

# KERIKERI CRUSING CLUB INCORPORATED

Doves Bay Marina  
Opito Bay Road  
KERIKERI

## PROSPECTUS

- relating to -

the offer of berth licences at the Doves Bay Marina  
dated the 3<sup>rd</sup> day of June 2003

A duly signed copy of this Prospectus and copies of the documents which are required by Section 41 of the Securities Act 1978 to be attached have been delivered for registration to the Companies Office at Auckland.

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## DIRECTORY

### **Offeror, Manager of Scheme and Promoter:**

Kerikeri Cruising Club Incorporated  
c/- Horwath Poutsma Ardern Limited  
1st Floor, 9 Hobson Avenue  
PO Box 81  
Kerikeri

### **Executive Committee of the Club:**

Frank Gysbertus De Vires, NZQS (Commodore)  
James Denis Clark (Vice Commodore)  
Keith Frederick Ardern, CA, NZTA (Treasurer)  
Colleen Rae Gunn (Secretary)  
Gary Arthur Francis  
Tony Gerard Corcoran  
Hilary Gray Johnson, *Sch. Dental Therapist Dip.NZ*  
James Robert Murdoch  
Anthony Kempthorne Holmes, *M.I.P.E.N.Z.*  
Ray William Haslar  
Kerry Alfred Farrand, *Adv Trade Marine Elect Eng*  
Alastair Barrett Smith  
Peter Geoffrey Woods

### **Marina Manager:**

Kerikeri Cruising Marina Limited  
c/- Horwath Poutsma Ardern Limited  
1st Floor, 9 Hobson Avenue  
PO Box 81  
Kerikeri

### **Directors of Marina Manager:**

Colin Anthony Coyte  
Frank De Vires  
Hilary Gray Johnson  
Keith Turner  
Robert Lloyd Upperton  
Peter Geoffrey Woods

### **Accountants to the Club:**

Horwath Poutsma Ardern Limited  
1st Floor, 9 Hobson Avenue  
PO Box 81  
Kerikeri

### **Bankers:**

Bank of New Zealand Limited  
Kerikeri

ASB Bank Limited  
Kerikeri

### **Auditors to the Club:**

Horwath Francis Aickin  
2 Redan Road  
PO Box 2  
Kaitaia

### **Solicitors to the Club:**

Law North Partners  
93 Kerikeri Road  
Private Bag  
Kerikeri

Burke Melrose  
Level 7, Royal SunAlliance Building  
52 Swanson Street  
PO Box 5142  
Auckland

### **Securities Registrar:**

Bruce Douglas  
Marina Office  
Doves Bay Marina  
Opito Bay Road  
Kerikeri

### **Place where Securities Register kept:**

Marina Office  
Doves Bay Marina  
Opito Bay Road  
Kerikeri

### **Statutory Supervisor of the Scheme:**

TOWER Trust Limited  
Level 12, TOWER Centre  
45 Queen Street  
PO Box 4197  
Auckland Central

### **Solicitors to the Statutory Supervisor:**

Minter Ellison Rudd Watts  
Level 24, BNZ Tower  
125 Queen Street  
PO Box 4197  
Auckland

## INTRODUCTION

### **Prospectus Offer – Berth Licences**

This Prospectus sets out an offer by Kerikeri Cruising Club Incorporated ("the Club") to its members for an opportunity to subscribe for berth licences in respect of 78 new berths being constructed at Doves Bay Marina, Opito Bay Road, Kerikeri ("the Marina").

### **Doves Bay Marina – Location**

The Marina is situated off Opito Bay Road, Kerikeri and overlooks Doves Bay and Appletree Bay in the Kerikeri Inlet. Access to the Pacific Ocean is provided through the Kerikeri Inlet. The Marina is situated close to the Bay of Islands, one of New Zealand's pre-eminent yachting and pleasure cruising locations.

The Doves Bay Marina is adjacent to and forms part of the Kerikeri Cruising Club. The Kerikeri Cruising Club was established in 1935 and has a proud history, producing some of New Zealand's finest sailors. As at the date of this Prospectus, the Club has approximately 577 members. The Club is a member of Yachting New Zealand and the Marina Operators Association.

### **Doves Bay Marina – The Existing Marina**

Development of the existing Marina commenced in November 1994 and was completed in December 1996 at the cost of \$2,028,902. The existing Marina comprises a floating breakwater/pier, two floating piers and associated piles, fingers, jetties and gangways, providing 108 berths. All of the 108 berths are currently licensed to members of the Club.

The Marina provides licence holders with access to power, water, sewage pump, diesel pumping, rubbish containers, waste oil disposal, dinghy storage and car and boat trailer parking. On shore facilities include the Clubhouse, Marina Office, toilet, shower and laundry facilities. Two baches are also available for short term rental. A landscaped area is currently available for the rigging of centreboard yachts and ramps are provided for their launching. A Coast Guard docking platform was added to the Marina in 2002. The on-shore Marina facilities and Clubhouse are situated on approximately 3.7890 hectares of land, which is owned by the Club.

### **Doves Bay Marina – Planned Extension**

The Club believes that there is significant demand in the Bay of Islands area for additional marina berths. The Club has therefore embarked on a plan to extend the existing Marina by adding a further 78 berths. Once the further development of the Marina is complete the Marina will have 186 berths in total.

As at the date of this Prospectus the further development of the Marina is expected to include:

- Dredging approximately 8,500 m<sup>3</sup> of material from the foreshore and seabed for the purposes of extending the existing Marina basin and providing access to a boat ramp;
- Construction of two floating marina piers and associated fingers, jetties and gangways so as to provide an additional 78 berths;
- Relocation of the existing floating breakwater/pier and the addition along its southern end of a wave break pier;

- The removal of an existing boat ramp and construction of a new boat ramp, a sand beach for launching and retrieving centreboard yachts and an associated rock retaining wall;
- The installation of utility services, including electricity and water in the new Marina structures;
- The reclamation of 3,200m<sup>2</sup> of foreshore (including the construction of a rock lined seawall) so as to enable the construction of an additional 48 car and boat trailer parks (more or less) and vehicular access to the boat ramp and sand beach; and
- The construction and use of a boat wash-down pad and ancillary winch house.

It is intended that the Coast Guard floating dock platform in the Marina will also be relocated as part of the development, at the Coast Guard's expense.

All appropriate resource consents and coastal permits have been granted to the Club for the above work.

The Club reserves the right to alter the nature and scope of the further development of the Marina. Any such alteration is subject to approval by the Statutory Supervisor, described on page 3.

### **Doves Bay Marina – Construction**

The Club currently estimates that the cost of developing the Marina in accordance with the above plans as being \$3,150,000 plus GST. Following a tender process, the Club identified two principal contractors to undertake the majority of the above work.

The Club has appointed McBreen Jenkins Construction Limited to undertake the civil construction work associated with the expansion of the Marina, including demolition of the existing boat ramp and construction of the new ramp, dredging of the Marina basin, placing pier abutments and settling tanks, installation of utilities and drainage, reclamation and armouring of the seawall and completing the car and trailer parking area. McBreen Jenkins Construction Limited is undertaking this work for a lump sum price, being \$639,181 including GST.

Bellingham Marine New Zealand Limited has been appointed by the Club to undertake the construction of the floating structures necessary for the expansion of the Marina, including piling, construction of the piers, fingers and gangways, relocation and extension of the breakwater/pier and finishing off of the new berths. Bellingham Marine New Zealand Limited is also undertaking the work on a lump sum price basis, being \$1,601,184 including GST.

While no work retention sums have been provided for in the contracts, both contractors are providing bonds in respect of their respective contract works of 10% of the contract price for their work. Both contracts include a \$50,000 contingency sum. The contractors are required to take out insurance in respect of their respective contract works, public liability and statutory liability. The contracts do not provide for liquidated damages for late completion.

Other minor contractors, for example, for landscaping of the reclaimed land, will be appointed by the Club as construction of the Marina expansion continues.

A supervising engineer has been employed by the Club to oversee the Marina extension.

On site civil works, including dredging, and off site construction of the floating structures commenced in mid April 2003. It is expected that the breakwater/pier will be moved in June to July 2003 at which stage the two new piers will be assembled and piling completed. The landfill reclamation will continue over this period. Finishing the channel, sealing the car and trailer park, landscaping and planting of the reclaimed land will take place when the fill has consolidated. This is expected to be in December 2003.

### **Doves Bay Marina – Ownership and Management**

The registered owner of the Marina is Kerikeri Cruising Club Incorporated. Kerikeri Cruising Club Incorporated is responsible for the development, overall management and operation of the Doves Bay Marina.

