SEAVIEW MARINA LIMITED

STATEMENT OF INTENT

2022/23 to 2024/25

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1. Vision

Renowned as a New Zealand leading Marina that embraces the whole spectrum of services that boaties' and water enthusiasts' desire.

2. Mission

To provide industry leading facilities and services that delight customers and stimulate related economic activity whilst meeting shareholder expectations.

3. 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.

4. 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.

5. Corporate Goals

The principal 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

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

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

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

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

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

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

Economic

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

5.8 To return a minimum return on equity (ROE) per annum of 3.8%, 3.8% and 3.9% for each financial year commencing 1 July 2022/23.

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

Social and Environmental

5.10 To support recreational boating activities in the Wellington Region.

5.11 To promote safe work practices.

5.12 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).

5.13 Reduce direct emissions by 50% by 2030 and achieve net zero emissions by 2050.

6. Specific Objectives for the Year Ending 30 June 2023

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

General

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

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

6.3 To report all matters of substance to the Shareholder.

Economic

6.4 To achieve all financial projections.

6.5 To achieve or exceed a Return on Equity (ROE) as defined by the Shareholder (See section 5.8 above and section 7 item 2 below).

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

Social and Environmental

6.7 To maintain good employer status by:

(a) complying with all employment legislation; and,

(b) operating open and non-discriminatory employment practices.

6.8 To ensure no transgression of environmental and resource laws.

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

7. 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 health and safety.

The details are outlined below:

Development Plans

Focus for development has shifted for the oncoming year. In-water development is on-hold for the foreseeable future. A necessary program for refurbishment of SML's oldest piers to an upgraded specification, will commence 2022/2023. This program is expected to have a duration of 5 years plus. On-land development is focused around securing a potential lease at a neighbouring property, subject to sound business case. This development would see SML with increased capability in hardstand operations and options to support local business.

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 was dependent on completion of the in-water development programme, which was planned for 2023/24. Dividend payments have been included in the SOI from 2023/24 in line with the Long-Term Annual Plan. The Board will develop a Dividend Policy for consideration and approval of the shareholder. The basis for calculating the amount of dividend payable is yet to be determined as a percentage of after-tax profits or a fixed dollar amount.

Social and environmental

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

The Company will take steps to respond to the potential impacts of climate change and align itself with the Council's 'carbon zero' initiatives; one specific action being to replace fuel powered vehicles, equipment, and plant with electric powered equivalents when due for replacement, provided equivalents are commercially viable.

Create an enduring partnership to support the growth of local maritime businesses that are focused on utilising renewable energy sustainably and are aligned with the Council's 'carbon zero' initiatives.

Health and safety

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

8. Performance Measures

	Key Performance Indicator	2022/23	2023/24	2024/25	Reporting Frequency
Financial					
1	Deliver the total annual budgeted income comprising each of the four business entities • Boat storage • Hardstand • Marine Centre • Launching ramp	Achieve 100% of budgeted income	Achieve 100% of budgeted income	Achieve 100% of budgeted income	Six monthly
2	Control operational expenses (1)	Operational expenses within budget	Operational expenses within budget	Operational expenses within budget	Six monthly
3	Achieve prescribed rate of return on equity before tax and dividends (2)	3.8%	3.8%	3.9%	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	Bi-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 12	See Section 12	See Section 12	Schedule in Section 12
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	Annually
Marketing					
11	Implement marketing strategy to improve occupancy rates (4)	Berth occupancy equal or	Berth occupancy equal or	Berth occupancy equal or	Monthly

		greater than 91% (4)	greater than 93%	greater than 95%	
Non- Financial					
12	To provide financial or non- financial support to at least three charitable (non-profit) ventures with a marine focus during any given financial year.	Support to at least three organisations	Support to at least three organisations	Support to at least three organisations	Annually
13	Public benefit	Perform survey of public opinion on marina facilities (during third quarter)	Perform survey of public opinion on marina facilities (during third quarter)	Perform survey of public opinion on marina facilities (during third quarter)	Annually
Environmental					
14	Reduce direct emissions	Reduce direct emissions by 50% by 2030, and achieve net zero emissions by 2050	Reduce direct emissions by 50% by 2030, and achieve net zero emissions by 2050	Reduce direct emissions by 50% by 2030, and achieve net zero emissions by 2050	Annual footprint report provided by HCC
15	Fleet and equipment	Equipment or vehicles utilising fossil fuels be replaced by equipment or vehicles that are electric or utilise other low carbon alternative.	Equipment or vehicles utilising fossil fuels be replaced by equipment or vehicles that are electric or utilise other low carbon alternative.	Equipment or vehicles utilising fossil fuels be replaced by equipment or vehicles that are electric or utilise other low carbon alternative.	Annually
16	Plan use of incentives	Explore pricing incentives to transition to electric or other low carbon propulsion, and consider actions to reduce indirect emissions from marina users	Explore pricing incentives to transition to electric or other low carbon propulsion, and consider actions to reduce indirect emissions from marina users	Explore pricing incentives to transition to electric or other low carbon propulsion, and consider actions to reduce indirect emissions from marina users	Annually

