

SPIRIT OF ADVENTURE TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

SPIRIT OF ADVENTURE TRUST

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SPIRIT OF ADVENTURE TRUST

Trust Directory

BOARD OF TRUSTEES

Stephen Fisher
Brooke Archbold
Susan Blakely
Jeffrey Morrison
Jerry Norman
Catherine Mason
Aaron Bethune

REGISTERED OFFICE

Level 6
12 Viaduct Harbour Avenue
Auckland 1010

BANKERS

Bank of New Zealand
Auckland

SOLICITORS

Russell McVeagh
48 Shortland Street
Auckland 1010

ACCOUNTANTS

Spencers Chartered Accountants & Advisers Limited
Level 6
12 Viaduct Harbour Avenue
Auckland 1010

Charities Commission

Registration Number: CC22151

INDEPENDENT AUDITOR

PricewaterhouseCoopers
15 Customs Street West
Auckland 1010

SPRIT OF ADVENTURE TRUST

Statement of Comprehensive Revenue and Expenses
For the Year Ended 31 March 2021

	Notes	2021			2020		
		Operations	Foundation, Bequests and Endowments	Total	Operations	Foundation, Bequests and Endowments	Total
		\$	\$	\$	\$	\$	\$
Revenue from Non-Exchange Transactions							
Public Donations & Grants		712,082	-	712,082	673,321	-	673,321
Other Income		257,752	-	257,752	-	-	-
Community Organisation Grants Scheme		-	-	-	18,730	-	18,730
Foundation North		-	-	-	20,036	-	20,036
Community Trust Mid & South Canterbury		-	-	-	3,478	-	3,478
Hutt Mana Trust		-	-	-	348	-	348
Rendering of Services - Voyage Fees	6	1,761,937	-	1,761,937	1,877,532	-	1,877,532
Total Revenue from Non-Exchange Transactions		2,731,771	-	2,731,771	2,593,445	-	2,593,445
Revenue from Exchange Transactions							
Investment	5	18,238	156,678	174,916	44,980	177,496	222,476
Sponsorship & Other Income		5,364	-	5,364	1,023,884	-	1,023,884
Total Revenue from Exchange Transactions		23,602	156,678	180,280	1,074,464	177,496	1,251,960
Total Revenue		2,755,373	156,678	2,912,051	3,667,909	177,496	3,845,405
Other Gains / Losses							
Foreign Currency Gain / (Losses)		-	(663)	(663)	-	(8,285)	(8,285)
Fair Value Changes in Investments	8	-	1,571,019	1,571,019	-	(458,449)	(458,449)
Total Other Gains / Losses		-	1,570,356	1,570,356	-	(466,734)	(466,734)
Total Revenue and Other Gains / (Losses)		2,755,373	1,727,034	4,482,407	3,667,909	(289,238)	3,378,671
Less Expenditure							
Administration	5	1,173,630	14,829	1,188,459	1,291,329	23,435	1,314,764
Public Relations/Marketing		13,687	-	13,687	64,498	-	64,498
Voyage Costs	6	1,516,373	-	1,516,373	1,961,128	-	1,961,128
Total Surplus (Deficit) for the Year		2,703,690	14,829	2,718,519	3,316,955	23,435	3,340,390
Other Comprehensive Revenue and Expenses							
Revaluation of Property, Plant & Equipment		51,683	1,712,205	1,763,888	350,954	(312,673)	38,281
Total Comprehensive Revenue and Expenses for the Year		1,532,800	-	1,532,800	-	-	-
		1,584,483	1,712,205	3,296,688	350,954	(312,673)	38,281

