory

Directors

Brian Walshe (Chairman)
Chris Milne
Peter Steel

Chief Executive

Alan McLellan

Registered Office

100 Port Road
Seaview
Lower Hutt
New Zealand

Postal Address

Private Bag 33 230
Petone 5012

Telephone

+64 (4) 568 3736

Website

www.seaviewmairna.co.nz

Auditor

Audit New Zealand on behalf of the Auditor General

Bankers

Westpac Banking Corporation of New Zealand Limited
Lower Hutt
New Zealand

Solicitors

Thomas Dewar Sziranyi Letts
Level 2, Corner Queens Drive & Margaret Street
Lower Hutt
New Zealand

15. Accounting Policies

REPORTING ENTITY

Seaview Marina Limited (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.

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.

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

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 the facilities provided by SML.

Revenue is measured at the fair value of 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.

Interest revenue is recognised using the effective interest method.

Expenses

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

Cash and cash equivalents

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.

Trade debtors and other receivables

Trade 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.

Inventory

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

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 is capitalised. Expenditure of less than $500 is 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.

Work in progress is recognised at cost less impairment and is not depreciated.

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.

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:

Property, plant and equipment consist of the following asset classes: land, buildings, leasehold improvements, furniture and office equipment and motor vehicles.

Estimated economic lives	Years	Rate
Buildings	5 - 33	3% - 20%
Service Centre, hardstand, travel lift	2 - 77	1.3% - 50%
Site improvements	3 - 60	1.7% - 33.3%

Piers and marina berths	4 - 30	3.3% - 25%
Plant and equipment	1.5 - 66	1.5% - 67%
Vehicles	5	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:

Estimated economic lives	Years	Rate
Computer software	2.5 - 33	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.

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.

Employee entitlements

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, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

SML recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that SML anticipates it will be used by staff to cover those future absences.

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.

Payables

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

Provisions

SML recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Borrowings

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.

Income tax

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 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.

Leases

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 payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Finance leases

SML has not entered into any material finance leases.

Financial instruments

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

All financial instruments are recognised in the Statement of Financial Position on the basis of the Company's accounting policies. All financial instruments disclosed on the Statement of Financial Position are recorded at fair value.

Budget figures

The budget figures are those approved by the Board at the beginning of the year. The budget figures have been prepared in accordance with generally accepted accounting practice (GAAP), using accounting policies that are consistent with those adopted by the Board for the preparation of the financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements SML 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 underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the reporting period in which the revision is made and in any future periods that will be affected by those provisions.

Assumptions have been made for the useful lives of property, plant and equipment and intangible assets as noted above.