Notes to Financial Measures

1. Operational expenses are defined as all expenses controllable by Seaview Management. Excludes depreciation and finance charges and losses arising from the revaluation of similar assets within an asset class.
2. Return on equity is defined as net Surplus / (Deficit) before tax and dividends and 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
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). Refers to the total capital budget.
4. 2021 capitalised berth development initially impacts negatively on berth occupancy rates. Berth occupancy of equal or greater than 95% may not be achieved if in-water development provides new vacant berths. March 2022 saw 89% occupancy and forecast is for occupancy to increase by 2.5% per annum.

9. 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	2022/23 Budget	2023/24 Plan	2024/25 Plan
Total revenue	3,283,326	3,460,027	3,642,852
Total expenses	2,869,985	2,980,735	3,158,684
Net Surplus / (Deficit) before tax & dividends	**413,341**	**479,292**	**484,168**
Total assets	14,149,651	14,820,838	15,679,295
Total liabilities	3,898,761	4,424,859	5,134,715
Total equity	**10,250,889**	**10,395,979**	**10,544,580**
Return on equity	4.2%	4.7%	4.7%

The Return on equity without the breakwater lease is:

Return on equity	5.4%	5.9%	5.9%

Capital Expenditure Projections

Financial Year Ended 30 June	2022/23 Budget	2023/24 Plan	2024/25 Plan	Total
Miscellaneous Capital	280,000	280,000	280,000	840,000
Piers B (22/23), C (23/24) & E (24/25)Refurbishment	606,500	606,500	606,500	1,819,500
Leasehold Refurbishment	130,000	120,000	-	250,000
Piers A (23/24) & D (24/25)	-	606,500	606,500	1,213,000
				-
Total Capital Expenditure	**1,016,500**	**1,613,000**	**1,493,000**	**4,122,500**

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 from 2023/24 in line with the Long-Term Annual Plan.

Prospective Statement of Comprehensive Revenue and Expenses

Year Ended 30 June	**Budget 2022/23**	**Plan 2023/24**	**Plan 2024/25**
Rental revenue	3,028,234	3,199,575	3,376,925
Other user charges	81,824	83,720	85,659
Product sales	153,268	156,333	159,460
Other revenue	20,000	20,400	20,808
Total revenue	**3,283,326**	**3,460,027**	**3,642,852**
Employee expenses	727,980	732,409	750,807
Operating expenses	1,412,027	1,419,445	1,462,973
Finance expenses	84,457	139,024	197,860
Product cost of sales	138,309	141,075	143,896
Depreciation	507,212	548,783	603,147
Total expenses	**2,869,985**	**2,980,735**	**3,158,684**
Net Surplus / (Deficit) before tax	**413,341**	**479,292**	**484,168**
Income tax expense	115,736	134,202	135,567
Net Surplus / (Deficit) after tax	**297,606**	**345,090**	**348,601**
Dividend payments to HCC (1)	-	200,000	200,000
Net Surplus / (Deficit) after tax & dividend payments	**297,606**	**145,090**	**148,601**

(1) To be determined by SML Dividend Policy

Year Ended 30 June	**Budget 2022/23**	**Plan 2023/24**	**Plan 2024/25**
Balance at 1 July	9,953,283	10,250,889	10,395,979
Net (Surplus) / Deficit after Depreciation	413,341	479,292	484,168
Tax	(115,736)	(134,202)	(135,567)
Dividend Payment to HCC (1)	-	(200,000)	(200,000)
Balance at 30 June	**10,250,889**	**10,395,979**	**10,544,580**

