

SEAVIEW MARINA LIMITED

STATEMENT OF INTENT

2009/2010

PURPOSE

The purpose of this statement of intent is to---

- (a) state publicly the activities and intentions of this council-controlled organisation for the year and the objectives to which those activities will contribute; and
- (b) provide an opportunity for shareholders to influence the direction of the organisation; and
- (c) provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

This Statement of Intent covers the year 1 July 2009 to 30 June 2010 and the following two financial years.

A. OBJECTIVES OF THE COMPANY

1. Section 59 of the Local Government Act 2002 provides

59 Principal objective of council-controlled organisation

- (1) *The principal objective of a council-controlled organisation is to---*
 - (a) *achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the statement of intent; and*
 - (b) *be a good employer; and*
 - (c) *exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and*
 - (d) *if the council-controlled organisation is a council-controlled trading organisation, conduct its affairs in accordance with sound business practice.*
- (2) *In subsection (1)(b), good employer has the same meaning as in clause 36 of Schedule 7.*

2. In addition to the statutory objective, the objectives of the Company are to:
 - 2.1. to operate as a successful and profitable undertaking;
 - 2.2. to provide a berth operation and associated services which are as safe and efficient as possible;
 - 2.3. to provide public marine recreation facilities for the enjoyment of the Hutt City community without compromising its commercial objectives and environmental responsibilities;
 - 2.4. to pursue and promote the development of related commercial opportunities and undertakings with other landowners in the area;
 - 2.5. to comply with all legislative and regulatory provisions relating to its operation and performance;
 - 2.6. to ensure all assets are maintained to the best applicable standards;
 - 2.7. to maintain an effective business continuance plan.
 - 2.8. to maintain and enhance relationships with users of the Marina.
3. These objectives will be monitored and where in conflict these objectives will be pursued giving greater weight to the interests of maximising the value to the shareholders.

B. BOARD'S APPROACH TO GOVERNANCE OF THE COMPANY

1. This council-controlled organisation is a company registered under the Companies Act 1993 and is governed by the requirements of that Act and the Local Government Act 2002. It also has responsibilities under the general law including the Resource Management Act 1991.
2. The Board will require the unanimous approval of the Board for:
 - 2.1. employment of staff and creation of new positions outside of resolved budget limits;
 - 2.2. extraordinary transactions (entering into any contract or transaction except in the ordinary course of business);
 - 2.3. delegation of Directors' powers to any person;
 - 2.4. any decision to diversify business into a business not forming part of or being naturally ancillary to the core business of managing a marina;

- 2.5. major transactions (entering into any major transaction);
 - 2.6. disputes (commencing or settling any litigation, arbitration or other proceedings which are significant or material to the Company's business)
 - 2.7. borrowings in a manner that materially alters the Company's banking arrangements, advancing of credit (other than normal trade credit) exceeding \$5,000 to any person except for making deposits with bankers, or giving of guarantees or indemnities to secure any person's liabilities or obligations;
 - 2.8. sale of assets (sell or dispose of fixed assets for a total price per transaction exceeding \$25,000 or a series of transactions aggregated exceeds \$35,000); and
 - 2.9. capital expenditure (other than in the ordinary course of doing business) at a total cost to the Company, per transaction, exceeding \$25,000 or a series of transactions aggregated exceeds \$25,000.
3. The Board will require the agreement of the shareholder for:
 - 3.1. any changes to the constitution;
 - 3.2. any increases in capital and the issue of further securities, share buybacks and financial assistance;
 - 3.3. any alteration of rights attaching to shares;
 - 3.4. any arrangement, dissolution, reorganisation, liquidation, merger or amalgamation of the Company; and
 - 3.5. any "major transactions" as that term is defined in the Companies Act 1993.

C. THE NATURE AND SCOPE OF THE ACTIVITIES TO BE UNDERTAKEN BY THE GROUP

1. The principal objective of the Company is to own and operate a marina complex known as Seaview Marina as a facility for the enjoyment of the Hutt City community without compromising its commercial objectives and environmental responsibilities.

D. THE RATIO OF CONSOLIDATED SHAREHOLDERS' FUNDS TO TOTAL ASSETS, AND THE DEFINITIONS OF THOSE TERMS

1. 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 marina property and facilities.

E. THE ACCOUNTING POLICIES OF THE GROUP

1. The Financial Statements will comply with generally accepted accounting practice in New Zealand (NZ GAAP). They will comply with New Zealand equivalent to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards. Financial statements will also comply with the Local Government Act 2002.
2. **General Accounting Policies** - Accounting policies adopted will be consistent with the New Zealand equivalent of International Financial Reporting Standards issued by the Institute of Chartered Accountants of New Zealand.
3. **Particular Accounting Policies** -Recognition of Income - Revenue will be recognised when an invoice is raised after service is provided. Other transactions that comply with the definition of "Revenue" in the Statement of Concepts issued by the Institute of Chartered Accountants of New Zealand will also be recognised as revenue.
4. **Goods and Services Tax** -The financial statements will be prepared on a GST exclusive basis.
5. **Cash and cash equivalents** - Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less and bank overdrafts
6. **Accounts Receivable** - Accounts receivable will be stated at net realisable value.
7. **Inventories** - Inventories will be stated at the lower of cost or net realisable value.
8. **Investments** - Investments will be stated at fair value.
9. **Property plant and equipment** -Property plant and equipment is valued at depreciated replacement cost.
10. **Consolidation** - The purchase method will be applied to prepare the Consolidated Financial Statements (if required).
11. **Leases** - Cost of operating leases (if any) will be recognised as expenditure over the term of the lease.
12. **Borrowing** - Borrowing is recognised in the balance sheet on a fair value basis.

