

ANNUAL REPORT

For the period ending 31 December 2017



NZmarine
INDUSTRY ASSOCIATION

PRESIDENT'S REPORT FOR THE PERIOD TO 31ST DECEMBER 2017

Dear Member,

I am both humbled and honoured, to have served our industry as President of New Zealand Marine for three full terms now and I thank each and every one of you for the overwhelming support and encouragement I have received throughout my tenure. This is an industry I love, it has been exceptionally good to me over the entire 42 years of my working life and I am delighted to have been able to give back.

Over the course of the past year, I have been asked by an overwhelming number of members to consider a fourth term as President, so, I agreed I would 'consider' it. I am now very pleased to announce that I have accepted nomination for the role again and have positioned my business (and life) to be able to fully contribute with governance and strategic leadership of NZ Marine for the next 12 months. I do this to build on the progress we have made (both as a board and an organisation), as well as to ensure sound strategic direction and succession planning moving forward.

When I first took on the role, I walked into an industry where many had the perception the organisation was mainly about 'Auckland and Superyachts'. I think it's fair to say (to some degree), it wasn't all just perception. The Board was made up with passionate Auckland based people and a lot of focus was on the superyacht sector – just fact. One of my first key points of focus was to change both the perception and emphasis without detracting from the multitude of good things that NZ Marine did on a national and international scale, particularly in our largest centre, Auckland. Today (under my leadership), we have brought a number of regional groups into the Executive, we have Jason Dickey (current Vice President, Napier) and myself from the regions and Peter Busfield and Chris van der Hor more engaged in travelling wider afield than ever before. The Commercial Vessel Group has taken over as the largest industry sector followed closely by the Boat Building and Refit Group, with a large percentage of the activities of both, taking place in the regions. I recognise that the South Island often feels left out and it is with delight that we have the nomination of Tim Porter of Boating New Zealand (based in Wanaka) to consider as one of our Vice Presidents at this AGM which would have the country covered. Both Jason and Tim have my full support.

Also under my leadership, the board has positioned the organisation, from a financial loss in 2015 to a financially sustainable model for the next decade. We have worked with the sector groups in developing strategic direction and objectives to 2025 and hold the organisation accountable to these. We have developed a robust governance manual to ensure we operate in unity and at a high professional level. We have driven and facilitated unity within NZ Marine that now sees common focus across all areas of organisation. The events team (responsible for all events) is a great example of how this works.

For me, one of the proudest accomplishments we have achieved under my leadership is the substantial growth of NZ Marine and Composites Industry Training Organisation (NZMAC ITO). We now have both boards (I am also Chairman of the ITO) working fluidly together and we are well underway with investing heavily in training programs and state of the art digital learning platforms to continue to position us as a world class training organisation into the future.

Whilst there is a cost to the ITO bottom line this year and next, there will be a tidy return on investment moving forward, further cementing ongoing financial sustainability for the future of NZ Marine as a whole. We are also well on track with our strategies to grow training numbers, which of course is critical to the future of our businesses and our industry. I am sure that if I get another term as President, we will turn the ITO into a 'Rock-Star'.

So, moving into the future, we need strong leadership, good governance, financial sustainability, sound succession planning and great people, both in NZ Marine and at board level. This AGM and the elections could either change the face of this, or it could set the way to build on the strengths we have achieved over the past 3 years. I firmly believe that the team with Myles Fothergill as President, along with Jason Dickey (current Vice President and CEO Dickey Boats, Napier) and Tim Porter (Boating New Zealand, Wanaka) as the two Vice Presidents, is the only combination that can achieve the strategic objectives we have set in place. Along with Stuart Robinson (Chairman of the NZ Marine Export Group), this combination also ensures nationwide representation, export focus, strong leadership and focused direction, multi-level succession planning, providing the basis for cast iron governance moving forward. I would like to promote appointing two other current members of Dean Harris and Garry Lock to the Board of Management to work with us for another year. This I believe would be the very best outcome for the Board, the Executive, NZ Marine and indeed the marine industry as a whole.

Thanks to Peter, Chris, Stacey and the team at NZ Marine. You have all been an absolute delight to work with. I love walking into the offices every couple of weeks and seeing the dedicated, passionate and capable individuals that make up such an exceptional team.

Thanks to my Board - it is not always an easy job, but we have made some outstanding progress, particularly this past year.

Thanks to the Executive who are Chairs/representatives of the regional/sector groups, in particular for the work you do in providing feedback and input to enable the Board to operate at a high strategic level.

Last but by no means least, thank you to all the members of NZ Marine, it has been a pleasure to serve you.

I am eternally grateful to you all for providing me the opportunity to lead our industry over the past 3 years along with all your support and encouragement. I sincerely hope you put me back there for another term, I promise to do the industry proud.



Myles Fothergill
President



EXECUTIVE DIRECTOR'S REPORT FOR THE PERIOD ENDING 31ST DECEMBER 2017

Dear Member,

During 2017 our NZ Marine Board of Management members, sector groups and staff held many in-depth meetings to create our new 2018-2025 Strategic Plan for the industry and specialised sector groups. The importance of having our strategic plan agreed to gives our board and staff direction and focus on how to increase business opportunities for our member companies. It also importantly communicates to key strategic partners such as local and central Government that the NZ marine industry has a promising future and has set goals to achieve this.

Our mission statement for NZ Marine remains the same:

'To encourage development of the New Zealand Marine Industry and support our members to build successful businesses'

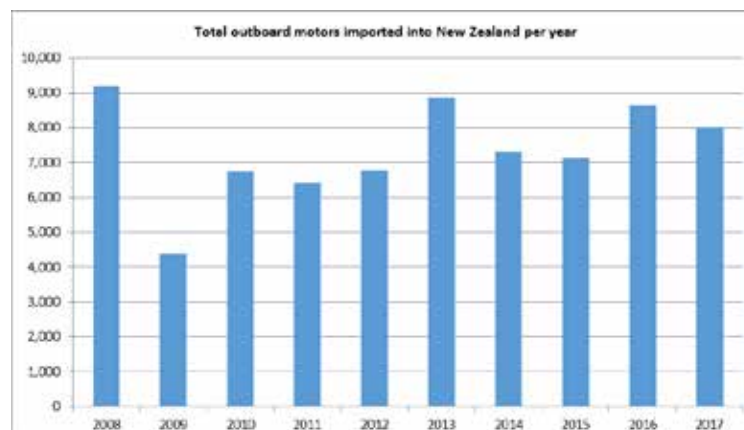
Achievement of our mission statement in 2017 was demonstrated by our numerous well supported activities including the NZ Marine Conference in Tauranga, Auckland On Water Boat Show, sector group activities such as the NZ Marine Boat Building and Refit Sector Group Fiji/NZ Day, NZ Marine Commercial Sector Group government hui and new directory, CPC Group celebrating 20 years of service and many Boating After 5 networking events.

