

THE SPIRIT OF ADVENTURE TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

THE SPIRIT OF ADVENTURE TRUST

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THE SPIRIT OF ADVENTURE TRUST

Trust Directory

BOARD OF TRUSTEES

Stephen Fisher
Brooke Archbold
Tessa Duder
Michael Austin
Andrew Spencer
Susan Blakely
Jeffrey Morrison
Jerry Norman
Catherine Mason

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
Level 22
188 Quay Street
Auckland 1010

SPRIT OF ADVENTURE TRUST

Statement of Comprehensive Revenue and Expenses
For the Year Ended 31 March 2019

	Notes	2019			2018		
		Operations	Foundation, Bequests and Endowments	Total	Operations	Foundation, Bequests and Endowments	Total
		\$	\$	\$	\$	\$	\$
Revenue from Non-Exchange Transactions							
Public Donations & Grants		780,570	-	780,570	848,505	-	848,505
Community Organisation Grants Scheme		60,436	-	60,436	39,117	-	39,117
Foundation North		112,500	-	112,500	100,000	-	100,000
Eastern & Central Community Trust		-	-	-	4,000	-	4,000
Community Trust Mid & South Canterbury		-	-	-	8,320	-	8,320
Whanganui Community Foundation		4,000	-	4,000	10,000	-	10,000
Bay Trust		-	-	-	5,000	-	5,000
Hutt Mana Trust		2,000	-	2,000	-	-	-
Rendering of Services - Voyage Fees	6	2,218,906	-	2,218,906	2,098,758	-	2,098,758
Total Revenue from Non-Exchange Transactions		3,178,412	-	3,178,412	3,113,700	-	3,113,700
Revenue from Exchange Transactions							
Investment	5	34,697	206,968	241,665	34,295	219,399	253,694
Sponsorship & Other Income		97,477	-	97,477	99,902	-	99,902
Total Revenue from Exchange Transactions		132,174	206,968	339,142	134,197	219,399	353,596
Total Revenue		3,310,586	206,968	3,517,554	3,247,897	219,399	3,467,296
Other Gains / Losses							
Foreign Currency Gain / (Losses)		-	2,919	2,919	-	305	305
Fair Value Changes in Investments	8	-	380,072	380,072	-	193,767	193,767
Total Other Gains / Losses		-	382,991	382,991	-	194,072	194,072
Total Revenue and Other Gains / (Losses)		3,310,586	589,959	3,900,545	3,247,897	413,471	3,661,368
Less Expenditure							
Administration	5	1,226,558	19,289	1,245,847	1,139,322	2,298	1,141,620
Public Relations/Marketing		98,620	-	98,620	97,905	-	97,905
Voyage Costs	6	1,969,056	-	1,969,056	1,911,810	-	1,911,810
		3,294,234	19,289	3,313,523	3,149,037	2,298	3,151,335
Total Surplus (Deficit) for the Year		16,352	570,670	587,022	98,860	411,173	510,033
Other Comprehensive Revenue and Expenses							
Revaluation of Property, Plant & Equipment		(33,336)	-	(33,336)	-	-	-
Total Comprehensive Revenue and Expenses for the Year		(16,984)	570,670	553,686	98,860	411,173	510,033

SPIRIT OF ADVENTURE TRUST

Statement of Changes in Equity
For the Year Ended 31 March 2019

Notes	2019					2018				
	Operations		Foundation			Operations		Foundation		
	Operations	Asset Revaluation Reserve	Operations Income	Bequests and Endowments	Total	Operations	Asset Revaluation Reserve	Operations Income	Bequests and Endowments	Total
Equity as at 1 April	\$ 678,928	\$ 3,257,183	\$ 156,011	\$ 7,371,117	\$ 11,463,239	\$ (127,748)	\$ 3,257,183	\$ 21,827	\$ 7,801,944	\$ 10,953,206
Total Surplus (Deficit) for the Year	16,352	-	-	570,670	587,022	98,860	-	-	411,173	510,033
Transfer (to) / from Reserves	(23,709)	-	23,709	-	-	(134,184)	-	134,184	-	-
Revaluation of Property Plant & Equipment	-	(33,336)	-	-	(33,336)	-	-	-	-	-
Distributions Received / (Paid)	-	-	-	-	-	842,000	-	-	(842,000)	-
Equity as at 31 March	7 671,571	3,223,847	179,720	7,941,787	12,016,925	678,928	3,257,183	156,011	7,371,117	11,463,239