The Club has appointed its wholly owned subsidiary, Kerikeri Cruising Marina Limited ("the Company"), to undertake the day-to-day management functions of the Marina. The Company deals with the day-to-day administration and operation of the Marina on the Club's behalf.

### **Doves Bay Marina – Statutory Supervisor**

TOWER Trust Limited, formerly The Trustees Executors and Agency Company of New Zealand Limited, is the statutory supervisor ("the Statutory Supervisor") of the Scheme in terms of the Securities Act 1978. The Scheme is described under the heading "Description of Scheme and Development Thereof" at section 4 of this Prospectus.

It is the Statutory Supervisor's responsibility to oversee the Scheme on behalf of all licence holders and to ensure that the Club meets its obligations to them. The Club's obligations are described in a Deed of Participation between the Club and Statutory Supervisor dated 20 December 1996, as amended by a Deed of Variation to Deed of Participation between the parties dated 3 June 2003, (together "the Deed of Participation") and the berth licences.

The Club has granted to the Statutory Supervisor a first ranking charge over the Marina and a first ranking encumbrance over the Club's land at Opito Bay Road, Kerikeri so as to better secure the Club's obligations to the licence holders. The Statutory Supervisor's security is further described under the heading "Trade Factors and Risks" at section 7 of this Prospectus.

## STATUTORY INFORMATION

This Prospectus has been prepared in terms of the Securities Act 1978 and the Securities Regulations 1983. The following information is required by Section 39 of the Securities Act 1978 and the Third Schedule to the Securities Regulations 1983.

### 1. MAIN TERMS OF OFFER

#### **Offeror**

The offeror is Kerikeri Cruising Club Incorporated. The registered office of the Club is set out in the Directory.

#### **Securities Being Offered – Berth Licence**

The securities being offered are berth licences, which are participatory securities entitling a subscriber to use berthing facilities for a specified marina berth in the Marina, together with access rights to the common waterways, pathways and areas in the Marina, such as car and trailer parking, walkways, pontoons, jetties and fingers, and the use of all Marina services, utilities and facilities in common with other Marina occupants and the Club.

A copy of the berth licence is attached to this Prospectus as Appendix A. Subscribers should read the berth licence before subscribing for the same, however, a number of important provisions of the berth licence are detailed below.

The berth licences do not confer a right to share in the accumulated profits of the Scheme.

#### ***Term of Licence***

The berth licences are issued for a term which commences on the practical completion of the berths, as determined by the Club, or the execution of the berth licence by the subscriber and the Club, whichever is later, and expires on 21 September 2018, being the last working day before the expiry of the original coastal permit in respect of the Marina. The licence holder is not entitled to compensation upon the expiry of the term of the berth licence.

#### ***Nominated Boat***

The subscriber must nominate a boat to use the berth in terms of the berth licence. The subscriber may from time to time nominate a different boat to use the berth in terms of the berth licence. In all cases the subscriber must beneficially own the nominated boat and that boat when moored must conform, including all spars and fittings, to the maximum dimensions of the berth the subject of the berth licence.

#### ***Recreational Purposes***

The berth to which the berth licence applies must be used for recreational purposes only. However, in some circumstances the Club may allow the berth to be used for commercial purposes.

#### ***Transfer of Berth Licence***

Berth licences are transferable. However they may only be transferred in accordance with the terms of the berth licence. Generally, a licence holder may not transfer their berth licence without the consent of the Club.



A licence holder wishing to transfer their berth must notify the Club of their desire to do so. Upon receipt of such notice the Club will provide the names of prospective purchasers to the licence holder and inform the prospective purchasers of the berth licence's availability.

The Club must approve the amount of consideration payable in respect of the transfer. The consideration for which the berth licence may be transferred is limited to the licence payment paid by the licence holder adjusted for inflation. A licence holder's right to receive any profit or capital gain from the berth licence is accordingly limited.

The licence holder must accept the first offer to purchase the berth licence from one of the nominated prospective purchasers at the consideration agreed between the licence holder and the Club. If the licence holder does not receive such an offer, then the licence holder may transfer the berth licence to any person who otherwise meets the Club's requirements but again for no more than the consideration agreed between the licence holder and the Club.

Before consenting to the transfer of a berth licence the Club must also be satisfied that the prospective licence holder is a full financial member of the Club, is a suitable person to hold the berth licence and that their boat will fit within the berth the subject of the berth licence.

The Club may grant its consent to any proposed transfer of a berth licence on such terms and conditions, as the Club considers appropriate.

The Club is under no obligation to purchase back a berth licence from any licence holder wishing to sell. The Club maintains a register of persons interested in obtaining a berth licence, which will be made available to any licence holder wishing to sell in accordance with the procedure outlined above.

#### **Visitors' Berth Pool**

As at the date of this Prospectus the Club operates a visitors' berth pool. Currently, any licence holder not using their berth may advise the Club accordingly and request that the Club include their berth in the visitors' berth pool. The Club will from time to time allocate berths forming part of the visitors' berth pool to visiting boats.

Current practice is that the Club will charge visitors a fee for the use of a berth. The fee will be fixed by the Club. Such fees will be credited to a specified account. The Club is entitled to deduct from this account on an annual basis an administration fee and the cost of repairing any damage caused by visitors to any of the berths comprising the visitor berth pool. The balance of this account is then distributed to those licence holders whose berths have formed part of the visitors berth pool during that financial year. Distributions from the account are made by the Club on a pro rata basis for the period of time during which the berths formed part of the visitor berth pool, whether or not the berth was occupied by visitors during that period.

#### **Number of Berth Licences**

Under this Prospectus, the maximum number of berth licences offered by the Club is 78. These berth licences are offered in respect of the 78 new marina berths being constructed at the Marina by the Club.

The maximum number of berth licences that may be issued by the Club in respect of the Marina is 186, or such other number as the Club and TOWER may agree from time to time in accordance with the Deed of Participation. The Club has previously issued berth licences in respect of the 108 existing marina berths at the Marina.

The berth licences have no nominal value.

### **Berth Licence Payment**

In order to obtain a berth licence a subscriber must pay a "licence payment". The licence payment is paid by the subscriber in consideration of the grant of a berth licence by the Club.

The licence payment will vary having regard to the size and location of the berth which is the subject of the berth licence. As at the date of this Prospectus the licence payments are as follows:

<b>Berth Size (meters)</b>	<b>Number Available</b>	<b>Licence Payment</b>
12	39	\$33,000
14	23	\$42,000
16	8	\$52,000
18	2	\$61,000
20	5	\$72,000
25	1	\$102,000

The above licence payments are for single-hull berths. If a subscriber wishes to apply for a berth licence for a multi-hull, then the subscriber should contact the Club. Berth licences for multi-hulls will be priced on application to the Club.

The licence payment is inclusive of GST, if any. The licence payment payable by a subscriber will be determined at the time they apply for a berth licence and may differ from the indicative figures provided above.

Prospective subscribers should inquire as to the licence payment payable by them for a berth licence in respect of the berth in which they are interested at the time of application.

### **Method of Application**

Once a subscriber has decided they wish to purchase a berth licence they will need to complete an application form. The application form, terms and conditions of application and method of application are attached to the Doves Bay Marina Scheme Investment Statement.

Applications are accepted at the discretion of the Club. The Club reserves the right to refuse any application and need not provide reasons for such refusal to the subscriber concerned.

### **Confirmation of Investment**

The Club may accept an application by completing and forwarding to the subscriber a

notice of acceptance of application. Generally this will be provided within ten working days of the Club receiving the subscriber's application.

In accepting applications the Club will give priority during the first 30 days of the offer under this Prospectus to those subscribers who have contributed to the Club's preliminary expenses in relation to the Marina expansion.

#### **Payments by Subscriber**

A subscriber will be required to pay part of the licence payment upon application as a deposit. The Club and the subscriber will agree upon the amount of the deposit at the time the subscriber applies for a berth licence. The deposit may not be less than 10% of the licence payment. The Club may require payment of the entire licence payment as a deposit.

The balance of the licence payment, if any, is to be paid in instalments over the term of construction of the Marina expansion. The amount and timing of such instalments will be determined by the Club. The licence holder must pay each instalment immediately upon receipt by the subscriber of written notice from the Club that an instalment of the licence payment in the nominated amount is required to meet the Club's obligations in respect of the Marina expansion.

Where a subscriber has, prior to the issue of this Prospectus made an unsecured advance to the Company in respect of the Marina development, such unsecured advance will be credited from the Company to the Club towards payment of their deposit and licence payment.