We continue to nurture and encourage fresh thinking and new ideas and welcome '**Young Professionals in Yachting New Zealand**' (YPY NZ) as a sector group of NZ Marine. This group, headed by Chris Gibbs of Oceanmax, is a fast growing group representing the young professionals in our industry as a platform for upskilling and networking that is key to the continuation of our successful industry and your own business. We support YPY NZ in all aspects and look forward to the group being a major sector and providing leadership going forward.

NZ Marine continue to invest in staff training and upskilling e.g. with the successful Dale Carnegie Training Courses and thanks to the Board of Management investing in myself - I have become a Chartered Member of the Institute of Directors. Being aware of the latest proven best practice in Board/CEO governance has enabled me to share this with our various Boards and managers and this has streamlined and complemented the work of the Boards and senior management providing efficient and a forward thinking approach by the Boards, sector group communities and management.

I am pleased to list a summary update of some key measures of what the industry and we have achieved over the past year.

Imports of outboard motors have been consistent with 8,018 outboards imported in 2017 versus 8,637 in 2016 and 7,142 in 2015.



During 2017 and continuing in 2018 the marine industry is enjoying constant or in some areas increased business activity. This is evidenced in the local market with the increase in new trailers being registered in the 12 months to December 2017 of 8,590 versus 8,124 in the 12 months to December 2016 and 7,457 in 2015.



Imports of large diesel engines have increased with 707 imported in 2017 versus 517 in 2016 and 480 in 2015.

It is a credit to the NZ trailer boat manufacturing sector that over 90% of the approximate 2000 over 6m trailer power boats sold in New Zealand are designed and built in New Zealand. The CPC Group chaired by Griff Simpson celebrated 20 years of providing leadership to this industry sector with its 'New Zealand Audited Boat Building programme'.

NZ Commercial Vessels Group – Chaired by Dave Hopkins

The Commercial Vessels Group currently has a growing number of members who participate in projects and activities and meet 3 to 4 times per year. Some of the activities the NZ Marine Commercial Vessel Group has spearheaded include:

- Creation of 2018-2020 directory, supported by over 60 member companies and circulated to NZTE officials worldwide
- 'Government Hui' to convince NZ government officials when purchasing vessels to buy from a New Zealand company and to promote the GPA countries that have to consider NZ suppliers.
- Executive Director Peter Busfield sitting on the NZ Governments Business Reference Group – providing advice to the government on best procurement practices

NZ Marine Boat Builders and Refit Group - Chaired by Garry Lock

The Boat Building and Refit Group meet 3 to 4 times per year resulting in projects promoting members building new boats and refitting the local fleet and visiting cruising yachts and superyachts including:

- Focus on expansion of marine clusters adjacent to water ways of Opua, Whangarei, Auckland, Whitianga, Tauranga, Whanganui, Wellington, Picton, Nelson and Lyttleton
- Promotion to offshore cruising yachts and superyachts with Destination New Zealand and a new 2018-2020 book and electronic edition currently being produced
- Promotion of New Zealand companies at the annual Fiji/New Zealand day in July each year
- Successful negotiation with NZ Customs to maintain the 24 month TIE without visiting yachts that may wish to sell their boat needing to pay a bond on entry
- Provided economic analysis to NZ Government and Auckland Council on the economic benefits of Auckland hosting the 36th America's Cup and support by Executive Director – close liaison with Emirates Team NZ, Royal NZ Yacht Squadron, Auckland Council and government to get this over the line to what will now be a good outcome.
- Ensuring Site 18 in Wynyard Quarter be developed for a new haulout yard servicing the commercial and larger yacht sector.
- Assisting the NZ Marine Export Group sponsorship of Superyacht Cup Palma regatta promoting 'New Zealand as a destination' in June 2017 and again in June 2018 and gaining the support of the J Class boats to participate in the NZ Millennium Cup regatta in February 2021 in the Bay of Islands.

Auckland On Water Boat Show and Events

Held in September 2017 the show provided the 170 exhibitors with a professional exhibition selling their boats, equipment and services to local and international customers. Our Events Team lead by Stacey Cook brought a new and fresh perspective to the Auckland On Water Boat Show, Apprentice Graduation, Fiji/NZ Day in addition to running sector group events of Superyacht Crew Welcome Function, NZ Marine Export Group's NZ Millennium Cup Regatta, NZ Marine Export Group's member companies exhibiting at Monaco Yacht Show and the 18 or so companies exhibiting at METS in Amsterdam November 2017. Refer to Stacey's report on the Auckland On Water Boat Show including plans for the upcoming 20th edition of the show.

A very special thank you to the respective industry representatives of our regional and sector groups for their time and effort put into supporting their sectors and NZ marine industry as a whole:

Following are the chairs of our Sector Groups in 2017:

- | | |
|---|---------------------------|
| • NZ Marine and Composites Industry Training Board: | Myles Fothergill |
| • New Zealand Marina Operators Association Executive: | Chris Galbraith |
| • NZ Marine Export Group: | Stuart Robinson |
| • Royal Institution of Naval Architects NZ Division: | Graeme Finch |
| • CPC Manufacturers' Group: | Griff Simpson |
| • Boat Builders & Refit Group: | Garry Lock |
| • Commercial Vessel Group: | Dave Hopkins |
| • Suppliers Group Committee: | Mike Harris |
| • Big Engine Group: | Brian Macken |
| • Tauranga Marine Industry Association: | Jim McManaway (part year) |
| • Northland and the Far North Region: | Brian Caulton |
| • Wellington Region: | Bob Tait |

Industry Training

One of the secrets of our success in continuing to compete internationally with NZ built boats, refits and manufacture of equipment is our industry endorsed and run NZ Marine & Composites Industry Training Organisation. It continued to provide very good service to the industry during 2017 and continues to serve our and the composites industry very well. Refer to General Manager Chris van der Hor report on industry training overleaf. Highlights include growth in the company's employing apprentices now number over 200 and growth in apprentice numbers to over 460 as at April 2018. The successful pilot of "Schools to Work" programme saw selected regions and companies benefit from this new service where Year 12 and 13 school students can spend one or more days a week in the workforce trialing the apprenticeship training.

Membership Services

Our membership is steady with 457 members as of December 2017 compared with 452 as of December 2016.

Our membership services were well received with a good number of member companies attending the highly rated NZ Marine Conference in Tauranga in March 2017 and the many 'Boating After 5' functions held from Waikawa in the South to Opua in the North. Membership continues to grow mostly by word of mouth from existing members seeing the value of their own membership.