Equity
As at 31 March

Notes	2019					2018				
	Operations		Foundation			Operations		Foundation		
	Operations	Asset Revaluation Reserve	Operations Income	Bequests and Endowments	Total	Operations	Asset Revaluation Reserve	Operations Income	Bequests and Endowments	Total
Operational Reserves for Life Enhancement Fund	7 671,571	3,223,847	179,720	-	4,075,138	678,928	3,257,183	156,011	-	4,092,122
Committed Funds for Vessel Replacement Fund	-	-	-	7,941,787	7,941,787	-	-	-	7,371,117	7,371,117
Total Cash in Bank Accounts and Investments and Total Committed Equity as at 31 March	7 671,571	3,223,847	179,720	7,941,787	12,016,925	678,928	3,257,183	156,011	7,371,117	11,463,239

Operational Reserves for Life Enhancement Fund
Committed Funds for Vessel Replacement Fund

Total Cash in Bank Accounts and Investments and Total Committed Equity
as at 31 March

SPIRIT OF ADVENTURE TRUST

Statement of Financial Position
As at 31 March 2019

	Notes	2019			2018		
		Operations \$	Foundation, Bequests and Endowments \$	Total \$	Operations \$	Foundation, Bequests and Endowments \$	Total \$
Equity							
Represented By:	7	4,075,138	7,941,787	12,016,925	4,092,122	7,371,117	11,463,239
Current Assets							
Cash & Cash Equivalents		910,156	538,314	1,448,470	914,690	602,584	1,517,274
Receivables - Exchange Transactions		-	15,098	15,098	-	30,493	30,493
Receivables - Non Exchange Transactions		78,532	-	78,532	78,236	-	78,236
Receivables - Internal		93,302	(93,302)	-	66,556	(66,556)	-
Prepayments		15,149	-	15,149	61,050	-	61,050
Inventory on Hand		16,087	-	16,087	20,153	-	20,153
Investments	8	-	7,248,243	7,248,243	-	6,575,870	6,575,870
Advances for Working Capital		(233,434)	233,434	-	(228,726)	228,726	-
		879,792	7,941,787	8,821,579	911,959	7,371,117	8,283,076
Non Current Assets							
Property Plant & Equipment	9	3,893,198	-	3,893,198	4,066,778	-	4,066,778
Intangible Assets	10	68,323	-	68,323	20,629	-	20,629
		3,961,521	-	3,961,521	4,087,407	-	4,087,407
Total Assets		4,841,313	7,941,787	12,783,100	4,999,366	7,371,117	12,370,483
Less Current Liabilities							
Accounts Payable & Accruals		231,126	-	231,126	248,956	-	248,956
Fees & Income in Advance		535,049	-	535,049	658,288	-	658,288
		766,175	-	766,175	907,244	-	907,244
Total Net Assets		4,075,138	7,941,787	12,016,925	4,092,122	7,371,117	11,463,239

On behalf of the Board



STEPHEN FISHER - TRUSTEE



BROOKE ARCHBOLD - TRUSTEE

DATE: 14-08-2019

SPIRIT OF ADVENTURE TRUST

Cash Flow Statement
For the Year Ended 31 March 2019

	Notes	2019			2018		
		Operations \$	Foundation, Bequests and Endowments \$	Total \$	Operations \$	Foundation, Bequests and Endowments \$	Total \$
Cash Flows from Operating Activities							
Receipts							
Receipts from Non-Exchange Transactions		3,055,173	-	3,055,173	3,401,883	-	3,401,883
Receipts from Exchange Transactions		97,477	-	97,477	99,902	-	99,902
Payments							
Payments to Suppliers & Employees		(3,074,330)	(19,289)	(3,093,619)	(2,983,972)	(2,298)	(2,986,270)
Working Capital Advance		4,708	(4,708)	-	299,000	(299,000)	-
Net Cash Flows from Operating Activities		83,028	(23,997)	59,031	816,813	(301,298)	515,515
Cash Flows from Investing Activities							
Receipts							
Interest Received		7,275	62,384	69,659	1,417	110,842	112,259
Dividends Received		380	122,579	122,959	350	171,852	172,202
PIE Income Received		-	46,123	46,123	-	-	-
Sale of Investments		-	-	-	-	989,727	989,727
Sale of Property, Plant & Equipment		-	-	-	-	-	-
Payments							
Purchase of Property, Plant and Equipment		(21,326)	-	(21,326)	-	-	-
Purchase of Intangibles		(73,891)	-	(73,891)	(3,101)	-	(3,101)
Purchase of Investments		-	(271,359)	(271,359)	-	(821,352)	(821,352)
Net Cash Flows from Investing Activities		(87,562)	(40,273)	(127,835)	(1,334)	451,069	449,735
Net Cash Flows from Financing Activities							
Net Increase (Decrease) in Cash and Cash Equivalents		(4,534)	(64,270)	(68,804)	815,479	149,771	965,250
Cash and Cash Equivalents as at 1 April		914,690	602,584	1,517,274	99,211	452,813	552,024
Cash and Cash Equivalents as at 31 March		910,156	538,314	1,448,470	914,690	602,584	1,517,274

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2019

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 2019. The financial statements were authorised for issue by the Board of Trustees on 14 August 2019.