SPIRIT OF ADVENTURE TRUST

Statement of Changes in Equity
For the Year Ended 31 March 2021

Notes	2021			2020		
	Operations		Foundation	Operations		Foundation
	Operations	Asset Revaluation Reserve	Operations Income Reserve	Bequests and Endowments	Total	Total
Equity as at 1 April	898,476	3,223,847	281,591	7,629,114	12,033,028	12,016,925
Total Surplus (Deficit) for the Year	51,683	-	-	1,712,205	1,763,888	38,281
Transfer (to) / from Reserves	(145,708)	-	145,708	-	-	-
Revaluation of Property Plant & Equipment	-	1,532,800	-	-	1,532,800	-
Prior Period Adjustment	-	-	-	(11,435)	-	(22,178)
Foundation transfer to operations as per bequest accountabilities	11,435	-	-	-	-	-
Equity as at 31 March	815,886	4,756,647	427,299	9,329,884	15,329,716	12,033,028

Equity
As at 31 March

Notes	2021			2020		
	Operations		Foundation	Operations		Foundation
	Operations	Asset Revaluation Reserve	Operations Income Reserve	Bequests and Endowments	Total	Total
Operational Reserves for Life Enhancement Fund	815,886	4,756,647	427,299	898,476	5,999,831	4,403,914
Committed Funds for Vessel Replacement Fund	-	-	-	-	9,329,884	7,629,114
Total Cash in Bank Accounts and Investments and Total Committed Equity as at 31 March	815,886	4,756,647	427,299	898,476	15,329,716	12,033,028

SPIRIT OF ADVENTURE TRUST

Statement of Financial Position
As at 31 March 2021

	Notes	2021			2020		
		Operations	Foundation, Bequests and Endowments	Total	Operations	Foundation, Bequests and Endowments	Total
		\$	\$	\$	\$	\$	\$
Equity							
Represented By:	7	5,999,832	9,329,884	15,329,716	4,403,914	7,629,114	12,033,028
Current Assets							
Cash & Cash Equivalents		1,619,506	1,239,465	2,858,971	1,560,137	664,238	2,224,375
Receivables - Exchange Transactions		-	26,490	26,490	-	7,994	7,994
Receivables - Non Exchange Transactions		56,592	-	56,592	53,841	-	53,841
Receivables - Internal		-	-	-	28,612	(28,612)	-
Prepayments		-	-	-	12,045	-	12,045
Inventory on Hand		5,688	-	5,688	14,689	-	14,689
Investments	8	-	7,892,642	7,892,642	-	6,755,852	6,755,852
Advances for Working Capital		(171,287)	171,287	-	(229,642)	229,642	-
		1,510,499	9,329,884	10,840,383	1,439,682	7,629,114	9,068,796
Non Current Assets							
Property Plant & Equipment	9	5,140,426	-	5,140,426	3,765,585	-	3,765,585
Intangible Assets	10	24,787	-	24,787	37,696	-	37,696
		5,165,213	-	5,165,213	3,803,281	-	3,803,281
Total Assets		6,675,712	9,329,884	16,005,596	5,242,963	7,629,114	12,872,077
Less Current Liabilities							
Accounts Payable & Accruals		240,789	-	240,789	187,204	-	187,204
Fees & Income in Advance		435,091	-	435,091	651,845	-	651,845
		675,880	-	675,880	839,049	-	839,049
Total Net Assets		5,999,832	9,329,884	15,329,716	4,403,914	7,629,114	12,033,028
On behalf of the Board							