Financial position of the Organisation

Financial summary for consolidated Boating Industries Association of NZ Inc accounts 2017 compared with 2016.

| | 2017 | 2016 |
|----------------|-------------|-------------|
| Total Income | \$3,097,167 | \$2,909,740 |
| Total Expenses | \$3,006,572 | \$2,831,520 |
| Cash Surplus | \$90,595 | \$78,194 |

After amortisation and depreciation

Net Profit (Loss) (\$50,027) \$3,362

Thank you to all members, Boards, Committees and the NZ Marine Team for continuing to profile and grow New Zealand's marine industry.

Peter Busfield
Executive Director
NZ Marine



NZ Marine Executive Director Peter Busfield (centre) welcomes our new NZ Marine Sector Group, Young Professionals in Yachting NZ - Chairman Chris Gibbs (left), and past-President - YPY Florida James Maitland (right)

AUCKLAND ON WATER BOAT SHOW REPORT

2017 was a very exciting year for me as it was my first year as Event Manager for the Auckland On Water Boat Show. I wasn't too sure what to expect but I knew that I had superb staff working with me and in my 8th year with NZ Marine giving me good understanding of the industry, I was excited to take on the new role and support our member companies grow their business. Whether it was an extra social media post or the additional billboard that may have helped bring another customer to the show, my top goal was to bring the best opportunities to the exhibitors, which I think we managed to pull off as we had advice of record sales during and following the show. Well done team!

This year, with my first boat show under my belt I am bringing a fresh approach to the way the show is promoted. From updating our marketing advertisements, to producing our new look website to allow us to increase the profile of our exhibitors and my most valued addition – our online exhibitor portal which will cut down our exhibitors administration time for the show management and bring our show up to international standards. No more printing and writing on forms to email to us (which if you want you can still do!), simply fill in the forms online and at the click of a button it's done. The sole purpose of this is to cut down your administration time.

I hope to visit as many exhibitors as I can each year to talk about the show and most importantly get your feedback and ideas on what you see we can do or add to our portfolio.

NZ Marine's Event Team of myself, Tracye Mossman and specialist contractors manage and run 8-10 major events each year for the industry including the Auckland On Water Boat Show, Fiji/NZ Day, Superyacht Welcome Function, NZ Marine and Composites ITO Graduation, NZ Millennium Cup regatta, members attendance at Monaco Yacht Show and METS and we look forward to working with you all again this coming year.

Thank you



Stacey Cook
Event Manager and Export Manager
NZ Marine



NZ MARINE AND COMPOSITES ITO REPORT

Mission Statement

'Provide leadership in the development of skills and training excellence, to the marine and composite industries'

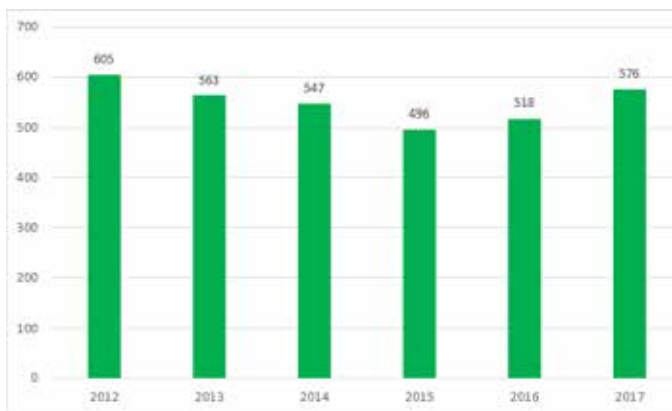
Statutory Role

The NZMAC ITO, along with 11 other TEC funded Industry Training Organisations (ITOs) currently recognised by the Tertiary Education Commission, has the following statutory obligations under the Industry Training and Apprenticeships Act 1992 and the Tertiary Education Strategy:

- Develop and maintain skill standards that are registered by the New Zealand Qualifications Authority.
- Develop and maintain arrangements for the delivery and assessment of industry training.
- Comply with any conditions of recognition.
- Comply with any prescribed quality assurance requirements.
- Develop and maintain arrangements for the collective representation of employees in the governance of the organisation.

Statistics

a) Number of apprenticeships – yearly totals – as at 31 December 2017

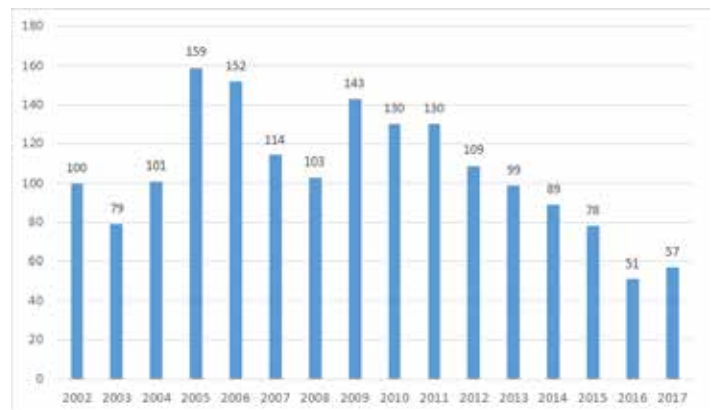


b) Number of apprenticeships/training programmes as at 31 December 2017*

| Industry sector | Non-NZ Apprentices | NZ Apprenticeships | Total | Total % |
|--|--------------------|--------------------|----------------|----------------|
| Boatbuilding (National Qual) | 25 | 411 | 436 | 59.08% |
| Boatbuilding (NZ Qual) | 0 | 47 | 47 | 6.37% |
| Composites (includes trainees enrolled in NZ Qual) | 20 | 48 | 68 | 9.21% |
| Marine Retail & Brokerage | 5 | | 5 | 0.68% |
| Marina Operations and Services | 34 | | 34 | 4.61% |
| LCP & SCP | 111 | | 111 | 15.04% |
| LCP School to Work | 26 | | 26 | 3.52% |
| First Line Management | 2 | | 2 | 0.27% |
| Competitive Manufacturing | 9 | | 9 | 1.22% |
| Total | 232 | 506 | 738 | 100.00% |
| Total % | 31.44% | 68.56% | 100.00% | |

*This table includes trainees enrolled in 2 strands, for example composite and wooden boat building. Boatbuilding includes composite boat building, composite spar-making, composite production boat building. (May be subject to variation once TEC evaluate data during April 2018)

c) National Certificate Completions (1/1/17 – 31/12/17)



- d) Between 2002 and 2017, 1694 National Certificates have been issued.
- e) Credits Reported to NZQA in 2017= 16,332 (subject to change as TEC evaluate data during April 2018)
- f) Employers with Active Trainees (as at 31/12/17) = 189
- g) National Certificate Completions 2017: 57

Tertiary Education Commission (TEC)

New Zealand Apprenticeships

Back in 2000, it was clear to the NZ Marine and Composites ITO (Boating ITO at the time) that the most effective way to ensure positive outcomes and engagement from the training was to provide direct face to face site visit support to learners and employers. The Government introduced Modern Apprenticeships during 2001 which formalised the requirement for 16-21 year old apprentices to be supported in the workplace with quarterly site visits. While the Boating ITO was approved as a Modern Apprenticeship Co-ordinator at the time, it was decided to exceed the contractual requirements of Modern Apprenticeships by continuing to visit all learners in the workplace regardless of age. This approach was sensible and continues today which has worked extremely well over time with meeting a high degree of learner and employer satisfaction.