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.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2019

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

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 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 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.

(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

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2019

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 other gains and losses 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.

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.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2019

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	30 years
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.

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.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2019

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:

Useful lives and residual values

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 \$3,733,600 at 31 March 2019 (2018: \$3,866,800). 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

Any increase/decrease in the useful life or increase/decrease in the residual value would decrease/increase the depreciation expense and consequently increase/decrease the net carrying value of the vessel.

3. CAPITAL COMMITMENTS

The Trust had capital commitments of \$Nil at 31 March 2019 (2018: \$5,000).

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2019

4. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Trust had contingent liabilities of \$58,500 as at 31 March 2019 relating to a letter of credit with the BNZ bank (2018: \$58,000).

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 litigation against the Trust.

5. INCOME AND EXPENDITURE

	2019 \$	2018 \$
Included in Investment income for the year is:		
Dividends Received	108,484	160,601
Interest Received	39,345	60,564
PIE received	67,065	-
Endowment & Fund Distributions (Interest Received)	26,745	32,529
	<u>241,639</u>	<u>253,694</u>
Included in Administration expenditure for the year is:		
Amortisation		
Software	25,667	19,724
Depreciation		
Vessels	133,200	133,200
Plant and Equipment	14,667	16,862
Furniture and Fittings	2,288	3,014
Computer Equipment	2,679	1,048
Leasehold Improvements	9,266	9,266
	<u>187,767</u>	<u>183,114</u>
Operating Lease Expense	54,755	63,997
Employee Benefit Expense		
Salaries & Wages	1,649,095	1,589,942
Defined Contribution Plans (KiwiSaver)	43,622	41,957
	<u>1,692,718</u>	<u>1,631,899</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.

6. VOYAGE INCOME

	2019 \$	2018 \$
Voyage Fees	2,218,906	2,098,758
Voyage Costs	(1,969,056)	(1,911,810)
	<u>249,850</u>	<u>186,948</u>

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2019

7. EQUITY

	2019 \$	2018 \$
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	-
The John McKenzie Team New Zealand Fund	384,342	384,342
The Pauline Fraser Endowment Fund	342,577	342,577
The Estate of Gus Fisher	100,000	100,000
The Vessel Replacement Fund	6,639,868	6,089,198
Total Foundation Reserves (Vessel Replacement Reserve)	7,941,787	7,371,117
Operational Income Reserves	179,720	156,011
Asset Revaluation Reserve	3,223,847	3,257,183
Operational Reserves (Life Enhancement Fund)	671,572	678,928
Total Operations Reserves	4,075,138	4,092,122
Total Equity	12,016,925	11,463,239

The Trustees have the following policies:

- i) 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.
- ii) 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 useful 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

	2019 \$	2018 \$
Loans and receivables		
Bank Term Deposits	685,000	1,115,000
Fair value through surplus or deficit		
Shares	5,194,947	4,741,432
Bonds	1,338,558	689,699
Forestry Right	29,739	29,739

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2019

Total Investments	<u>7,248,243</u>	<u>6,575,870</u>
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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

	31 March 2019			31 March 2018		
	Cost/Fair Value	Accum. Depn	Book Value	Cost/Fair Value	Accum. Depn	Book Value
	\$	\$	\$	\$	\$	\$
Spirit of New Zealand	4,000,000	266,400	3,733,600	4,000,000	133,200	3,866,800
Plant & Equipment	272,918	205,033	67,885	411,443	308,700	102,743
Furniture & Fittings	40,764	35,382	5,382	57,747	46,466	11,281
Leasehold Improvements	213,013	137,373	75,640	213,013	128,107	84,906
Computer Equipment	29,217	18,526	10,691	16,895	15,847	1,048
	<u>4,555,912</u>	<u>662,715</u>	<u>3,893,198</u>	<u>4,699,098</u>	<u>632,320</u>	<u>4,066,778</u>