## **2. MANAGER AND ADVISERS**

### **Manager of the Scheme**

The manager of the Scheme, as defined in the Securities Act 1978, is Kerikeri Cruising Club Incorporated. The registered office of the Club is set out in the Directory. The principal place of business of the Club is the Doves Bay Marina, Opito Bay Road, Kerikeri.

The names and qualifications (if any) of the committee members of the Club are set out in the Directory. The committee members can be contacted at the registered office of the Club. The principal place of residence of all of the committee members is Kerikeri.

### **Manager of the Marina**

The manager of the Marina is Kerikeri Cruising Marina Limited. The registered office of the Company is set out in the Directory. The principal place of business of the Company is the Doves Bay Marina, Opito Bay Road, Kerikeri.

The names and qualifications (if any) of the directors of the Company are set out in the Directory. The directors can be contacted at the registered office of the Company. The principal place of residence of all of the directors is Kerikeri.

### **Advisers**

The names of the accountant, auditor, solicitors, securities registrar and bankers for the Scheme are set out in the Directory.

### 3. STATUTORY SUPERVISOR

The berth licences offered under this Prospectus are participatory securities for the purposes of the Securities Act 1978. The Securities Act 1978 requires that the Club appoint a statutory supervisor in respect of the Scheme.

The Club has appointed TOWER Trust Limited as the statutory supervisor of the Scheme. The Statutory Supervisor's duties are set out in the Deed of Participation, which is attached to this Prospectus as Appendix B. Apart from those duties, the Statutory Supervisor and its advisers do not take responsibility for the contents of this Prospectus or the merits of the berth licences offered in this Prospectus. Nor do they take any responsibility for any statements as to the prospects of the Scheme.

Under the Deed of Participation the Statutory Supervisor is under no obligation to inspect the Marina and is entitled to rely on the report of auditors in respect of the determination of the actual Marina operating expenses. For further details of the Marina operating expenses please see section 5 of this Prospectus.

The Statutory Supervisor does not guarantee the repayment of any money paid or payable under the berth licences or the payment of interest on that money. There is no interest payable on these amounts.

### 4. DESCRIPTION OF SCHEME AND DEVELOPMENT THEREOF

#### Description of Scheme

The Scheme is the development, management and ongoing operation of the Marina, including, without limitation, the provision of associated and ancillary services incidental to the operation of the Marina and the issue of not more than 186 berth licences to the public. The number of berth licences may be varied by agreement between the Club and Statutory Supervisor in accordance with the Deed of Participation. The Scheme operates for the benefit of the licence holders.

For a description of the existing Marina, to which the Scheme relates, see pages 1 to 3 of this Prospectus.

Please note that the Scheme is intended to operate without profit. The terms of the Deed of Participation and berth licences reflect this.

#### Development of the Scheme

The Scheme commenced on 23 November 1994.

For a description of the development of the Marina to which the Scheme relates, see pages 1 to 3 of this Prospectus.

The initial 108 berth licences were allotted by the Club in respect of the Scheme in late 1994. However, due to construction delays, the berth licence holders did not take up occupation of their berths until November and December 1996. Since the completion of the existing Marina and issue of 108 berth licences, the principal activity of the Scheme has been the smooth operation and maintenance of the existing Marina and the Scheme.

### **Marina Expansion**

In 1998 the Club, at the direction of the licence holders, began considering the expansion of the Marina and hence the Scheme. In 2002 the plans for the expansion of the Marina, as set out under the heading "Doves Bay Marina – Planned Expansion" on page 1 of this Prospectus were finalized.

A meeting of licence holders was held on 14 May 2003 at which the expansion of the Marina was approved by the licence holders in accordance with the plans disclosed in this Prospectus, and the Club and Statutory Supervisor were directed and authorized by the licence holders to expand the Scheme to incorporate the Marina expansion and the issue of 78 berth licences in respect of the new berths to be constructed as part of the Marina expansion.

To the above end, the Club and Statutory Supervisor entered into a Deed of Variation to the Deed of Participation on 3 June 2003. The Deed of Variation to the Deed of Participation is disclosed as a material contract at section 15 of this Prospectus.

### **Permits and Consents**

The Club has obtained all resource consents and coastal permits sufficient to permit the ongoing operating of the existing Marina and construction of the Marina expansion, including:

- Coastal permit (CPT 1096) granted by the then Minister of Conservation for the initial Marina development on 23 September 1993. This coastal permit authorizes the construction of a rock bund and reclamation of 4,400m<sup>2</sup> of foreshore and dredging to create a marina basin over a 2.1 hectare area of seabed for the purposes of the Marina and the construction of two boat ramps, a floating breakwater and two floating piers with associated finger jetties and piles. This coastal permit authorizes the Club to occupy the existing Marina structures situated over the seabed and foreshore areas and expires on 23 September 2018. The term of the berth licences is accordingly restricted;
- Coastal permit (NLD 99 6260-02) granted by the Northland Regional Council on or about 13 August 1999. This coastal permit enables the Club to dredge 8,500m<sup>3</sup> of material from the foreshore and seabed for the purposes of extending the existing Marina and to discharge water from the dredging operations, to construct two floating piers with associated finger jetties and piles, to relocate the existing floating breakwater and add to its end a wave break pier, to remove the existing boat ramp and construct a new boat ramp, a sand beach for centreboard yacht launching and associated rock retaining wall, to install utility services in the new structures and to occupy and use the various structures, works and services identified above. This permit expires on 30 September 2018;
- Coastal permit (Discharge) (NLD 99 6260-03) granted by the Northland Regional Council on or about 13 August 1999. This coastal permit enables the Club to discharge treated storm water from the reclamation, associated car and trailer parking areas, boat wash down pad area and wash down water into the coastal marine area; to discharge untreated storm water from the hillside of the reclamation area into the coastal marine area; and to discharge into the coastal marine area decant water from the reclamation through the reclamation bund wall. This permit expires on 30 September 2018;

- Land use consent (NLD 99 6260-04) granted by the Northland Regional Council on or about 13 August 1999 to carry out earthworks associated with the construction of the reclamation adjacent to the marine area. This consent expires on 30 September 2018;
- Resource consent dated on or about 13 August 1999 granted by the Northland Regional Council permitting the Club to deposit 250m<sup>3</sup> of fill material for the purposes of constructing a vehicle access and parking area associated with the reclamation, to construct and use a boat wash down pad and ancillary "winch house" structure, to use the proposed reclamation-fill area for a vehicle access and car and trailer parking area and to generally landscape and plant the reclamation; and
- Resource consent dated 25 June 2002 granted by the Northland Regional Council for the relocation of piles and addition of the Coast Guard docking platform in the Marina;
- Coastal permit (RCAN 0509) granted by the current Minister of Conservation on 19 March 2003 for the construction of a rock lined seawall and reclamation of 3,200m<sup>2</sup> of foreshore and seabed in respect of the Marina for the purposes of creating car and trailer parking, providing access to a boat launching ramp and centre board yacht launching area and boat wash down facility. This coastal permit expires on 30 September 2018

#### **Development Bond**

It was a condition of coastal permit (NLD 99 6260-02) for the expansion of the Marina that the Club enter a bond with the Northland Regional Council in the amount of \$150,000 for the Marina development before work could commence. Coastal permit (RCAN 0509) for the expansion of the Marina also required that the Club enter a bond with the Northland Regional Council in the amount of \$60,000 for the reclamation before work could commence.

Bonds totalling \$210,000 have therefore been provided to the Northland Regional Council by the Club so that work on the Marina extension may commence. The Bonds are held by the Club's banker, the Bank of New Zealand ("BNZ"). The Northland Regional Council may require that the bonds be paid to it by the BNZ in the event the Club fails to perform its obligations under the resource consents or coastal permits, namely the completion of the Marina expansion. The deeds relating to the granting of the bonds are disclosed as material contracts at section 15 of this Prospectus.

#### **Principal Fixed Assets Used for the Scheme**

The principal fixed assets used or to be used for the Scheme are as follows:

- The Marina structure in and over the seabed foreshore and reclaimed areas comprised in the coastal permits, including those structures relating to the Marina expansion, once complete;
- All coastal permits and resource consents relating to the existing Marina and the expansion of the same;
- Sundry items of plant and equipment located or to be located in the Marina; and

- The Club's land, buildings, facilities and equipment.

The Club owns all principal fixed assets used for the Scheme. The Club makes the berths comprising the Scheme available to subscribers through the issue of berth licences. Licence holders have no interest in the assets of the Scheme beyond their contractual rights to use the same accorded under their berth licences.

## 5. SUBSCRIBER'S LIABILITIES

Generally licence holders will be liable under the terms of their berth licenses to pay on an ongoing basis an annual fee and operating expense levy to the Club. The latter covers all operating expenses of the Marina, including a contribution towards the refurbishment reserve for the Marina.