In practical reality learners and their employers will not notice any difference in services provided, as it has always been the policy of the NZ Marine and Composites ITO to provide field officer workplace training support and assessment services.

Tertiary Education Commission (TEC) Update

NZ Marine and Composites ITO has recognition as an Industry Training Organisation with the Tertiary Education Commission (TEC) until May 2020. A renewal process will be undertaken through a TEC audit for re-recognition.

In July 2017 the TEC undertook a three day financial audit of NZ Marine and Composites ITO with 'no issues' being recorded. This provides the Government and Industry very high confidence in our operation.

From 1st January 2018, eligible apprentices <http://www.tec.govt.nz/fees-free-what-tertiary-education-organisations-need-to-know#Eligiblelearn> will be able to access their first two years of industry training fees free. The policy will cover all fees paid by the eligible apprentices and their employers. This is an excellent incentive for employers to take on school leavers particularly those

that are involved with the School to Work programme

TEC Income/Industry Training Register

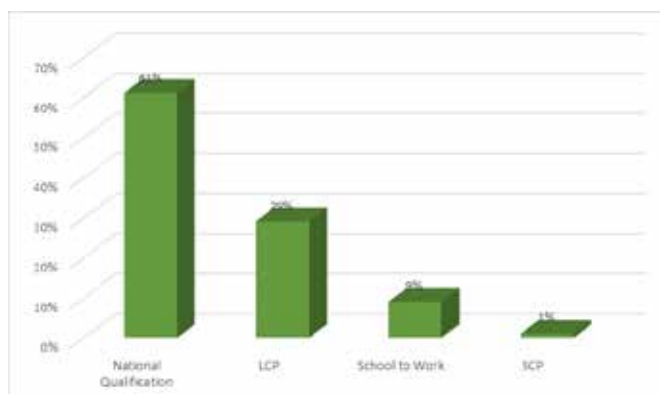
The TEC provides 70% of the funding, while 30% is required to be raised direct from the industry.

Industry Training Organisations (ITOs) are funded by TEC under a part performance based funding model. Under this model, the NZ Marine and Composites ITO reports enrolment and achievement data in near real time to the Industry Training Register (ITR), a data collection and performance management reporting system. From the ITR data collected, TEC measures performance and determines funding entitlement. ITOs can be financially penalised if registered learners under-achieve the amount of credits attained, remain registered beyond their pre-determined duration period for the qualification, and if they over-enrol in training.

In 2017 NZMAC ITO's training delivery was 98% against TEC's investment expectations.

NZ Marine and Composites ITO Educational Performance Indicator (EPI) performance – 2017

Programme Completion 2017



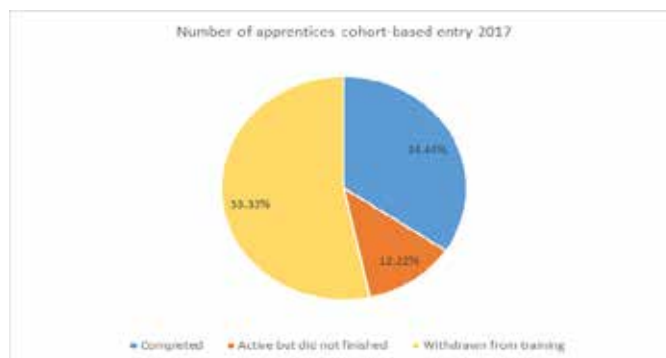
| | # | % | # of graduates proceed to apprenticeship from LCP/ enrolled to another programme |
|------------------------|-----------|-------------|--|
| National Qualification | 57 | 61% | 2 |
| LCP | 27 | 29% | 21 |
| School to Work | 8 | 9% | 5 |
| SCP | 1 | 1% | 0 |
| TOTAL | 93 | 100% | |

Credit Completion rate = 66%

(This measures the credits achieved by trainees at NZMAC ITO, as a proportion of the total number of credits which trainees are expected to complete in a given period)

Programme Completion Rate = 34% (excludes Limited credit programmes)

This measures the number of trainees in a starting cohort who complete a programme at the same level after a given time-frame. The rate includes, based on level of training, trainees who started in 2012, 2014, 2015. Some trainees completed their qualifications in 2017, but were not included in the cohort as they finished earlier than the expected end dates. It may be included in the cohort in the following year.



The pie graph shows that 53.33% of apprentices withdrawn from training before their expected completion date but included in cohort. 12.22% are still active apprentices but did not finish on the given time-frame (2016 and 2017). Only 34.44% apprentices completed the programme.

Withdrawal Reasons (53.33%)

| | | |
|---------------------------------------|-----------|-------------|
| Change in career choice | 11 | 22.92% |
| Others (not indicated) | 9 | 18.75% |
| Stopped training, still with employer | 8 | 16.67% |
| Business closed | 7 | 14.58% |
| Exiting the workforce | 4 | 8.33% |
| Change of programme level | 2 | 4.17% |
| Loss of employment | 2 | 4.17% |
| Over programme duration | 1 | 2.08% |
| Dismissal | 1 | 2.08% |
| Transfer to other ITO | 1 | 2.08% |
| Dissatisfied with employer | 1 | 2.08% |
| TOTAL | 48 | 100% |

(May be subject to variation once TEC evaluate data during April 2018)

NZQA External Evaluation and Review (EER)

In May 2017 NZ Marine and Composites ITO underwent a three day EER review. This review is one of NZQA's policies which provides an independent judgement by two evaluators of the educational performance and capability in self-assessment of the NZMAC ITO. NZMAC ITO achieved a category 2 rating with;

- Confident in ITO Performance
- Confident in Capability in Self-Assessment

The full report is available at <http://www.nzqa.govt.nz/nqfdocs/provider-reports/8140.pdf>

Qualifications and Quality Assurance

Quality Management System (QMS)

The review of policies and procedures for NZMAC ITO continues with the additional review of templates, forms, and information for trainees, including governance and management policies and procedures. All policies and procedures are subject to review and updated accordingly, and version controlled.