STEPHEN FISHER - TRUSTEE

AARON BETHUNE - TRUSTEE

SPIRIT OF ADVENTURE TRUST

Cash Flow Statement
For the Year Ended 31 March 2021

	Notes	2021			2020		
		Operations \$	Foundation, Bequests and Endowments \$	Total \$	Operations \$	Foundation, Bequests and Endowments \$	Total \$
Cash Flows from Operating Activities							
Receipts							
Receipts from Non-Exchange Transactions		2,418,538	-	2,418,538	2,598,066	-	2,598,066
Receipts from Exchange Transactions		5,364	-	5,364	1,029,484	-	1,029,484
Covid-19 Wage Subsidy		93,728		93,728	140,592		140,592
Payments							
Payments to Suppliers & Employees		(2,457,878)		(2,457,878)	(3,176,132)	(23,435)	(3,199,567)
Working Capital Advance		(3,483)	3,483	-	89,511	(89,511)	-
Net Cash Flows from Operating Activities		56,269	3,483	59,752	681,521	(112,946)	568,575
Cash Flows from Investing Activities							
Receipts							
Interest Received		18,238	47,902	66,140	11,820	60,865	72,685
Dividends Received		-	27,244	27,244	822	27,969	28,791
PIE Income Received		-	62,373	62,373	-	85,043	85,043
Sale of Investments		-	1,633,975	1,633,975	-	4,114,349	4,114,349
Sale of Property, Plant & Equipment		-	-	-	-	-	-
Payments							
Purchase of Property, Plant and Equipment		(9,200)	-	(9,200)	(38,528)	-	(38,528)
Purchase of Intangibles		(5,938)	-	(5,938)	(5,654)	-	(5,654)
Purchase of Investments		-	(1,199,750)	(1,199,750)	-	(4,049,356)	(4,049,356)
Net Cash Flows from Investing Activities		3,100	571,744	574,844	(31,540)	238,870	207,330
Net Cash Flows from Financing Activities							
Net Increase (Decrease) in Cash and Cash Equivalents		59,369	575,227	634,596	649,981	125,924	775,905
Cash and Cash Equivalents as at 1 April		1,560,137	664,238	2,224,375	910,156	538,314	1,448,470
Cash and Cash Equivalents as at 31 March		1,619,506	1,239,465	2,858,971	1,560,137	664,238	2,224,375

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2021

1. GENERAL INFORMATION

(a) Reporting Entity

The reporting entity for these financial statements is The Spirit of Adventure Trust (the Trust). The Trust provides young New Zealanders with access to a character development programme conducted in a maritime environment on board its ship the "Spirit of New Zealand". These financial statements present two divisions of the Trust being the ship and its operations (Operations) and an investment structure established for the long-term replacement of the vessel and for specific support activities (Foundation).

The Trust is domiciled in New Zealand and is a charitable organisation registered under the Charities Act 2005.

As a charity registered under the Charities Act 2005 the Trust is exempt from income tax.

These financial statements of the Trust are for the year ended 31 March 2021. The financial statements were authorised for issue by the Board of Trustees on 2 August 2021.

The Trustees have the power to amend the financial statements after issue.

(b) Statutory Base

The financial statements have been prepared in accordance with the requirements of the Charities Act 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements as set out below.

(a) Basis of Preparation

The Trust financial statements have been prepared in accordance with Generally Accepted Accounting Practice (GAAP). They comply with Public Benefit Entity Accounting Standards (PBE Standards) and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-For-Profit entities. For the purposes of complying with GAAP, the Trust is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE Standards Reduced Disclosure Regime (PBE Standards RDR) on the basis that it does not have public accountability and is not large.

The Board of Trustees has elected to report in accordance with Tier 2 Not-For-Profit PBE Standards RDR and in doing so has taken advantage of all applicable RDR disclosure concessions.

(b) Basis of Measurement

These financial statements have been prepared on the basis of historical cost, as modified by the fair value measurement of investments, except for the vessel which has been revalued to fair value.

The financial statements are presented in New Zealand dollars (\$), which is the Trust's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

(c) Revenue

Revenue transactions are classified either as "exchange" transactions or "non-exchange" transactions:

Revenue from Exchange Transactions

Exchange transactions are transactions in which the Trust receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Revenue from exchange transactions is accounted for when it is probable that the economic benefits or service potential associated with the transaction will flow to the Trust and the amount of the revenue can be measured reliably.

The exchange revenue transactions for the Trust are interest and dividend income received on its investments as well as sponsorship and merchandising income.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2021

Interest revenue

Interest revenue is recognised on a time proportion basis that takes into account the effective yield on the underlying asset.

Dividend income

Dividend income is recognised when the right to receive the payment is established.