The liabilities of a licence holder are summarized below and set out in full in the berth licence.

### **Annual Fee**

The licence holder will pay an annual fee to the Club by instalments in the amount and at the time provided for in their berth licence. The annual fee payable by each licence holder is \$500 plus GST, if any, as at the date of this Prospectus. The annual fee is currently payable by half yearly instalments in advance.

The Club may review the annual fee payable by the licence holders from time to time.

### **Operating Expenses**

All licence holders must contribute to the Marina operating expenses.

The Marina operating expenses generally comprise of all costs and charges paid or payable by the Club in the management, supervision and the operation of the Marina. Those costs include the usual items of marina operation such as rates, insurance, utility charges, running costs and the costs of general repairs and maintenance of utilities, services and the Marina generally, maintenance of common facilities, the lawns and gardens, the cost of operating and maintaining Marina equipment, cleaning costs, rubbish disposal costs, administration and security costs, professional costs, including legal, accounting, audit and Statutory Supervisor fees, all licence, consent and permit costs relating to the Marina, a management fee charged by the Club (please refer to section 13 of this Prospectus for further details about the management fee) and a refurbishment contribution charge to be placed in a refurbishment account (please refer to the heading "Refurbishment Levy" below for further details about the refurbishment account).

In the event that any of the operating expenses are not incurred solely in respect of the Marina, the Club will make an apportionment of the operating expenses so that a fair proportion of that operating expense will be attributable to the Marina.

### ***Calculation of Operating Expenses***

The payment procedure is for an estimate of the Marina operating expenses to be made for the forthcoming financial year by the Club. Each licence holder then pays an amount equal to estimated operating expenses divided by the number of berths in the Marina for which berth licences have been issued, provided that:

- The Club may adjust the amount of operating expenses payable by licence holders so as to ensure that each licence holder pays such proportion of the operating expenses as the Club determines is fair and reasonable. Further, the Club may allocate the operating expenses to a greater or lesser extent to different sizes of berths to ensure that each licence holder bears that proportion of operating expenses which the Club considers fair and reasonable; and
- The Club by resolution of its executive committee may from time to time alter the method of calculating the licence holder's liability in respect of the operating expenses, provided that such alteration may not take effect until notice of the same has been sent to all licence holders and then upon the commencement of the next financial year of the Club.

At the end of the financial year the actual Marina operating expenses are determined and reconciliation made between the actual and estimated Marina operating expenses paid by each licence holder. Any excess payment by the licence holder will be credited to the succeeding year's operating expense payments and any shortfall will be payable on demand by the Club.

### ***Amount of Operating Expenses***

As at the date of this Prospectus the operating expense charge for each licence holder is \$500 plus GST, if any, per annum.

### ***Annual Statement***

As soon as practicable after the end of each accounting year for Marina operating expenses, the Club will supply to all licence holders a statement giving reasonable details of the total operating expenses for the past accounting year and stating the proportion of operating expenses payable by the licence holder.

### ***Refurbishment***

As part of the operating expenses licence holders contribute to a refurbishment account to cover prospective repairs, renovations, works, replacement and maintenance of a substantial but infrequent or irregular nature in respect of the Marina structures and services. As at the date of this Prospectus \$9,600 is included in the operating expenses as a contribution to the refurbishment account. As at the date of this Prospectus, the refurbishment account has a credit balance of approximately \$83,754. The refurbishment account is held by the Statutory Supervisor.

If it is determined by the Club that the funds held in the refurbishment account are not sufficient or it is not appropriate to use those funds for the repair, renovation, replacement or substantial maintenance of the Marina structures and services, then the Club may levy the licence holders the amount required to undertake such work. Each licence holder shall pay their proportionate share of the costs based on the proportion that their licence payment (adjusted for inflation) bears to the total of all licence payments for all berth licences issued in respect of the Scheme.



### Mooring Lines

The licence holder is responsible for the cost of providing, attaching, repairing and replacing all mooring lines from time to time in accordance with the instructions of the Club. The cost of providing, attaching, repairing and replacing all mooring lines from time to time cannot be quantified in this Prospectus.

### Use of Utilities and Facilities

The licence holder may use water, power and other utilities and facilities forming part of the Marina in common with other licence holders from time to time but on an occasional basis only. If the licence holder requires more permanent or regular use of such utilities and facilities, the Club will be entitled to charge such sum as it considers appropriate for the use of the utilities and facilities. The cost of using the utilities and facilities forming part of the Marina on a more permanent or regular basis cannot be quantified in this Prospectus.

### Default Interest

The licence holder shall pay interest to the Club at that rate which is 4% above the prime residential lending rate from time to time charged by the ASB Bank on any payment due under their berth licence which is more than 14 days in arrears. Such interest will be calculated from the due date for payment until the date of actual payment.

### Indemnity

The licence holder indemnifies the Club against all losses, expenses, liability, claims and costs incurred by the Club arising as a result of the licence holder defaulting in the performance of their obligations under the berth licence, including the acts or omissions of the licence holder or their invitees' within or near the Marina.

## 6. SUMMARY OF FINANCIAL STATEMENTS

A summary of the financial statements for the Scheme, being the consolidated financial statements of the Club and Company, for the past five financial years and a six month period ended 31 December 2002 follow:

**Summary Statement of Financial Performance  
of the Scheme for the five years ended 30 June 2002  
and the six months ended 31 December 2002**

	31 Dec 02 (6 months)	30 June 02 (12 months)	30 June 01 (12 months)	30 June 00 (12 months)	30 June 99 (12 months)	30 June 98 (12 months)
	\$	\$	\$	\$	\$	\$
<b>Income</b>						
Operating Revenue	149,670	284,203	251,335	190,473	202,729	166,797
<b>Total Revenue</b>	<b>149,670</b>	<b>284,203</b>	<b>251,335</b>	<b>190,473</b>	<b>202,729</b>	<b>166,797</b>

<b>Expenditure</b>						
Audit Fees	2,576	2,850	3,067	2,365	2,523	2,360
Interest Expense	75	7	-	-	26	2,174
Management Remuneration	3,000	6,000	6,000	10,000	9,803	-
Operating Expenses	106,344	183,219	174,233	112,223	113,639	98,242
Repairs and Maintenance	10,488	13,215	11,395	7,968	8,940	10,717
<b>Total Expenses</b>	<b>122,483</b>	<b>205,291</b>	<b>194,695</b>	<b>132,556</b>	<b>134,931</b>	<b>113,493</b>
<b>Net Surplus/(Deficit)</b>	<b>\$27,187</b>	<b>\$78,912</b>	<b>\$56,640</b>	<b>\$57,917</b>	<b>\$67,798</b>	<b>\$53,304</b>

**Summary Statement of Financial Position  
of the Scheme for the five years ended 30 June 2002  
and the six months ended 31 December 2002**

	31 Dec 02 (6 months)	30 June 02 (12 months)	30 June 01 (12 months)	30 June 00 (12 months)	30 June 99 (12 months)	30 June 98 (12 months)
	\$	\$	\$	\$	\$	\$
Total Assets	3,383,784	3,359,454	3,290,739	3,295,763	3,259,865	3,283,345
Total Tangible Assets	3,100,865	3,087,202	3,023,011	3,029,039	3,002,871	3,031,985
Total Liabilities	411,757	359,334	259,658	211,195	123,175	102,783
<b>Total Equity</b>	<b>2,972,027</b>	<b>3,000,120</b>	<b>3,031,081</b>	<b>3,084,568</b>	<b>3,136,690</b>	<b>3,180,562</b>

**Notes:**

- The information contained in this summary for the five years ended 30 June 2002 has been taken from the consolidated audited financial statements of the Club and Company.
- The information contained in this summary for the six months ended 31 December 2002 has been taken from the consolidated unaudited financial statements of the Club and Company.
- There were no extraordinary items during the periods covered by this summary.
- There have been no material changes in the accounting policies of the Club or Company during the periods covered by this summary.
- The equity method of accounting has not been used.
- Because of the nature of the securities offered in this prospectus, which confer occupation and use rights only, it is not appropriate to calculate the net tangible asset backing per security.

**7. PLANS, PROSPECTS AND FORECASTS****Plans for the Scheme**

The Club's plans for the Scheme are to complete the planned Marina extension and to issue berth licences in respect of the new berths to be constructed. A description of the

planned Marina extension and construction details associated with the same can be found under the headings "Doves Bay Marina – Planned Extension" and "Doves Bay Marina – Construction" on pages 1 and 2 of this Prospectus and "Description of Scheme and Development Thereof" on page 8 of the Prospectus. It is anticipated that the contractors will construct the Marina in accordance with those plans.