NZQA approved programmes

There have been 12/27 programmes approved to date. It is anticipated that the majority of programmes will have been approved by the end of 2018 subject to timely input and feedback from the various sectors.

New programmes in development

- Trailer Boat Systems is in the final consultation phase before submission of the programme to NZQA. It is anticipated there will be high usage of Trailer Boat Systems based in the uptake for the interim Trailer Boat Systems programme developed.
- Marine Electrical – Electronic is in the early consultation phase with the sector and key providers, namely Northtec, Skills Organisation, and Etec.
- Sail making consultation is underway with the sector and any unit standards required for the programme will need to be developed from scratch.

There is a significant human resource component in ensuring new programme development meets the expected outcomes for industry, and we look forward to releasing the new programmes during 2018.

Unit standards mandatory 3 year review

Work is on target to meet NZQA expectations of having all of our 300+ standards reviewed on a 3 year cycle. This is due to be completed by July 2018.

Module development on digital e-learning platform

Module development is progressing and the soft skill components are now complete - 12 modules equivalent to 100 credits. The modules are in review to make these more engaging and relevant to our learners and to assist in their timely progress during the training period.

The new digital platform hosting the modules will be launched on 28th September 2018 at the Auckland on the Water Boatshow.

Composites Industry Training

Since September 2007, training for the Composites Manufacturing Industry (excluding Aeronautical Composites) has been the responsibility of the NZ Marine and Composites ITO. This has been a logical extension to the training that has historically been offered in composite boatbuilding.

For 2017 composites trainees represented 30% of total learners in training. This includes composite boat building, composite spar-making, composite production boat building etc.

Off-Job Training

Comprehensive off-job training provision supports trainees/apprentices in achieving the outcomes of the qualification. In 2017 a total of 10 off-job training courses were delivered, including blockcourses and study group classes being held throughout New Zealand by a total of 6 training providers. Subsidised travel and accommodation was provided to learners needing to travel to attend off-job training courses.

School to Work Programme

NZMAC ITO continues to provide sector leadership in training with a new innovative programme in secondary schools providing a career pathway from the classroom to the workshop. Supported by the Ministry of Education and the Tertiary Education Commission, the School to Work initiative was launched mid-2016 to assist with the transition of Year 12 and 13 school students into the marine and composites industry. While the programme initially concentrated on Auckland and Hamilton, 2017 will see further expansion into the regions.

The concept is simple. Genuinely interested students are employed for 1 or 2 days per week. This pre-apprenticeship training provides them with an authentic introduction to industry work while they are still attending school. Students have a training plan and an opportunity to develop skills and gain knowledge in the workplace. Employers get to observe the student in real work, assess their company fit and aptitude for the job. Learners complete unit standards over the placement period with credits earned helping to attain NCEA and contribute towards an industry qualification if a full time apprenticeship becomes available.

The awareness of the School to Work programme continues to grow, particularly as the relationships between the NZMAC ITO and schools strengthen. Other factors such as rewarding student outcomes, direct marketing to schools, participation at careers expos and presentations to technology classes have all contributed to the success of the programme.

Secondary school personnel and students now have a greater understanding of the diversity of the marine and composites pathways available and are being proactive in making their suitable students available for placement opportunities. The Americas Cup victory and the Volvo Ocean Race stopover have also helped keep the industry profile top of mind. Employers who have experienced positive results with quality students successfully transitioning into apprenticeships, are responding by further providing multiple placement opportunities. Employers are reporting that they are appreciative of the extra support NZMAC ITO is providing to assist with their recruitment needs.

While the targeted areas for School to Work were traditionally Auckland, Whangarei and Hamilton, employers in other regions are keen to be involved to help provide students with authentic work experiences. There are now measures in place to offer the programme in other areas.

Marketing/Promotional Activities

The NZ Marine and Composites ITO has updated its publications and will continue to update these to keep them fit for purpose and accurate. Additionally promotional material for events such as the Annual Graduation and Marine Trades Challenge have been updated to improve functionality and reflect a more modern look.

The redeveloped NZMAC ITO website has also received positive feedback, which is reflected in the 40 enquiries directly received from the website.

The NZ Marine and Composites ITO is continuing to publish many of the trainee/apprentice success stories within industry. These are being published on various sites including the website, NZ Marine News, Flexi magazine, Real Skills and TEC website.

Advanced Composites Trades Challenge (ACTC)

The NZ Marine and Composites ITO will be working with the Composites Association of New Zealand (CANZ) and the Auckland University Centre for Advanced Composite Materials (CACM) to coordinate the first Advanced Composites Trades Challenge (ACTC). This challenge is designed to align with the new composites category of the World Skills Challenge. More details regarding the ACTC will be available later in 2017.

Graduation

The fifteenth Annual Graduation took place at the Royal New Zealand Yacht Squadron, Westhaven, and Auckland on the 7th of December 2017. The annual graduation represents an opportunity for the marine and composites industries to acknowledge and celebrate the success of the graduating trainees. During 2017, 64 National Certificates were issued to trainees.

Summary

NZMAC ITO has seen a noticeable improvement in industry conditions during the year with a steady number of new trainees/apprentices. This trend is continuing into 2018 with seeing the biggest intake for the first quarter. Today we have over 200 employers training some 455 trainees/apprentices and growing.

Significant projects undertaken during 2017 include the review and development of training programmes, having all unit standards revised and updated by June 2018 as part of our Standard Setting Body (SSB) responsibilities. The process for the regular reviews has been put into place which supports future EER outcomes thereby ensuring all of our materials are up to date, fit for purpose, and technically correct.

Priorities for 2018 will focus on the development of new training programmes, new digital learning packages, and assessment, internal self-assessment review on ITO progress; including robust internal moderation activity; professional development of staff; closer liaison with industry in providing off-job training opportunities; consistent and timely messages through marketing materials to the sectors and ensuring financial viability by increasing trainee/apprentice registrations.

My tenth year managing NZMAC ITO seems to always present many new challenges to meet in an ever increasing changing tertiary and industry environment. The team continue to accept and meet these challenges and I am very appreciative of their dedicated work, the good support we receive from our member companies, and direction from the NZ Marine & Composites Industry Training Board.

We will continue to strive in creating the world's best industry apprenticeship training system and our vision is very much on that goal.

Thank you and I appreciate the ongoing support.