PIE income

PIE income is recognised when the right to receive the payment is established

Sponsorship & other income

Income from sponsorship is recognised when the funds are received unless there are specific conditions attached. If there are such conditions the sponsorship is initially recorded as income in advance and recognised as revenue when the conditions are satisfied.

Merchandising income

Sales of merchandise are recognised when the merchandise product is sold to the public at the point of sale.

Revenue from Non-Exchange Transactions

In a non-exchange transaction, the Trust either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange. The Trust's non-exchange revenue transactions include donations, grants, endowments and bequests as the Trust does not provide value in exchange. Voyage fees are also accounted for as non-exchange revenue transactions as the voyage fees on their own do not cover the direct or indirect costs of operating the voyages; the balance of these costs is covered by sponsorships and donations.

Donations, grants, endowments and bequests

Fund received are recognised as revenue when they are received unless there is an obligation in substance to return the funds if conditions of the funding are not met. If there is such an obligation, the grants are initially recorded as income in advance and recognised as revenue when the conditions are satisfied.

Voyage fees

Voyage fees paid in advance contain conditions that may require these to be repaid, therefore the revenue from these transactions are recognised when the voyage takes place.

Donated services

Volunteer services and pro bono services received by the Trust are not recognised as revenue or expenditure. These donated services are described in note 14.

A separate reserve, the Operational Income Reserve, has been created in equity for non-exchange revenue receipts that do not have obligations in substance to return funds subject to conditions (and are therefore recognised as revenue immediately) but have stipulations for requested use of those funds (note 7). These funds are expected to be spent in future periods in accordance with the directions in the related grants/donations.

Bequests and Endowments are received on behalf of the Foundation unless the donor has specified the operational use of the funds, or the Board allocates amounts received for operational purposes.

Other Income

For the year ended 31 March 2021, Other Income includes \$257,752 received from the New Zealand government under the Covid-19 Wage Subsidy Scheme. The income has been accounted for in accordance with PBE IPSAS 23. The amount received has been presented as revenue from non-exchange transactions. The income is further described in Note 15.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2021

(d) Employee Benefit Costs

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits), annual leave and accumulating sick leave are recognised in surplus or deficit during the period in which the employee rendered the related services and are generally expected to be settled within 12 months of the reporting date. The liabilities for these short-term benefits are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(e) Financial Instruments

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the financial instrument.

The Trust derecognises a financial asset or, where applicable, a part of a financial asset or part of a Trust of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or the Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

- the Trust has transferred substantially all the risks and rewards of the asset; or
- the Trust has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Financial Assets

Financial assets within the scope of NFP PBE IPSAS 29 *Financial Instruments: Recognition and Measurement* are either classified as loans and receivables, financial assets at fair value through surplus or deficit, or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition. The Trust's financial assets are

- cash and cash equivalents, short-term deposits, bank term deposits and receivables from non-exchange transactions, which are classified as loans and receivables
- investments in shares, bonds and other tradable securities, which are classified as fair value through surplus or deficit.

The Trust does not presently have any financial assets that are classified as available-for-sale.

The category determines subsequent measurement and whether any resulting income and expense is recognised in other comprehensive revenue and expenses (i.e. available-for-sale financial assets) or in surplus or deficit (all other financial assets).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment.

The effective interest rate amortisation is included in finance income in the statement of comprehensive revenue and expenses.

Financial assets at fair value through surplus or deficit

Investments in shares, bonds and other tradable securities are designed as at fair value through surplus or deficit on initial recognition. After initial recognition, these investments are measured at their fair value with movements recognised in fair value changes in the statement of comprehensive revenue and expenses.

Impairment of financial assets

All financial assets except for those at fair value through surplus or deficit are subject to review for impairment at least at each reporting date. A financial asset or a Trust of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment. The amount of the loss (or subsequent reversal) is recognised in the surplus or deficit for the reporting period.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2021

Regular way purchase or sale of a financial asset

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Trust commits to purchase or sell the asset.

Financial liabilities

The Trust's financial liabilities include trade and other creditors, and employee entitlements.