The funds for the further expansion of the Marina will be raised from the issue of berth licences in respect of the 78 new berths to be constructed. The Club will market the berth licences.

Subject to the terms of the Deed of Participation, all licence payments made by successful subscribers will be held in an interest bearing trust account established and held by the Statutory Supervisor for the benefit of the Club and the subscribers. The funds held in that trust account will be applied as follows:

- In payment to the contractors of all progress payments due to them under their construction contracts. Such payments will be made after receipt by the Statutory Supervisor of certificates issued by the supervising engineer;
- In payment to the Club for expenditure that has been incurred by the Club directly or indirectly in relation to the Marina expansion. Such payments will be made on a monthly basis and are subject to the Statutory Supervisor receiving certified or audited invoices evidencing the expenditure incurred by the Club. The Club will promptly pay such invoices upon receipt of covering funds from the Statutory Supervisor;
- On practical completion of the construction contracts, the amounts owed by the Club in terms of the construction contracts. Such payments will be made after receipt by the Statutory Supervisor of certificates as to practical completion issued by the supervising engineer; and
- Following practical completion, all payments will be made from amounts held on account of building or maintenance retentions under the constructions contracts. Such payments will be made after receipt by the Statutory Supervisor of certificates issued by the supervising engineer.

The Club is considering the extension of the Clubhouse, which forms part of the Marina. The form and price of this extension is yet to be determined. The Club may borrow from the BNZ or another registered trading bank for the purposes of the Clubhouse extension. Any borrowings are likely to be secured by a mortgage over the Club's land. Any borrowing and the granting of security for the borrowing must be approved by a two-thirds majority of the Club's members in terms of the Club's rules and the Statutory Supervisor under the Deed of Participation.

The Club intends to continue the operation and maintenance of the Marina having regard to the licence holders' interests in the Scheme.

### **Prospects of the Scheme**

The Club considers the prospects of the Scheme to be good.

As at the date of this Prospectus all of the existing 108 berths comprising the Marina are currently licensed to members of the Club and expressions of interest have been taken for

berth licences in respect of the 78 berths to be constructed. Please note that there is no obligation on those who have expressed an interest in the berth licences to subscribe for the same. However, the Club has a further waiting list of approximately 100 people for berths in the Marina and this waiting list is expected to grow as the Club's membership continues to expand. Further, the Club has received expressions of interest in respect of nearly all the 78 additional berths. The Club therefore considers that the 78 berth licences offered under this Prospectus will be subscribed for promptly.

The Club contemplates the gradual refurbishment of the existing berths over time once the planned Marina expansion has been completed.

### **Trade Factors and Risks**

There are a number of special trade factors and risks associated with the Scheme and these are described below:

- ***Contractual Rights Only***

The berth licences create contractual rights only, they do not amount to a lease or an interest in land for the purposes of the Land Transfer Act 1952. Each licence holder's security of tenure and entitlements depend on the enforceability of those contractual rights.

The terms and conditions of any berth licence may be varied by agreement between the Club and Statutory Supervisor after having regard to the coastal permits relating to the Marina.

- ***Security Arrangements***

Under the Deed of Participation for the protection of licence holders the Club has granted to the Statutory Supervisor a first ranking charge over the Marina and a first ranking encumbrance over the Club's land at Opito Bay Road, Kerikeri.

Also, under the Deed of Participation the Club has granted a first ranking charge over the Marina, the coastal permits relating the Marina and all revenue and other earning rights available to the Club from and in respect of the operation of the Marina, including any interest in unsold berths, the Club's interest in each berth licence including management fee earnings, transfer fees and rental fees earned from short term berth rentals and any other moneys the Club may become entitled to by virtue of the berth licences.

The Statutory Supervisor's encumbrance is registered against the title of the Club's land at Opito Bay Road, Kerikeri. The encumbrance is a first charge over the Club's land.

The purpose of the Statutory Supervisor's securities is to secure the performance of the Club's obligations to the Statutory Supervisor and licence holders, including the payment of any moneys due to them under the berth licences and Deed of Participation.

As at the date of this Prospectus, the following priorities will apply in the event the Club is liquidated or the Scheme is wound up:

- Payment of all costs and expenses of sale;

- Payment to the Statutory Supervisor of all moneys owing to the Statutory Supervisor under the Deed of Participation;
- Payment to the licence holders of all moneys owing to them under the berth licences and Deed of Participation; and
- Payment of any surplus to the Club.

The above is subject to a number of statutory preferred creditors, for example any unpaid wages and taxation.

In a realization of the Club's assets and the winding up of the Scheme there may be insufficient moneys to pay licence holders in full the amounts due to them under the Deed of Participation and berth licences.

- ***Borrowing Generally***

The Deed of Participation provides that the Club may not borrow or create a charge or grant a mortgage or other security interest over any of the Marina assets or give any third party indemnities or guarantees without the prior approval of the Statutory Supervisor.

Further, the Club may not grant a charge of over Marina assets or give any third party indemnities or guarantees without the approval of a two thirds majority of the members of the Club present and voting at a special general meeting called for that purpose.

- ***Breach by the Club***

If the Club becomes insolvent or breaches the terms of the Deed of Participation or berth licences or if any financiers or third party creditors obtain judgment by way of court action in order to obtain money from the Club, that may create financial risks for licence holders.

In defined default circumstances the Deed of Participation provides that the Club must, on request from the Statutory Supervisor, provide the Statutory Supervisor with such further assurances (including securities) as the Statutory Supervisor may require, together with a power of attorney to facilitate the giving of these further assurances.

- ***Breach by a Licence Holder***

Should a licence holder default in the performance of their obligations under the berth licence and fail to remedy such default upon being given one month's notice to do so by the Club or cease to be a fully paid up member of the Club then their berth licence may be cancelled.

Immediately upon cancellation of the berth licence the licence holder must remove their boat from the berth the subject of the cancelled berth licence. If the licence holder fails to remove their boat then the Club may remove the boat and place it in storage and the Club will have a lien on such boat for the costs of removal and storage. If the licence holder fails to claim such boat within three months after the date of removal then the Club may sell the boat and use the proceeds to defray its costs.

Upon cancellation of the berth licence by the Club all moneys already paid by the licence holder to the Club will be deemed to be forfeited as liquidated damages to the Club, it being acknowledged that the Club relies upon the licence holder making all payments in accordance with the berth licence for the purposes of developing and maintaining the Marina.

Upon cancellation of the berth licence, the licence holder will have no right to any payment or compensation from the Club and will have no claim against the Club.

- **Marina Expansion**

There remains some scope for an increase in the construction price of the Marina expansion notwithstanding that the construction contracts are lump sum contracts. An increase in the construction price of the Marina expansion may occur if:

- The Club requests that additional work be undertaken;
- The Club and one of the contractors agree to change the contract specifications;
- There may be extra costs incurred in completing the dredging, reclamation and driving of piles;
- If one of the contractors suffers delays then the Club may be responsible for the costs incurred by the other contractor as a result of those delays;
- If any sub-contractor or a contractor defaults, there may be additional costs incurred in contracting an alternative contractor or making other satisfactory arrangements;
- While the contractors are required to take out contractor's works insurance, public liability insurance and statutory liability insurance, should an event occur which is not covered by these policies then the Club may be responsible for additional costs;
- If certain risks arise under the construction contracts, then the Club may be responsible for additional costs; and
- If the contractors or the Club fail to comply with the requirements of the resource consents or coastal permits relating to the completion of the Marina expansion, then the Northland Regional Council may call upon the developer's bond provided by the Club and deposited with the BNZ. The BNZ must pay the developer's bonds to the Northland Regional Council when called upon to do so.
- If the contractors or the Club otherwise fail to comply with the requirements of the resource consents, coastal permits or Resource Management Act 1991, for example, by reason of non-permitted discharges or environmental contamination, then the Club may be liable for costs and damages under Resource Management Act 1991.

In order to minimize the above and other construction risks, the Club has provided for conservative contingencies in its estimate of the cost of the Marina expansion. The Club has also obtained bonds in respect of the contractors' respective contract works of 10% of the contract price for their work.

The Club, upon the occurrence of one of the above construction risks or otherwise, may decide to vary the facilities or services to be provided as part of the Marina expansion from those described under the heading "Doves Bay Marina – Planned Extension" on page 1 of this Prospectus. Any such variation would be subject to Statutory Supervisor approval and the Club obtaining variations of the relevant resource consents or coastal permits or new consents and permits.