Chris van der Hor
General Manager
NZ Marine and Composites Industry Training Organisation





RSM New Zealand (Auckland North)

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BOATING INDUSTRIES ASSOCIATION OF NEW ZEALAND INC

Financial Report for the Year to 31 December 2017

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We take pleasure in presenting to you the Association's Financial Statements for the year ended 31 December 2017.

The Income Statement that is presented has been consolidated in line with last year to preclude internal entries between the various divisions within Boating Industries Association. The various divisions include New Zealand Marine & Composites Industry Training Organisation (NZMACITO) and New Zealand Marine Industry Association (NZMI). For management purposes these statements are maintained separately.

Boating Industries Association of New Zealand Inc (BIA) – The Group – Members' activities and administration resulted in a deficit for the twelve months to 31 December 2017 of (\$50,027). Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was a surplus of \$77,335. EBITDA is used to calculate an entity's profitability by eliminating the effects of Financing and Accounting decisions.

During the financial year BIA received revenue mainly from Membership Subscriptions, Industry Training Fund from NZ Government, Special Contracts, Student Contributions and Industry Contribution, Boat Shows and Export Offshore Licencing Income totalling \$3,097,167.

Costs for the year totalled \$3,006,572 (the largest costs incurred by the Association include NZMI Boat Shows & Special Events and Salaries & Wages) resulting in a Net Cash Surplus of \$90,565.

As at 31.12.17, BIA members' funds totalled \$1,470,972 compared to \$1,571,998 last year.

The Association is showing a strong position in terms of its Balance Sheet with a surplus of Current Assets compared to Current Liabilities of \$351,187 and a strong proprietorship ratio of 69%.

RSM

RSM NEW ZEALAND (Auckland North)

Chartered Accountants

Auckland

4 April 2018

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM New Zealand (Auckland North) is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

Boating Industries Association of New Zealand Incorporated Statement of Profit or Loss For the year ended 31 December 2017

| | 2017 \$ | 2016 \$ |
|--|------------------|------------------|
| REVENUE | | |
| Completion Charge & Sale of Training Material | 53,634 | 44,651 |
| Corporate Sponsorship & Advertising | 10,000 | 10,000 |
| Export Offshore Licencing Income | 24,000 | 47,100 |
| Function Room Hire | 38,567 | 27,512 |
| Industry Training Fund from NZ Government | 979,197 | 908,954 |
| Interest | 13,260 | 22,514 |
| Marine Trades Challenge | - | 427 |
| Membership Subscriptions | 322,241 | 266,312 |
| NZMI Boat Shows & Special Events Income | 1,164,331 | 1,110,330 |
| NZMI Members Industry Contribution to Training | 156,967 | 165,240 |
| Other Boat Show Contributions - NZ Boat Shows | 10,000 | 10,000 |
| Rent | 56,931 | 56,748 |
| Sector Group Administration | 103,202 | 93,970 |
| Special Contracts Income | 106,343 | 88,657 |
| Student / Industry Contribution | 45,770 | 41,127 |
| Sundry Income | <u>12,725</u> | <u>16,172</u> |
| Total Income | 3,097,167 | 2,909,714 |
| Less Expenses | | |
| Accident Compensation Levy | 3,188 | 2,781 |
| Accommodation & Travel Subsidy for Apprentices | 6,861 | 7,156 |
| Accounting Fees | 112,841 | 106,466 |
| Audit Fees | 17,000 | 16,000 |
| Bad Debts | 3,114 | 17,036 |
| Bank Charges | 3,062 | 3,653 |
| Cleaning & Laundry | 8,138 | 7,350 |
| Computer Expenses | 106,121 | 69,803 |
| Consultancy | 13,350 | 14,680 |
| Doubtful Debts Expense | - | 20,724 |
| Entertainment | 160 | 340 |
| Export Offshore Licencing Expenses | 1,966 | 1,500 |
| FBT | 30,926 | 30,534 |
| Freight & Cartage | 6,510 | 5,024 |
| General Expenses | 20,013 | 23,507 |
| Graduation Ceremony | 1,717 | 626 |
| Hire - Plant & Equipment | 3,591 | 3,499 |
| Insurance | 6,550 | 7,389 |
| Interest | - | 1,726 |
| Legal Fees | 4,608 | 2,799 |
| Light & Power | 9,555 | 10,701 |
| Market Research & Statistics | 5,801 | 995 |

The above information must be read in conjunction with the accompanying notes to the financial statements and Independent Auditor's Report.

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Boating Industries Association of New Zealand Incorporated
Statement of Profit or Loss
For the year ended 31 December 2017

| | 2017 | 2016 |
|--|--------------------------|-----------------------|
| | \$ | \$ |
| Motor Vehicle Expenses | 37,547 | 45,370 |
| Motor Vehicle Lease Costs | - | 4,869 |
| NZMI Boat Shows & Special Events Expenses | 871,741 | 802,319 |
| NZQA Completion Certification | 1,173 | 1,173 |
| NZQA Fees | 14,629 | 19,906 |
| NZQA Qualifications Registration | 7,123 | 4,767 |
| Postage | 7,441 | 9,612 |
| Printing & Stationery | 31,631 | 32,262 |
| Printing of Learning Packages | 117 | 2,547 |
| Publicity & Promotion | 58,567 | 42,592 |
| Purchase of Off Job Training & Assessment Services | 62,566 | 62,449 |
| Recruitment / Temp Expenses | 23,402 | 6,099 |
| Rent & Rates | 145,763 | 155,460 |
| Repairs & Maintenance | 9,271 | 7,609 |
| Salaries & Wages | 1,202,623 | 1,132,511 |
| Sector Group Meetings | 5,133 | 8,513 |
| Security | 755 | 540 |
| Staff Training & Team Building | 15,014 | 12,071 |
| Storage Fees - Pontoons | 4,943 | - |
| Subscriptions | 25,995 | 25,548 |
| Telephone & Tolls | 18,787 | 20,375 |
| Travelling Expenses | 97,280 | 80,642 |
| Total Expenses | <u>3,006,572</u> | <u>2,831,520</u> |
| NET CASH SURPLUS / (DEFICIT) | 90,595 | 78,194 |
| Less Noncash Items | | |
| Amortisation | 3,967 | 4,077 |
| Depreciation | 136,655 | 111,783 |
| Loss on Sale | - | 7,793 |
| Depreciation Recovered | - | (48,821) |
| | <u>140,622</u> | <u>74,832</u> |
| NET PROFIT / (LOSS) | <u><u>(\$50,027)</u></u> | <u><u>\$3,362</u></u> |

The above information must be read in conjunction with the accompanying notes to the financial statements and Independent Auditor's Report.