All financial liabilities are initially recognised at fair value plus transaction costs and are measured subsequently at amortised cost using the effective interest method.

(f) Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Accounts Receivable

Accounts Receivable are stated at expected realisable value after due allowance for bad and doubtful debts.

(h) Inventories

Inventories primarily consist of merchandise and are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis.

(i) Foreign Transactions

Transactions in foreign currencies are converted at the rate of exchange at the date of the transaction. The figures shown in the financial statements are stated in New Zealand Dollars.

At balance date any foreign currency monetary assets and liabilities are translated at the exchange rate at that date and any resulting exchange variations are included in surplus or deficit.

(j) Property Plant & Equipment

Items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent to initial recognition items of property, plant and equipment except for the vessel are measured at cost less accumulated depreciation and impairment losses. The vessel is measured at fair value. The vessel will be revalued with sufficient regularity at least every four years to ensure that its carrying amount does not differ materially from fair value. The carrying value of revalued asset is assessed annually to ensure that it does not differ materially from its fair value. If there is a material difference, then an off-cycle revaluation will be performed.

Depreciation is charged either on a straight line or diminishing value basis over the useful life of the asset to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

Plant & Equipment	6.0% - 40% DV
Furniture & Fittings	20% - 25% DV
Vessel	Until 2036
Leasehold Improvements	23 years
Computer Equipment	50% DV

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

(k) Intangible Assets

The Trust's intangible assets are software. These are initially recognised at cost. The cost of intangible assets acquired in a non-exchange transaction is measured at its fair value as at the date of acquisition.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2021

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Software is amortised on a 50% diminishing value basis over the useful economic life of the asset and assessed for impairment whenever there is an indication that it may be impaired. The amortisation period is reviewed at least at the end of each reporting period.

(l) Impairment of Non-Financial Non-Cash Generating Assets

Cash generating assets are assets that are held with the primary objective of generating a commercial return. All of the Trust's property, plant and equipment and intangible assets are considered to be non-cash generating assets.

Trust assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable service amount of the asset is estimated.

Impairment losses are recognised immediately in surplus or deficit.

(m) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to ownership of the asset are transferred to the Trust, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease assets under a specified lease for the purposes of the Income Tax Legislation are capitalised and depreciated.

Lease payments under operating leases are charged as expenses in the periods in which they are incurred.

(n) Goods and Services Taxation

These financial statements have been prepared on a GST exclusive basis except for accounts receivable and accounts payable which are stated GST inclusive.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(o) Significant Judgements and Estimates

In preparing the financial statements, the Board of Trustees is required to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The uncertainty from these assumptions and estimates could result in outcomes that may result in a material adjustment to the carrying amount of the asset or liability.

The Trust bases its assumptions and estimates on parameters available when the financial statements are prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Trust. Such changes are reflected in the assumptions when they occur. The key significant judgements and estimates used in the preparation of these financial statements are as follows:

Fair value of Spirit of New Zealand

There were significant judgements involved in determining the fair value of the vessel as described in note 9.

The carrying value of the Spirit of New Zealand is \$5,000,000 at 31 March 2021 (2020: \$3,600,400). The vessel is depreciated over its estimated useful life. The useful life and residual value of the asset is assessed using the following indicators:

- The condition of the asset
- The nature of the asset
- The nature of the use of the asset
- Changes in the market in relation to the asset

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2021

3. CAPITAL COMMITMENTS

The Trust had capital commitments of \$Nil at 31 March 2021 (2020: \$Nil).

4. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Trust had contingent liabilities of \$58,500 as at 31 March 2021 relating to a letter of credit with the BNZ bank (2020: \$58,500).

The Trust is subject to a number of laws and regulations in its normal operations. The Trust's compliance with these laws and regulations is monitored by management and the Trustees, however there can be differences in interpretations that can come from regulator reviews and/or other issues. It is the Trust's practice to obtain legal advice regarding the impact of any new legislation applicable to the Trust and where potential non-compliance is identified to assist the Trust in determining the most appropriate course of action. As at the date of these financial statements, the Trust is not aware of any disputes or actions from any regulator and there are currently no material litigations against the Trust.