Under the Deed of Participation the Club is required to regularly report to the Statutory Supervisor on the progress of the Marina expansion. Further, the Club must consult with the Statutory Supervisor in event of any delay or cost overrun in respect of the Marina expansion or of any other event that may have a material adverse effect on the financial position of the Club or the licence holders' investment in the Scheme.

In terms of the Deed of Participation the Statutory Supervisor will not inspect the works carried out by the contractors nor monitor compliance by the contractors with their respective construction contracts. The Statutory Supervisor is obliged to rely on certificates provided by the supervising engineer and reports from the Club as to progress with the Marina expansion.

Should the price payable to one of the contractors increase and the funds available to the Club be insufficient to meet the increased price then that contractor may be entitled to stop construction. In that situation, unless an alternative arrangement can be put in place, the Statutory Supervisor may exercise its powers under the Deed of Participation to sell the Marina and distribute the funds as described under the heading "Security Arrangements" above. Please note that in this event the Statutory Supervisor may retain some funds to settle any dispute with the contractors rather than distributing it.

If one of the events described above or another unforeseen event arises that effects construction, then the Marina expansion may not be completed in accordance with the time specifications set out in this Prospectus.

If the construction price of the Marina expansion increases then the licence payment for the berth licence may need to be increased and/or the subscribers required to make further contributions to ensure the Marina expansion is completed.

- **Default in Licence Payments**

There is a risk that some of the subscribers may default in paying the final balance of their licence payment when called upon to do so by the Club. The terms of the application carry certain penalties on default and in those circumstances the Club may cancel the agreement to grant the berth licence. While the Club does not expect it to be difficult to find a replacement subscriber, there remains a risk that the Club will be left with a shortfall in these circumstances, which may affect its ability to complete the Marina expansion in a timely manner. Further, the

remaining subscribers may be required to make further contributions to ensure the Marina expansion is completed.

- ***Insurance and Damage or Destruction***

The Deed of Participation requires that the Club insure the Marina with a reputable insurer for the full insurable value all parts of the Marina that may be of an insurable nature against fire and any other risks, including storm and tempest, and ensure all premiums are paid when due. If the Marina or any part thereof is destroyed or damaged by fire, storm or tempest then all moneys received by the Club in respect of such insurance will be expended in the repairing and reinstating of the Marina, with such modifications as may be necessary to obtain all necessary approvals and consents.

In the event of the damage or destruction of all or part of the Marina the licence holder may need to relocate their boat outside the Marina at the licence holder's expense while reconstruction work is undertaken.

The licence holder must at all times keep all boats, craft and other property owned or brought onto the Marina by them or their invitees fully insured against loss or damage by fire, explosion, storm tempest, typhoon, earthquake, accidental damage, burglary, Act of God and all other insurable maritime risks.

- ***Taxation***

There may be taxation consequences that arise for a subscriber in entering into a berth licence. Each subscriber should seek independent professional advice in relation to the possible taxation implications before applying for a berth licence. The Club, Company and Statutory Supervisor do not accept any responsibility for any taxation obligation that may arise as a consequence of any person entering this Scheme. The licence holder will pay all taxes, duties and other costs payable in respect of their application and berth licence, including GST (if any).

- ***Expiry of the Scheme - Renewal of Consents and Permits***

The ongoing operation of the Marina and the Scheme is subject to the Club meeting the terms of the consents and permits outlined under the heading "Permits and Consents" at section 4 of this Prospectus and obtaining renewals of the same, if possible, as they fall due. Under the Deed of Participation the Club has covenanted to obtain a renewal of the coastal permits if such a renewal is available.

The Deed of Participation provides that the Scheme will expire and berth licences terminate on 21 September 2018 and the Club may dispose of the Marina as it sees fit. Licence holders are not entitled to compensation upon the expiry of the term of their berth licences or the Scheme.

If the appropriate coastal permits and consents are secured by the Club then the term of the berth licences and of the Scheme may be able to be extended by agreement between the Club and Statutory Supervisor, together with an extraordinary resolution of licence holders.

**ALL PROSPECTIVE BERTH HOLDERS SHOULD  
SEEK INDEPENDENT PROFESSIONAL ADVICE.**



### Prospective Statement of Cash Flows

Prospective statements of cash flows relating to the Scheme for the years ended 30 June 2003 and 30 June 2004 follow:

#### Prospective Statement of Cash Flows of the Scheme for the two years ended 30 June 2004

	30 June 03 (12 months) \$	30 June 04 (12 months) \$
<b><u>Cash Flows from Operating Activities:</u></b>		
<b>Cash to be provided from:</b>		
Annual Marina Fees	48,000	65,335
Club Sales	56,131	56,131
Commission on Transfers	2,629	2,629
Donations Received	2,274	2,274
Fuel Royalties	2,602	2,602
Mooring & Berthage Fees	43,370	59,009
Rental Income	28,107	28,107
Sale of Fenders & Ropes	1,843	1,843
Subscriptions	47,004	47,004
Sundry Income	<u>30,378</u>	<u>30,378</u>
	262,338	295,312
<b>Cash to be disbursed to:</b>		
Administration Expenses	(42,782)	(45,177)
Operating Expenses	(133,598)	(133,829)
Repairs & Maintenance	(14,077)	(14,093)
Standing Charges	(15,216)	(16,534)
Audit Fees	(2,750)	(2,987)
Asset Purchases	(9,344)	(9,344)
Goods & Services Tax	<u>(12,820)</u>	<u>(14,846)</u>
	(230,587)	(236,810)
<b>Net Cash Flows from Operating Activities</b>	<b><u>31,751</u></b>	<b><u>(58,502)</u></b>

**Cash Flows From Investing Activities:****Cash to be provided from:**

Receipts from berth licences	2,044,993	880,000
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**Cash to be disbursed to:**

Capital Expenditure, Marina expansion	(981,522)	(1,992,787)
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<b>Net Cash Flows from Investing Activities</b>	<b><u>1,063,471</u></b>	<b><u>(1,112,787)</u></b>
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Net increase/(decrease) in cash held	1,095,222	(1,054,285)
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Add opening bank balance at 1 July	249,958	1,345,180
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<b>Closing Bank Balance at 30 June</b>	<b><u>1,345,180</u></b>	<b><u>290,895</u></b>
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**Notes and Assumptions for the Prospective Statements of Cash Flows**

While due care and attention has been taken by the Club in the preparation of the Prospective Statement of Cash Flows the Club cannot give any guarantee or assurance that the forecasts will be achieved.

The principal notes and assumptions underlying the Prospective Statement of Cash Flows were adopted by the Club in December 2002 and are summarised below:

- **General Accounting Policy**

Going Concern – Reliance is based on the fact that the Marina is a going concern.

Accounting Policy – There will be no changes in the Institute of Chartered Accountants of New Zealand accounting policies or standards that will have a material effect on the financial results.

Economy - New Zealand's current economic climate of slow but steady growth will continue. No allowance has been made for the effects of inflation over the period of the projections.

GST – All amounts in these forecasts are shown exclusive of GST, except for investing activities, which are shown inclusive of GST, if any.

Income Tax – No allowance has been made for Income Tax as the Club is expected to retain its exempt status from income tax under Section 61 (30) of the Income Tax Act.

Financial Instruments – Which potentially subject the Scheme to credit risk, principally consist of bank balances. The fair value of all financial instruments is equivalent to their carrying value.

Purpose of Forecasts – The Prospective Statement of Cash Flows has been prepared for the purpose of providing potential subscribers with information which may assist them in making an informed decision as to whether to invest in a berth licence for one of 78 new berths being constructed at the Marina. This information may not be appropriate for purposes other than that described. The actual results achieved for the period covered by the Prospective Statement of Cash Flows are likely to vary from the information presented and the variations may be material.

Actual Information - The Prospective Statement of Cash Flows has been prepared using actual figures to 31 December 2002.

Assumptions - These forecasts have been prepared on the basis of assumptions as to future events that the Club reasonably expects to occur in respect of the Scheme and the actions that the Club reasonably expects to take in respect of the Scheme as at the date that the information was prepared, being December 2002.

- **Issue of Berth Licences**

The Scheme has 108 berth licences on issue. An additional 78 berth licences are offered by the Club for subscription in terms of this Prospectus. It is assumed that the offer of 78 additional berth licences will be fully subscribed and allotted, that all subscriptions (less prior advances) will be paid to the Statutory Supervisor and the forecasted surplus funds, described below, will be deposited in the Marina operation expense account by 31 January 2004.