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Boating Industries Association of New Zealand Incorporated
Statement of Changes in Members' Funds
For the year ended 31 December 2017

| | 2017 | 2016 |
|---|---------------------------|---------------------------|
| | \$ | \$ |
| MEMBERS' FUNDS AT START OF YEAR | 1,571,998 | 1,533,386 |
| PROFIT & REVALUATIONS | | |
| Net Deficit for the Period | (50,027) | 3,362 |
| Movements in Revaluation Reserves | <u>(51,000)</u> | <u>35,250</u> |
| Total recognised revenues & expenses | <u>(101,027)</u> | <u>38,612</u> |
| MEMBERS' FUNDS AT END OF YEAR | <u><u>\$1,470,972</u></u> | <u><u>\$1,571,998</u></u> |

The above information must be read in conjunction with the accompanying notes to the financial statements and Independent Auditor's Report.

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Boating Industries Association of New Zealand Incorporated
Balance Sheet
As at 31 December 2017

| | 2017 \$ | 2016 \$ |
|---------------------------------|--------------------|--------------------|
| EQUITY | | |
| Retained Earnings | 1,343,972 | 1,393,998 |
| Revaluation Reserve | 127,000 | 178,000 |
| TOTAL MEMBERS' FUNDS | <u>\$1,470,972</u> | <u>\$1,571,998</u> |
| Represented by: | | |
| CURRENT ASSETS | | |
| ANZ | 214,195 | 289,022 |
| Kiwibank | 324,443 | 313,169 |
| Accounts Receivable | 406,427 | 512,693 |
| Prepayments | 52,437 | 57,734 |
| NZMI Commercial Vessel Group | - | 9,446 |
| NZMI Refit Group | 4,954 | - |
| National Boat Show - Advance | - | 7,802 |
| Inventory | <u>7,472</u> | <u>5,696</u> |
| Total Current Assets | 1,009,929 | 1,195,563 |
| NON-CURRENT ASSETS | | |
| Fixed Assets as per Schedule | 578,291 | 665,320 |
| Investments | | |
| Shares - National Boat Show | - | 50 |
| Intangibles | | |
| Auckland On The Water Boat Show | 303,000 | 354,000 |
| Learning Packages | 235,336 | 127,298 |
| Trademarks | <u>3,158</u> | <u>1,696</u> |
| Total Intangibles | 541,494 | 482,994 |
| Total Non-Current Assets | <u>1,119,785</u> | <u>1,148,364</u> |
| TOTAL ASSETS | <u>2,129,714</u> | <u>2,343,927</u> |

The above information must be read in conjunction with the accompanying notes to the financial statements and Independent Auditor's Report.

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Boating Industries Association of New Zealand Incorporated
Balance Sheet
As at 31 December 2017

| | 2017 | 2016 |
|----------------------------------|--------------------|--------------------|
| | \$ | \$ |
| CURRENT LIABILITIES | | |
| GST Due for payment | 59,252 | 38,727 |
| Accounts Payable | 226,107 | 300,871 |
| CPC Programme | 1,726 | 5,101 |
| Income in Advance | 371,416 | 376,552 |
| NZMI Commercial Vessel Group | 241 | - |
| NZMI Refit Group | - | 6,940 |
| Provision for Doubtful Debts | - | 43,738 |
| Total Current Liabilities | <u>658,742</u> | <u>771,929</u> |
| TOTAL LIABILITIES | <u>658,742</u> | <u>771,929</u> |
| NET ASSETS | <u>\$1,470,972</u> | <u>\$1,571,998</u> |

For and on behalf of the Board:

President _____

Executive Director _____

Date

30 APRIL 2018

The above information must be read in conjunction with the accompanying notes to the financial statements and Independent Auditor's Report.

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Boating Industries Association of New Zealand Incorporated Notes to the Financial Statements For the year ended 31 December 2017

| | |
|------|------|
| 2017 | 2016 |
| \$ | \$ |

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These are the financial statements of Boating Industries Association of New Zealand Incorporated (BIA), trading as NZ Marine, New Zealand Marine Industry Association, and New Zealand Marine & Composites Industry Training Organisation. BIA is incorporated under the Incorporated Societies Act 1908.

Measurement Base

These financial statements of BIA have been prepared for funding and management purposes only, and may not be in conformity with generally accepted accounting practice.

They have been prepared on an historical cost basis, except that certain intangible assets are recorded at valuation.

The information is presented in New Zealand dollars.

Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

Specific Accounting Policies

In the preparation of these financial statements, the specific accounting policies are as follows:

(a) Fixed Assets

Fixed assets are recorded at original cost less an allowance for depreciation.

Depreciation is calculated on the basis of allocating the cost or valuation of assets over their useful lives, on a straight-line basis at the following rates as set by the Executive Committee of BIA:

| | |
|------------------------|-------------|
| Boat Show Equipment | 3.6 - 67.0% |
| Leasehold Improvements | 5.5 - 21.0% |
| Office Furniture | 6.5 - 48.0% |
| Office Equipment | 2.0 - 80.4% |
| Motor Vehicles | 21.0% |
| Software | 40.0% |

(b) Goods & Services Tax

These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are shown inclusive of GST.

(c) Inventory

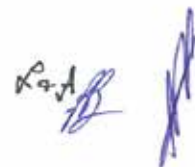
Inventory is stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Inventory comprises promotional stands and materials.

(d) Receivables

Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

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Boating Industries Association of New Zealand Incorporated Notes to the Financial Statements For the year ended 31 December 2017

| | 2017 | 2016 |
|---|------|------|
| | \$ | \$ |
| (c) Sponsorship and Grants | | |
| Sponsorship and Grants are recognised in operating revenue unless specific conditions are attached and repayment is required where these conditions are not met. In these cases, the sponsorship or grant is treated as a liability until the conditions are met. | | |

2. AUDIT

These financial statements have been subject to audit, please refer to the Independent Auditor's Report.

3. TAXATION

From 1 July 2005, BIA was granted full income tax exemption under the Income Tax Act 2007, section CW 39.