5. INCOME AND EXPENDITURE

	2021 \$	2020 \$
Included in Investment income for the year is:		
Dividends Received	27,244	29,082
Interest Received	67,061	47,262
PIE received	62,373	117,520
Endowment & Fund Distributions (Interest Received)	18,238	28,612
	<u>174,916</u>	<u>222,476</u>
Included in Administration expenditure for the year is:		
Amortisation		
Software	18,847	36,282
Depreciation		
Vessels	133,200	133,200
Plant and Equipment	13,484	13,589
Furniture and Fittings	864	1,080
Computer Equipment	10,189	8,868
Leasehold Improvements	9,422	9,404
	<u>186,006</u>	<u>202,423</u>
Operating Lease Expense	28,911	45,266
Employee Benefit Expense		
Salaries & Wages	1,615,392	1,684,337
Defined Contribution Plans (KiwiSaver)	45,708	46,603
	<u>1,661,100</u>	<u>1,730,940</u>
Trustees' Fees	-	-
Fees paid to auditors – PricewaterhouseCoopers (PwC)		
Audit of the annual financial statements	-	-
Other services:		
Grant compliance assurance engagement	-	-
	<u>-</u>	<u>-</u>

PwC performs the audit and the grant compliance assurance engagements on a pro bono basis. In recognition of this service for the current year the Trust is providing a complimentary half day sailing on the Spirit of Adventure for a group of partners and staff of PwC.

6. VOYAGE INCOME

	2021 \$	2020 \$
Voyage Fees	1,761,937	1,877,532
Voyage Direct Costs	<u>(1,516,373)</u>	<u>(1,961,128)</u>
	245,564	(83,596)

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements
For the Year Ended 31 March 2021

7. EQUITY

	2021 \$	2020 \$
Included in equity at balance date are the following		
Funds: The Roy and Val Allen Endowment	200,000	200,000
The Elaine Gurr Endowment	50,000	50,000
The Gavin Wylie Endowment	80,000	80,000
The Peter Reid Estate Endowment	125,000	125,000
The Colin Anderson Endowment	20,000	20,000
The John McKenzie Team New Zealand Fund	384,342	384,342
The Pauline Fraser Endowment Fund	342,577	342,577
The Vessel Replacement Fund	8,127,965	6,427,195
Total Foundation Reserves (Vessel Replacement Fund)	9,329,884	7,629,114
Operational Income Reserves	427,299	281,591
Asset Revaluation Reserve	4,756,647	3,223,847
Operational Reserves (Life Enhancement Fund)	815,886	898,476
Total Operations Reserves	5,999,832	4,403,914
Total Equity	15,329,716	12,033,028

The Trustees have the following policies:

- to accumulate sufficient funds in the Life Enhancement Fund for operations to meet ongoing vessel refit and life enhancement commitments by recognising the income received as the work is completed.
- to accumulate sufficient funds in the Vessel Replacement Fund, represented by various investments held in the Foundation, in order to make a substantial long-term contribution towards the cost of the replacement of the "Spirit of New Zealand" in 2036.

Foundation Reserves

The Trustees have been advised that the vessel "Spirit of New Zealand" could reach the end of its economic life by 2036 so long as an active life enhancement program is maintained. The current estimated replacement cost, at that time, is \$44.5 million.

Operational Reserves

The accumulated revenues and expenses are recognised in the Operational Reserves.

A separate Income Reserve was created for Operations in the 31 March 2017 year. The amount in the Income Reserve at year end is equal to donations and grants subject to restrictions which have been recognised as non-exchange revenue in the current year (note 2(c)), but the intended expenditure has not yet take place in accordance with directions in the related grants/donations.