- **Unsecured Advances**

As at the 31 December 2002, 74 members of the Club expressed interest in subscribing for one of the berth licences to be offered under this Prospectus and made unsecured advances to the Company in respect of the Marina development totalling \$337,307 (\$328,007 as at 30 June 2002). As at 31 December 2002, the Company had expended \$261,027 of these funds and its own funds in obtaining all necessary consents for the Marina expansion and undertaking initial development of the Marina expansion. The remainder was deposited with the Statutory Supervisor. Should the Marina expansion not be successfully completed, the amounts described above may not be fully refunded.

Where a subscriber has made an unsecured advance to the Company as described above, that advance once that subscriber has made an application for a berth licence and that application has been accepted by the Club will be credited from the Company to the Club towards payment of their deposit and licence payment upon allotment of their berth licence.

- **Marina Expansion Forecast**

	\$	\$
<i>Proceeds from Issue</i>		
Subscriptions from issue of 78 berth licences	3,253,000	
Less unsecured advances to the Company by potential subscribers	<u>337,307</u>	
<i>Net proceeds from Issue</i>		2,915,693

<i>Proceeds from Company</i>		
Unsecured advances to the Company		
by potential subscribers to 31 December 2002	337,307	
Scheme funds utilised by Company in respect		
of Marina expansion to 31 December 2002	9,056	
Marina expansion costs to 31 December 2002	<u>(261,027)</u>	
<i>Net proceeds from Company</i>		85,336
<i>Forecasted subscriptions to Statutorily Supervisor</i>		
<i>upon allotment of berth licences</i>		3,001,029
<i>Cost of Marina Expansion</i>		
Forecasted cost of Marina expansion	(3,150,000)	
Cost of Marina expansion paid to		
31 December 2002 by Company	<u>(261,027)</u>	
<i>Net forecasted cost of Marina expansion</i>		(2,888,973)
<i>Forecasted surplus from Marina expansion</i>		112,056

- **Interest**

The forecasted interest rate on surplus funds held by the bank is 5% per annum. The Deed of Participation requires that the Club maintain an agreed positive cash balance at all times in the Marina operating expense account. It is anticipated that the forecasted construction surplus of \$112,056 will be deposited into the Marina operating expense account on completion of the Marina expansion and retained for future Marina operating expenses.

- **Completion**

The Marina expansion will be fully completed by 31 December 2003.

- **Contractual Variations**

There will be no material variations to the contracts issued by the Club to McBreen Jenkins Construction Limited and Bellingham Marine New Zealand Limited or other contractors in respect of the Marina expansion, particularly the Club will not need any additional work to be undertaken and the Marina expansion will be completed in accordance with the agreed design and time specifications. Please see the risk disclosure "Marina Expansion" above for further details.

- **Industrial Disputes**

There will be no material industrial disputes, abnormal competitive activity or other unforeseen events outside the ordinary course of business, which may effect the construction of the Marina expansion.

- **Consents**

It is assumed that all resource consents, coastal permits and building permits, have been or will be obtained and complied with.

- **Unforeseen Events**

It is assumed that no unforeseen issues will arise with the Marina expansion.

- **No Other Development**

Other than the construction of the Marina expansion, no other significant improvements, acquisitions or new ventures are included in the forecasts.

- **Annual Marina Fees**  
The Annual Marina Fees for the year ended 30 June 2003 are based on the 108 existing berth licences. The Annual Marina Fees for the year ended 30 June 2004 are based on the 108 existing berth licences, together with the additional 78 berth licences being charged Annual Marina Fees for half of the year only.

- **Other Income**  
Sundry Income – Has not been increased, it is expected that the use of the Scheme facilities will remain the same for the forecasted cash flows.

Trading Income – Turnover, is forecasted to remain the same as it is expected that the same patrons that currently exist will occupy the 78 additional berths.

Subscriptions – Club members have not been forecasted to increase as all new berth holders must be existing Club members.

Marina Licence Fees – Are forecasted to be based upon the Operating Expense formula described at paragraph .

All other income is forecasted to remain at 2002 financial year levels.

- **Other Expenditure**  
Trading Expenses – Based on the average cost of goods sold over the last three years (61%).

Depreciation – Upon completion of the Marina expansion the cost will be apportioned into its major components and depreciated on a straight line basis (based on Inland Revenue guidelines) as follows:-

Marina basin, walls, car and trailer parking	33 <sup>1/3</sup> years
Marina floating structures	25 years
Lighting and power supply	25 years
Building additions	33 <sup>1/3</sup> years
Plant and equipment	10 years

All other expenditure is forecasted to remain at current expenditure levels.

The Prospective Statement of Cash Flows contained in this Prospectus will not be updated.

**ACTUAL RESULTS ACHIEVED MAY DIFFER FROM THE INFORMATION PRESENTED IN THE PROSPECTIVE STATEMENT OF CASH FLOWS AND VARIATIONS MAY BE MATERIAL.**

## 8. MINIMUM SUBSCRIPTION

In the opinion of the Club there is no minimum subscription amount that must be raised from the issue of the berth licences that are the subject of this Prospectus.

## 9. GUARANTORS

No person guarantees the repayment of any money paid or payable under the berth licences or the payment of interest on that money. No person guarantees the issue of the berth licences.

## 10. ACQUISITION OF BUSINESS OR EQUITY SECURITIES

The Scheme has not acquired, and has not contracted to acquire, any business or equity securities in the two years preceding the specified date.

## 11. SECURITIES PAID UP OTHERWISE THAN IN CASH

No berth licences have been allotted, or subscribed for and are to be allotted, as fully or partially paid up otherwise than in cash within the five years preceding the specified date.

## 12. OPTIONS TO SUBSCRIBE FOR SECURITIES OF SCHEME

No options to subscribe for berth licences have been granted to or are proposed to be granted to any person by the Club.

## 13. MANAGER'S INTERESTS

### **Manager of Scheme**

The manager of the Scheme is the Club. As manager of the Scheme the Club is entitled to reimbursement of all expenses incurred in the management and administration of the Scheme. As owner of the Marina assets, the Club will provide or cause to be provided both the facilities and services required by licence holders in terms of their berth licences. Charges are payable under the berth licences in respect of these facilities and services. The expenses are detailed at sections 5 and 6 of this Prospectus.

The Club is entitled to a management fee calculated as being 10% of the annual operating expenses (excluding the management fee itself, payments to the refurbishment account and GST) payable by the licence holders. However if the balance of the Marina operating expense account falls below that level agreed between the Club and Statutory Supervisor in accordance with the Deed of Participation, the Club's management fee may be applied by the Statutory Supervisor to the Marina operating expense account to return the balance of that account to the agreed level.

The Deed of Participation includes covenants by the Club to properly and efficiently carry out the Marina management functions, and allows the Club to contract with other parties for all or part of these management obligations to be performed. Notwithstanding any delegation the Club remains ultimately responsible for the management of the Marina.

### **Manager of the Marina**

The day to day management functions of the Marina are undertaken by the Company, including the day to day administration of the Marina and the allocation of visiting boats to berths forming part of the visitors berth pool. As the Company is a wholly owned subsidiary of the Club no management contract has been entered into between the Club and the Company.

#### 14. PROMOTER'S INTERESTS

The promoter of the Scheme, as described in the Securities Act 1978, is the Club.

The promoter is not receiving remuneration for services in respect of the Scheme except as set out under the heading "Manager's Interests" in section 15 of this Prospectus.

There are no material transactions entered into before the specified date or proposed on or after the specified date involving a promoter of the scheme except as discussed under the heading "Manager's Interests" in section 15 of this Prospectus.

#### 15. MATERIAL CONTRACTS

Material contracts entered into for the Scheme in the two years prior to the specified date (not being a contract entered into in the ordinary course of business of the Scheme) are as follows:

- ***Deed of Variation to Deed of Participation***  
Deed of Variation to Deed of Participation between the Club and the Statutory Supervisor dated 3 June 2003. The Deed varies the existing Deed of Participation between the parties so as to enable the expansion of the Marina to be undertaken.
- ***Construction Contract for Site Works***  
Specification of work materials and conditions of contract for the undertaking of site works at the Marina, between the Club and McBreen Jenkins Construction Limited, dated 24 March 2003. The contract incorporates the New Zealand Standard 3910:1998 standard terms and conditions of contract for building and civil engineering construction.
- ***Construction Contract for Floating Structures***  
Specification of work materials and conditions of contract for the construction of all floating structures required for the Marina expansion, between the Club and Bellingham Marine New Zealand Limited, dated 26 March 2003. The contract incorporates the New Zealand Standard 3910:1998 standard terms and conditions of contract for building and civil engineering construction.
- ***Developer's Bonds***  
The Club and BNZ have executed two Bonds dated 16 April 2003 in favour of the Northland District Council. The bonds total \$210,000. The terms of the Bonds required the Club to deposit the funds with the BNZ and require that the Club and the BNZ cause the same to be paid to the Northland Regional Council if the Club fails to comply with the coastal permits which the relevant bonds secure. The Club and BNZ will be released from their obligations upon the completion of the Marina expansion in terms of the coastal permits which the relevant bonds secure.