(1) To be determined by SML Dividend Policy

Prospective Statement of Financial Position

As at 30 June	Budget 2022/23	Plan 2023/24	Plan 2024/25
ASSETS			
Current Assets			
Cash and cash equivalents	460,838	65,163	31,118
Debtors and other receivables	39,474	42,173	44,877
Inventory	17,710	17,657	17,602
Total current assets	**518,022**	**124,993**	**93,597**
Non Current Assets			
Property, plant and equipment at cost	18,457,199	20,070,199	21,563,199
Property, plant and equipment accumulated depreciation	(4,829,277)	(5,375,181)	(5,975,450)
Intangible assets	62,087	62,087	62,087
Intangible asset accumulated depreciation	(58,381)	(61,259)	(64,138)
Total non current assets	**13,631,628**	**14,695,845**	**15,585,698**
Total assets	**14,149,651**	**14,820,838**	**15,679,295**
LIABILITIES			
Current Liabilities			
Payables and deferred revenue	177,450	190,011	203,430
Employee entitlements	63,223	58,293	53,364
Advances from related parties	-	-	-
Total current liabilities	**240,673**	**248,304**	**256,795**
Non Current Liabilities			
Deferred Tax Liability	458,089	476,555	477,920
Borrowings	3,200,000	3,700,000	4,400,000
Total non current liabilities	**3,658,089**	**4,176,555**	**4,877,920**
Total Liabilities	**3,898,761**	**4,424,859**	**5,134,715**
Net Assets (Assets minus Liabilities)	**10,250,889**	**10,395,979**	**10,544,580**
EQUITY			
Accumulated funds	(13,783,856)	(13,638,766)	(13,490,165)
Share capital	21,281,903	21,281,903	21,281,903
Revaluation reserve	2,752,842	2,752,842	2,752,842
Total Equity	**10,250,889**	**10,395,979**	**10,544,580**

Equity Value of the Shareholders' Investment

The estimated net value of the shareholders' investment in the company on 30 June 2022 will be $9.9m and $10.25m on 30 June 23.

Prospective Statement of Cash Flows

Year Ended 30 June	Budget 2022/23	Plan 2023/24	Plan 2024/25
Cashflows from Operating Activities			
Cash was provided from:			
Receipts from rentals	2,866,842	3,037,531	3,214,219
Receipts from user chrges and other revenue	425,793	432,358	439,348
Cash was applied to:			
Payments to employees	(749,320)	(737,339)	(755,735)
Payments to suppliers	(1,505,283)	(1,560,466)	(1,606,815)
Dividend payments	-	(200,000)	(200,000)
Interest paid	(84,457)	(139,024)	(197,860)
Tax paid	(123,918)	(115,736)	(134,202)
Net cash flows from operating activities	**829,658**	**717,325**	**758,955**
Cashflows from Investing Activities			
Cash was applied to:			
Purchase of property, plant and equipment	(1,016,500)	(1,613,000)	(1,493,000)
Net cash flows from investing activities	**(1,016,500)**	**(1,613,000)**	**(1,493,000)**
Cashflows from Financial Activities			
Cash was provided from:			
Borrowings from Hutt City Council	500,000	500,000	700,000
Cash was applied to:			
Repayment of borrowings to Hutt City Council	-	-	-
Net cash flows from financing activities	**500,000**	**500,000**	**700,000**
Net Increase / (Decrease) in Cash	**313,158**	**(395,675)**	**(34,045)**
Cash at beginning of year	**147,681**	**460,838**	**65,163**
Cash at end of year	**460,838**	**65,163**	**31,118**

10. Accumulated Profits and Capital Reserves

The intention is to pay a dividend to the Shareholder commencing in 2023/24. The Company will develop a Dividend Policy during 2023/24.

11. 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. Notwithstanding this, the purchase of any shares requires shareholder approval.

12. 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.

The Company will provide:

12.1 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.

12.2 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).

12.3 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).

13. 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:

13.1 Market Trends

The Company positions its charges reasonably to provide excellent value in relation to the Wellington marina market and will adjust charges according to movements in other marinas of a similar standard.

13.2 Operating Costs

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

13.3 Achievement of ROE

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

14. 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 HR Department	Provision of HR support and services, including recruitment and other specialist support.
Hutt City Council IT Department	Provision of technical support for the Company's computer hardware and systems.

15. Directory

Directors

Peter Steel (Chairman, appointed 1 July 2021)

Deborah Hislop (from 8 December 2020 to 13 October 2022)

Pamela Bell (appointed 26 March 2021)

Rick Wells (appointed 26 March 2021)

Chief Executive

Tim Lidgard (Chief Executive Officer)

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New Zealand

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Petone 5012

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Website

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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

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. THE FINANCIAL STATEMENTS

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 include 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 after 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:

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 based on 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) because 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 way 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 based on 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.