8. INVESTMENTS	2021 \$	2020 \$
Loans and receivables		
Bank Term Deposits	814,784	1,485,000
Fair value through surplus or deficit		
Shares	6,263,408	4,335,547
Bonds	814,450	935,305
Total Investments	7,892,642	6,755,852

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2021

The fair values of financial assets at fair value through surplus or deficit are determined using quoted prices at the end of the year in active markets for those securities, without any deduction for transaction costs.

9. PROPERTY PLANT & EQUIPMENT

	Cost/Fair Value	31 March 2021 Accum. Depn	Book Value	Cost/Fair Value	31 March 2020 Accum. Depn	Book Value
	\$	\$	\$	\$	\$	\$
Spirit of New Zealand	5,000,000	-	5,000,000	4,000,000	399,600	3,600,400
Plant & Equipment	292,798	232,107	60,691	292,798	218,623	74,175
Furniture & Fittings	40,764	37,326	3,438	40,764	36,462	4,302
Leasehold Improvements	216,587	156,199	60,388	216,587	146,777	69,810
Computer Equipment	53,491	37,582	15,909	44,291	27,393	16,898
	5,603,640	463,214	5,140,426	4,594,440	828,855	3,765,585

Reconciliation of carrying amount at the beginning and end of the period:

	1 April 2020					31 March 2021
	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Closing Balance
	\$	\$	\$		\$	\$
Spirit of New Zealand	3,600,400	-	-	1,532,800	(133,200)	5,000,000
Plant & Equipment	74,175	-	-	-	(13,484)	60,691
Furniture & Fittings	4,302	-	-	-	(864)	3,438
Leasehold Improvements	69,810	-	-	-	(9,422)	60,388
Computer Equipment	16,898	9,200	-	-	(10,189)	15,909
	3,765,585	9,200	-	1,532,800	(167,159)	5,140,426

The "Spirit of New Zealand" was commissioned in July 1986 and is recorded in the Financial Statements at depreciated market value.

The vessel was revalued to \$5 million as determined by an independent valuer with an effective date of 31 March 2021 resulting in a revaluation surplus of \$1,532,800. In determining the revalued amount comparisons were made to similar vessels and the current marine market was also taken into account.

The Trustees intend to review the valuation position every 4 years, in line with the accounting policy Note 2(j), the next valuation is due to occur in late 2024 to early 2025 for inclusion in the 2025 financial statements.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2021

10. INTANGIBLE ASSETS

	31 March 2021			31 March 2020		
	Cost	Accum. Amort	Book Value	Cost	Accum. Amort	Book Value
	\$	\$	\$	\$	\$	\$
Software	143,693	118,906	24,787	137,755	100,059	37,696
	143,693	118,906	24,787	137,755	100,059	37,696

Reconciliation of carrying amount at the beginning and end of the year:

	1 April 2020				31 March 2021
	Opening Balance	Additions	Disposals	Amortisation	Closing Balance
	\$				\$
Software	37,696	5,938	-	(18,847)	24,787
	37,696	5,938	-	(18,847)	24,787

11. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	31 March 2021			31 March 2020		
	Loans and receivables	Fair value through surplus or deficit	Total	Loans and receivables	Fair value through surplus or deficit	Total
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	1,619,506	-	1,619,506	2,224,375	-	2,224,375
Receivables - non-exchange	56,592	-	56,592	53,841	-	53,841
Receivables - exchange	26,490	-	26,490	7,994	-	7,994
Investments	814,784	7,077,858	7,892,642	1,485,000	5,270,852	6,755,852
	2,517,372	7,077,858	9,595,230	3,771,210	5,270,852	9,042,062

Prepayment and GST receivable do not meet the definition of a financial asset and have been excluded from the table above.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2021

Financial liabilities

	31 March 2021		31 March 2020	
	Amortised cost	Total	Amortised cost	Total
	\$	\$	\$	\$
Accounts Payable & Accruals	228,645	228,645	62,108	62,108
Fees & Income in Advance	435,091	435,091	651,845	651,845
	<u>663,736</u>	<u>663,736</u>	<u>713,953</u>	<u>713,953</u>

GST payable and employee entitlements do not meet the definition of a financial liability and have been excluded from the table above.