4. FIXED ASSETS

Fixed assets comprise:

| | | |
|-----------------------------------|-----------------------------|-----------------------------|
| Boat Show Equipment | | |
| At cost | 412,252 | 395,131 |
| Accumulated Depreciation | <u>(152,429)</u> | <u>(133,345)</u> |
| Book Value | <u>259,823</u> | <u>261,786</u> |
| Leasehold Improvements | | |
| At cost | 410,484 | 408,939 |
| Accumulated Depreciation | <u>(330,519)</u> | <u>(301,757)</u> |
| Book Value | <u>79,965</u> | <u>107,182</u> |
| Office Furniture | | |
| At cost | 90,460 | 90,203 |
| Accumulated Depreciation | <u>(83,001)</u> | <u>(80,427)</u> |
| Book Value | <u>7,459</u> | <u>9,776</u> |
| Office Equipment | | |
| At cost | 315,095 | 279,527 |
| Accumulated Depreciation | <u>(246,328)</u> | <u>(211,168)</u> |
| Book Value | <u>68,767</u> | <u>68,359</u> |
| Motor Vehicles | | |
| At cost | 308,944 | 273,341 |
| Accumulated Depreciation | <u>(146,667)</u> | <u>(55,124)</u> |
| Book Value | <u>162,277</u> | <u>218,217</u> |
| Total Fixed Assets | <u><u>\$578,291</u></u> | <u><u>\$665,320</u></u> |



Boating Industries Association of New Zealand Incorporated Notes to the Financial Statements For the year ended 31 December 2017

| | 2017 \$ | 2016 \$ |
|---|----------------|----------------|
| 5. COMPLIANCE PLATE CODE PROGRAMME | | |
| Compliance Plate Code (CPC) programme is a joint initiative of BIA and the Royal New Zealand Coastguard Federation to establish boat manufacturing safety and building performance standards. BIA administers the programme on behalf of CPC members in a trust capacity. Funds held on behalf of CPC members are included in BIA's cash reserves and offset by a corresponding amount showing in the Balance Sheet as a current liability. Movements for the year were as follows: | | |
| Income | 39,140 | 41,041 |
| Expenses | <u>42,515</u> | <u>36,923</u> |
| Net Surplus / (Deficit) | (3,375) | 4,118 |
| Members' Funds at the start of the year | <u>5,101</u> | <u>982</u> |
| Members' Funds at the end of the year | <u>\$1,726</u> | <u>\$5,101</u> |

| | | |
|---|------------------|-----------------|
| 6. NZMI REFIT GROUP | | |
| BIA administers the programme on behalf of the Group in a trust capacity. Funds have been paid on behalf by BIA and appear in the Balance Sheet as a current asset. Movements for the year were as follows: | | |
| Income | 40,200 | 207,300 |
| Expenses | <u>52,094</u> | <u>181,885</u> |
| Net Surplus / (Deficit) | (11,894) | 25,415 |
| Members' Funds at the start of the year | <u>6,940</u> | <u>(18,475)</u> |
| Members' Funds at the end of the year | <u>(\$4,954)</u> | <u>\$6,940</u> |

| | | |
|--|-------------------|------------------|
| 7. AUCKLAND ON THE WATER BOAT SHOW | | |
| BIA owns and thereby controls 100% of the Auckland On The Water Boat Show. | | |
| It has been independently revalued based on an indicative valuation dated 13 February 2018, by RSM New Zealand (Auckland North). | | |
| Opening valuation | 354,000 | 318,750 |
| Valuation | <u>303,000</u> | <u>354,000</u> |
| Change in Valuation | <u>(\$51,000)</u> | <u>\$35,250</u> |
| Valuation effect: | | |
| Opening Revaluation Reserve | 178,000 | 142,750 |
| Change in Valuation | <u>(51,000)</u> | <u>35,250</u> |
| Closing Revaluation Reserve | <u>\$127,000</u> | <u>\$178,000</u> |

Boating Industries Association of New Zealand Incorporated Notes to the Financial Statements For the year ended 31 December 2017

| | 2017 \$ | 2016 \$ |
|---|----------------|------------------|
| 8. NZMI COMMERCIAL VESSEL GROUP (Formerly NZMI Ship & Workboat Group) | | |
| The Group's objective is to increase business opportunities for the New Zealand commercial work boat sector. BIA administers the programme on behalf of the Group in a trust capacity. Funds have been paid on behalf by BIA and appear in the Balance Sheet as a current asset. Movements for the year were as follows:- | | |
| Income | 35,913 | 11,313 |
| Expenses | <u>26,226</u> | <u>10,129</u> |
| Net Surplus / (Deficit) | 9,687 | 1,184 |
| Members' funds at the start of the year | <u>(9,446)</u> | <u>(10,630)</u> |
| Members' funds at the end of the year | <u>\$241</u> | <u>(\$9,446)</u> |

9. CAPITAL AND OPERATING LEASE COMMITMENTS

At balance date the capital commitments totalled \$0.00 (2016: \$0.00).

There is an operating lease commitment for the building in which BIA is based, located at 85 Westhaven Drive, Auckland requiring a notice period of six months from either party to terminate. The annual total rent is \$136,900 plus GST.

| Period: | | |
|-------------|--------|--------|
| 0 - 1 year | 64,750 | 68,450 |
| 1 - 2 years | - | - |
| 2 - 5 years | - | - |
| > 5 years | - | - |

10. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2016: \$0.00). BIA has not granted any securities in respect of liabilities payable by any other party whatsoever.

11. RELATED PARTIES

All related party transactions are invoiced at market rates, no special or reduced rates are provided. Related party transactions comprise exhibition fees, sponsorship, training / administration fees and membership subscription fees charged to Executive Committee members or parties related to those members.



Lennie & Associates
Chartered Accountants

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**BOATING INDUSTRIES ASSOCIATION OF NEW ZEALAND INCORPORATED
INDEPENDENT AUDITOR'S REPORT**

To the members of Boating Industries Association of New Zealand Incorporated

Report on the Financial Statements

We have audited the financial statements of Boating Industries Association of New Zealand Incorporated (BIA) on financial pages 1 to 9, which comprise the balance sheet as at 31 December 2017, and the statement of profit or loss and statement of changes in members' funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Joint Board of Management of New Zealand Marine Industry Association and New Zealand Marine and Composites Industry Training Organisation's (Joint Board) Responsibility for the Financial Statements

The Joint Board is responsible for the preparation and fair presentation of these financial statements for funding and internal management purposes only, and for such internal control as the Joint Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Because of the special purpose of the financial statements they may not be in conformity with generally accepted accounting practice in New Zealand.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, BIA.

Opinion

In our opinion, the financial statements on financial pages 1 to 9 present fairly, in all material respects, the financial position of Boating Industries Association of New Zealand Incorporated as at 31 December 2017, and of its financial performance for the year then ended. Because the financial statements have been prepared for funding and management purposes only they may not be in conformity with generally accepted accounting practice in New Zealand, as noted at Note 1 of the Notes to the Financial Statements on financial page 6.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 15 of the Rules of BIA of 29 June 2005 we have obtained all the information and explanations we have required.

In our opinion proper accounting records have been kept by Boating Industries Association of New Zealand Incorporated as far as appears from an examination of those records.

Lennie & Associates

Lennie & Associates
5 April 2018
Auckland

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