#### 16. PENDING PROCEEDINGS

There are no legal proceedings or arbitrations pending at the specified date that may have a material adverse effect on the Scheme.

## 17. ISSUE EXPENSES

### Issue Expenses

The estimated amount of expenses relating to the issue of this Prospectus including, but not limited to, legal, accounting and audit fees, printing advertising and marketing expenses and the Statutory Supervisor's fees and costs is \$50,000, including GST.

### Commission

No commission is payable to any agent for the selling and marketing of the berth licences.

## 18. TERMS OF DEED OF PARTICIPATION

### Deed of Participation Attached

A copy of the Deed of Participation is attached as Appendix B to this Prospectus and forms part of it.

### Restrictions and Covenants

The Club has agreed in the Deed of Participation to accept the following important restrictions and covenants:

- To undertake only the business of the development, ownership and management of the Marina and the ownership, management and operation of a yachting and boating club;
- To use its best endeavours and skill to carry out its duties and obligations under the Deed of Participation and to ensure that the Marina is maintained in a thoroughly good and efficient manner and is working to the highest standards and in accordance with the best of most modern boat harbour practices prevailing;
- To account to the Statutory Supervisor and licence holders for all moneys the Club receives on behalf of the Scheme;
- To maintain an agreed positive cash balance at all times in the Marina operating expense account;
- Not to incur any debt or liability beyond a level set and approved by the Statutory Supervisor;
- To pay or cause to be paid promptly on becoming due all rents, rates, taxes, liabilities and outgoings levied against the Club or the Marina;
- To vest the refurbishment fund held for major refurbishment of the Marina in trust with the Statutory Supervisor;
- To keep and prepare books of account and to prepare annual financial statements in respect of the Scheme, such annual financial statements to be audited;



- Not to sell the Marina or any of the Marina assets except with the approval of the Statutory Supervisor, and then only to a party who demonstrates the ability to undertake the proper management of the Marina;
- To insure the Marina with a reputable insurer for the full insurable value all parts of the Marina that may be of an insurable nature against fire and any other risks, including storm or tempest and ensure all premiums are paid when due;
- Comply with the requirements of the Incorporated Societies Act 1908, the Securities Act 1978 and all other relevant legislation;
- To provide the Statutory Supervisor with all information provided to licence holders;
- To give security to the Statutory Supervisor as described under the heading "Security Arrangements" at section 7 of this Prospectus; and
- In defined default circumstances to provide the Statutory Supervisor with such further assurances as the Statutory Supervisor may require as described under the heading "Default by the Club" at section 7 of this Prospectus.

### **Meetings**

The Deed of Participation also provides for meetings to be held in accordance with the requirements of the Securities Act 1978 and related regulations, and at any other time the Statutory Supervisor wishes, or otherwise at any other time if required by at least one-tenth in number of the berth licences. The Club must hold an annual general meeting of licence holders no later than six months after the end of its financial year.

## **19. OTHER TERMS OF OFFER AND SECURITIES**

### **Offer to a Section of the Public**

The offer of the berth licences is made to a section of the public, being all full financial members of the Club. If a person wishes to subscribe and they are not a member of the Club then they must become a member of the Club before their application will be considered. No person who is not a member of the Club is entitled to hold a berth licence.

### **Maximum Number of Licence Holders**

No more than five persons may jointly hold a berth licence.

### **No Other Terms**

All terms of the offer and of the berth licences offered under this Prospectus are set out in this Prospectus, other than those terms implied by law or set out in a document that is registered with a public official, available for public inspection and referred to in this Prospectus.

## 20-34. FINANCIAL STATEMENTS

The financial statements of the Scheme, being the group financial statements of the Club and the Company, for year ended 30 June 2002 and six month period ended 31 December 2002 are annexed as Appendix D.

The Club and Company only carried on the activities of the Scheme during these periods and therefore the Scheme and group financial statements are identical.

## 35. PLACES OF INSPECTION OF DOCUMENTS

Copies of the Deed of Participation, the latest financial statements and any material contracts described under the heading "Material Contracts" at section 15 of this Prospectus may be inspected without payment of any fee during normal business hours at:

- Kerikeri Cruising Club Incorporated  
c/- Horwath Poutsma Ardern Limited  
1st Floor, 9 Hobson Avenue  
Kerikeri
- The Clubhouse  
Kerikeri Cruising Club  
Doves Bay Marina  
Opito Bay Road  
Kerikeri
- TOWER Trust Limited  
Level 12, TOWER Centre  
45 Queen Street  
Auckland Central

Copies of the documents may also be inspected without payment of any fee at the Companies Office internet website, [www.companies.govt.nz](http://www.companies.govt.nz) by searching "Kerikeri Cruising Club Incorporated" and selecting the "Documents" tab under the Club's name. If the document is not listed then it may be requested upon payment of the prescribed fee from Search Link via the Companies Office website.

## 36. OTHER MATERIAL MATTERS

### Listing

Application has not been and will not be made to The New Zealand Stock Exchange for permission to quote these securities on the Official List or otherwise.

### No Other Material Matters

There are no material matters relating to the offer of berth licences under this Prospectus, other than those matters set out in this Prospectus or in the financial statement referred to in this Prospectus and contracts entered into in the ordinary course of business.

**37. MANAGER'S STATEMENT**

The Club, as the manager of the Scheme, after due enquiry by it, states that, in relation to the period between the date of the latest statement of financial position attached to this Prospectus and the specified date, in its opinion there have been no circumstances arising that materially adversely affect:

- The profitability or activities of the Scheme; or
- The value of its assets; or
- The ability of the Scheme to pay its liabilities due within the next 12 months.

**38. AUDITOR'S REPORT**

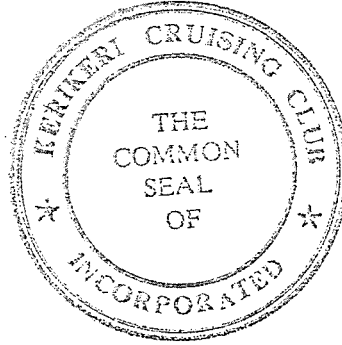
An auditor's report is attached to this Prospectus as Appendix E.

THIS PROSPECTUS has been duly signed by Kerikeri Cruising Club Incorporated and every executive committee member of Kerikeri Cruising Club Incorporated, or by its, his or her agent authorised in writing:

THE COMMON SEAL of KERIKERI CRUISING CLUB INCORPORATED, was affixed in the presence of:

*[Handwritten signature]*

Commodore



*[Handwritten signature]*

Authorized Signatory

*[Handwritten signature]*

SIGNED by  
FRANK GYSBERTUS de VIRES:

*[Handwritten signature]*

SIGNED by  
JAMES DENIS CLARK

*[Handwritten signature]*

SIGNED by  
KEITH FREDERICK ARDERN

SIGNED by *[Handwritten signature]*  
COLLEEN RAE GUNN

by her duly authorised agent  
Keith Frederick Ardern:

*[Handwritten signature]*

SIGNED by *[Handwritten signature]*  
GARY ARTHUR FRANCIS

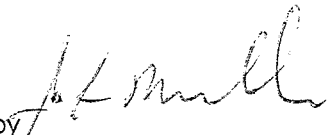
by his duly authorised agent  
Keith Frederick Ardern:

SIGNED by  
TONY GERARD CORCORAN

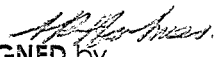
*[Handwritten signature]*

SIGNED by  
HILARY GRAY JOHNSON

*[Handwritten signature]*



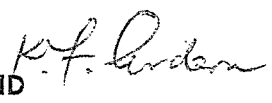
SIGNED by  
JAMES ROBERT MURDOCH



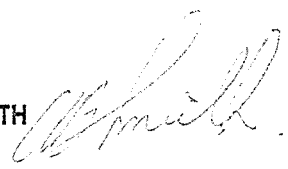
SIGNED by  
ANTHONY KEMPTHORNE HOLMES



SIGNED by  
RAY WILLIAM HASLAR  
by his duly authorised agent  
Keith Frederick Ardem:



SIGNED by  
KERRY ALFRED FARRAND  
by his duly authorised agent  
Keith Frederick Ardem:



SIGNED by  
ALASTAIR BARRETT SMITH

SIGNED by  
PETER GEOFFREY WOODS