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

	1 April 2018					31 March 2019
	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Closing Balance
	\$	\$	\$		\$	\$
Spirit of New Zealand	3,866,800	-	-	-	(133,200)	3,733,600
Plant & Equipment	102,743	9,003	(29,194)	-	(14,667)	67,885
Furniture & Fittings	11,281	-	(3,611)	-	(2,288)	5,382
Leasehold Improvements	84,906	-	-	-	(9,266)	75,640
Computer Equipment	1,048	12,322	-	-	(2,679)	10,691
	<u>4,066,778</u>	<u>21,325</u>	<u>(32,805)</u>	<u>-</u>	<u>(162,100)</u>	<u>3,893,198</u>

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 \$4 million as determined by an independent valuer with an effective date of 31 March 2017 and this resulted in a revaluation surplus of \$3,257,183. In determining the revalued amount comparisons were made to similar vessels and the current marine market was also taken into account.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2019

During the year ended 31 March 2019, certain assets (carried at historical cost) were reclassified within property, plant and equipment to group them with the Spirit of New Zealand (carried at fair value). Therefore the carrying value of those assets has been offset against the asset revaluation gain recognised previously.

The Trustees intend to review the valuation position every 4 years, in line with the accounting policy Note 2j, with the next re-valuation to occur in 2020.

10. INTANGIBLE ASSETS

	31 March 2019			31 March 2018		
	Cost	Accum. Amort	Book Value	Cost	Accum. Amort	Book Value
	\$	\$	\$	\$	\$	\$
Software	132,099	63,777	68,322	106,670	86,041	20,629
	132,099	63,777	68,322	106,670	86,041	20,629

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

	1 April 2018				31 March 2019
	Opening Balance	Additions	Disposals	Amortisation	Closing Balance
	\$				\$
Software	20,629	73,890	(529)	(25,668)	68,322
	20,629	73,890	(529)	(25,668)	68,322

11. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	31 March 2019			31 March 2018		
	Loans and receivables	Fair value through surplus or deficit	Total	Loans and receivables	Fair value through surplus or deficit	Total
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	1,448,469	-	1,448,469	1,517,274	-	1,517,274
Receivables - non-exchange	78,532	-	78,532	144,792	-	144,792
Receivables - exchange	15,098	-	15,098	30,493	-	30,493
Investments	685,000	6,563,243	7,248,243	1,115,000	5,460,870	6,575,870
	2,227,099	6,563,243	8,790,342	2,807,559	5,460,870	8,268,429

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2019

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

Financial liabilities

	31 March 2019		31 March 2018	
	Amortised cost	Total	Amortised cost	Total
	\$	\$	\$	\$
Accounts Payable & Accruals	90,668	90,668	107,163	107,163
Fees & Income in Advance	535,049	535,049	658,288	658,288
	<u>625,717</u>	<u>625,717</u>	<u>765,451</u>	<u>765,451</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:

	2019	2018
	\$	\$
No later than one year	51,152	55,408
Later than one year and no later than five years	143,912	159,349
Later than five years	<u>104,169</u>	<u>139,885</u>
Total non-cancellable leases	<u>299,233</u>	<u>354,642</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	2019	Full Time Equivalent	2018
		\$		\$
Trustees	9	-	8	-
Employees	6	694,675	6	675,278
Total		694,675		675,278

Trustees perform their roles on an honorary basis.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2019

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 2019 \$	Accounts payable at year end 2019 \$	Transactions during the year 2018 \$	Accounts payable at year end 2018 \$
Fisher International Limited	Office and secretarial services	Associated with Mr Stephen Fisher, a Trustee	4,348	-	4,348	-
Spencers Chartered Accountants & Advisers Limited	Accounting services	Associated with Mr Andrew Spencer, a Trustee	31,598	-	24,462	-

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 \$742,616 (2018: \$835,500). In this figure was \$520,250 (2018: \$658,500) 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 \$222,366 (2018:\$177,000) was for professional services or consumable goods supplied.

15. EVENTS AFTER BALANCE DATE

There are no additional events after balance date that will materially affect the position in the 2019 Financial Statements.



Independent auditor's report

To the Trustees of Spirit of Adventure Trust

We have audited the financial statements which comprise:

- the statement of financial position as at 31 March 2019
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying financial statements of Spirit of Adventure Trust (the Trust), present fairly, in all material respects, the financial position of the Trust as at 31 March 2019, its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Trust in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Information other than the financial statements and auditor's report

The Trustees are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the financial statements

The Trustees are responsible, on behalf of the Trust, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Trustees, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trustees, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Troy Florence.

For and on behalf of:

A handwritten signature in blue ink, appearing to read "PricewaterhouseCoopers".

Chartered Accountants
14 August 2019

Auckland