12. LEASE COMMITMENTS

Lease commitments under non-cancellable operating leases at balance date were:

	2021	2020
	\$	\$
No later than one year	46,200	36,767
Later than one year and no later than five years	142,861	142,861
Later than five years	<u>32,739</u>	<u>68,454</u>
Total non-cancellable leases	<u>221,800</u>	<u>248,082</u>

The Trust leases office equipment and the office space on Princes Wharf in Auckland.

The office lease expires in February 2027. There are no contingent rent arrangements or significant escalation clauses in this lease agreement.

13. RELATED PARTIES

Key management personnel

The Board considers key management personnel includes administration and sea staff in senior management positions.

The aggregate remuneration of key management personnel groups during the year were:

	Full Time Equivalent	2021 \$	Full Time Equivalent	2020 \$
Trustees	7	-	9	-
Employees	7	737,145	6	701,744
Total		737,145		701,744

Trustees perform their roles on an honorary basis.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2021

Other transactions with related parties

The following transactions between the Trust and related parties took place during the year:

Related party	Nature of transactions	Relationship with the Trust	Transactions during the year 2021 \$	Accounts payable at year end 2021 \$	Transactions during the year 2020 \$	Accounts payable at year end 2020 \$
Fisher International Limited	Office and secretarial services	Associated with Mr Stephen Fisher, a Trustee	3,986	-	6,972	-
Spencers Chartered Accountants & Advisers Limited	Accounting services	Associated with Mr Andrew Spencer, a Trustee, resigned 31 March 2021	6,733	-	28,662	-

All transactions were at normal commercial rates.

No related party debts have been written off or forgiven during the year.

14. SERVICES IN KIND

The Spirit of Adventure Trust has received services or consumable goods donated but not recognised in the financial statements to an estimated value of \$527,406 (2020: \$965,700). In this figure was \$309,800 (2020: \$703,950) of estimated value of volunteer time which was for the delivery of the Youth Programs on board the Spirit of New Zealand and the balance of \$217,606 (2020: \$ 261,750) was for professional services or consumable goods supplied.

15. SIGNIFICANT EVENTS – COVID-19

On 11th March 2020, the World Health Organisation declared a global pandemic as a result of the outbreak and spread of Covid-19. Following this, on 25th March 2020, the New Zealand Government raised its Alert Level to 4 (full lockdown of non-essential services) for an initial 4 week period, until 27th April 2020 where the Alert Level was lifted and moved to 3 until 13th May 2020.

There were further subsequent entrances into Alert Level 3 (no close physical interaction for non-essential services) throughout the 2021 financial year for the greater Auckland region that are listed down below:

- Entered into Alert Level 3 on 12th August 2020. The greater Auckland region then moved into Alert Level 2 (with extra restrictions) on 30th August 2020.
- Entered into Alert Level 3 on 14th February 2021. The greater Auckland region then moved into Alert Level 2 on 17th February 2021.
- Entered into Alert Level 3 on 28th February 2021. The greater Auckland region then moved into Alert Level 2 on 7th March 2021.

The impact of Covid-19 throughout the 2021 financial year had reduced revenue as a result of the Trust not being able to sail the vessel between 25th March 2020 and 8th September 2020. The Trust met the eligibility requirements of the New Zealand government Wage Subsidy scheme. During the year, the Trust received \$257,752 in total relating to the Wage Subsidy, Wage Subsidy

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2021

Extension and the Wage Subsidy Resurgence for the period March 2020 to September 2020 to mitigate employee-related costs. The Trust has recognised the income at gross when received. The income has been used for offsetting payroll expenses that it relates to.
The Trust also claimed and received a rent holiday of \$7,429 to help mitigate the impact of Covid-19.

The Trustees have reviewed the financial position and outlook of the Trust and consider that the Trust will continue as a going concern.