13. **Taxation** - Income tax expense will be calculated after allowance for permanent differences and any group loss offsets.

F. THE PERFORMANCE TARGETS AND OTHER MEASURES BY WHICH THE PERFORMANCE OF THE COMPANY MAY BE JUDGED IN RELATION TO ITS OBJECTIVES

1. That the Company will:

1.1. achieve a rate of return on shareholders funds of 6.5% before taxation in the 2009/2010, 2010/2011 and 2011/2012 financial years;

1.2. achieve the following capital development programme targets for the marina complex before 30 June 2010:

1.2.1. complete the development of the Marine Services Centre;

1.2.2. Investigate the replacement of the marina boat hoist;

1.2.3. Review the Business Plan for the next five years (1 July 09 -1 July 2014);

1.3. comply with financial, building, technical and regulatory standards;

1.4. ensure property and asset maintenance is carried out in accordance with asset management plans and to best applicable trade standards and practice;

1.5. develop a strategy that will encourage the public to use the current beach and monitor and report the usage back to Hutt City Council.

G. AN ESTIMATE OF THE AMOUNT OR PROPORTION OF ACCUMULATED PROFITS AND CAPITAL RESERVES THAT IS INTENDED TO BE DISTRIBUTED TO THE SHAREHOLDERS

1. There is no intention to pay a dividend in the 2009/2010 financial year.

2. In recommending whether or not to pay dividends to shareholders, and if so in what amount, the Board will give due consideration to:

2.1. Profit for the current year and future projected profits;

2.2. Anticipated capital expenditure requirements;

2.3. Working capital requirements;

2.4. Commercial returns applicable to similar entities; and

2.5. Last year's dividend, if any.

H. THE KIND OF INFORMATION TO BE PROVIDED TO THE SHAREHOLDERS BY THE COMPANY DURING THE COURSE OF THOSE FINANCIAL YEARS, INCLUDING THE INFORMATION TO BE INCLUDED IN EACH HALF-YEARLY REPORT (AND, IN PARTICULAR, WHAT PROSPECTIVE FINANCIAL INFORMATION IS REQUIRED AND HOW IT IS TO BE PRESENTED)

1. In each year the Company shall comply with the reporting requirements under the Local Government Act 2002 and the Companies Act 1993 and regulations.
2. In particular, it shall provide:
 - 2.1. A Statement of Intent detailing all matters required under the Local Government Act 2002;
 - 2.2. An annual budget for the coming financial year;
 - 2.3. A quarterly report on operations within two months after the end of the quarter, including:
 - 2.3.1. A report on the operations of the Company to enable an informed assessment of its performance including a comparison against budget and the Statement of Intent.
 - 2.3.2. Financial statements comprising the statement of financial position, profit and loss statement and cash flow statement;
 - 2.4. An annual report within two months after the end of each financial year;
 - 2.5. A monthly progress report on the development of the Marina Services Centre containing information on expenditure against budget and other relevant issues.

I. THE PROCEDURES TO BE FOLLOWED BEFORE THE COMPANY SUBSCRIBES FOR, PURCHASES, OR OTHERWISE ACQUIRES SHARES IN ANY COMPANY OR OTHER ORGANISATION

Subscriptions for shares in any other Company or interest in any other organisation will require approval from the shareholders.

J. ANY ACTIVITIES FOR WHICH THE BOARD SEEKS COMPENSATION FROM ANY LOCAL AUTHORITY (WHETHER OR NOT THE LOCAL AUTHORITY HAS AGREED TO PROVIDE THE COMPENSATION)

It is not anticipated that the Company will seek compensation from any local authority otherwise than in the context of normal commercial contractual relationships.

NB. If a council-controlled organisation has undertaken to obtain or has obtained compensation from its shareholders in respect of any activity, this undertaking or the amount of compensation obtained will be recorded in---

- (a) the annual report of the council-controlled organisation; and*
- (b) the annual report of the local authority.*

K. THE BOARD'S ESTIMATE OF THE COMMERCIAL VALUE OF THE SHAREHOLDERS' INVESTMENT IN THE COMPANY AND THE MANNER IN WHICH, AND THE TIMES AT WHICH, THAT VALUE IS TO BE REASSESSED (TO THE EXTENT THAT IS APPROPRIATE GIVEN THE ORGANISATIONAL FORM OF THE CCO)

The Board has not conducted a comprehensive assessment of the commercial value of the shareholder's investment in the Company. However, after considering the strategic significance of the Company's land holding and possible future development opportunities, the Board is of the view that the commercial value of the shareholder's investment in the Company is well in excess of the forecast book value of shareholder's equity at 30 June 2009, which is NZ\$3,700,000.00.

L. ANY OTHER MATTERS THAT ARE AGREED BY THE SHAREHOLDERS AND THE BOARD.

There are no other matters.