

SPIRIT OF ADVENTURE TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

SPIRIT OF ADVENTURE TRUST

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SPIRIT OF ADVENTURE TRUST

Trust Directory

BOARD OF TRUSTEES

Stephen Fisher
Brooke Archbold
Tessa Duder (retired 31/3/20)
Michael Austin (retired 3/2/20)
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

SPIRIT OF ADVENTURE TRUST

Statement of Comprehensive Revenue and Expenses
For the Year Ended 31 March 2020

	Notes	2020			2019		
		Operations	Foundation, Bequests and Endowments	Total	Operations	Foundation, Bequests and Endowments	Total
		\$	\$	\$	\$	\$	\$
Revenue from Non-Exchange Transactions							
Public Donations & Grants		673,321	-	673,321	780,570	-	780,570
Community Organisation Grants Scheme		18,730	-	18,730	60,436	-	60,436
Foundation North		20,036	-	20,036	112,500	-	112,500
Eastern & Central Community Trust		-	-	-	-	-	-
Community Trust Mid & South Canterbury		3,478	-	3,478	-	-	-
Whanganui Community Foundation		-	-	-	4,000	-	4,000
Bay Trust		-	-	-	-	-	-
Hutt Mana Trust		348	-	348	2,000	-	2,000
Rendering of Services - Voyage Fees	6	1,877,532	-	1,877,532	2,218,906	-	2,218,906
Total Revenue from Non-Exchange Transactions		2,593,445	-	2,593,445	3,178,412	-	3,178,412
Revenue from Exchange Transactions							
Investment	5	44,980	177,496	222,476	34,697	206,968	241,665
Sponsorship & Other Income		1,029,484	-	1,029,484	97,477	-	97,477
Total Revenue from Exchange Transactions		1,074,464	177,496	1,251,960	132,174	206,968	339,142
Total Revenue		3,667,909	177,496	3,845,405	3,310,586	206,968	3,517,554
Other Gains / Losses							
Foreign Currency Gain / (Losses)		-	(8,285)	(8,285)	-	2,919	2,919
Fair Value Changes in Investments	8	-	(458,449)	(458,449)	-	380,072	380,072
Total Other Gains / Losses		-	(466,734)	(466,734)	-	382,991	382,991
Total Revenue and Other Gains / (Losses)		3,667,909	(289,238)	3,378,671	3,310,586	589,959	3,900,545
Less Expenditure							
Administration	5	1,291,329	23,435	1,314,764	1,226,558	19,289	1,245,847
Public Relations/Marketing		64,498	-	64,498	98,620	-	98,620
Voyage Costs	6	1,961,128	-	1,961,128	1,969,056	-	1,969,056
		3,316,955	23,435	3,340,390	3,294,234	19,289	3,313,523
Total Surplus (Deficit) for the Year		350,954	(312,673)	38,281	16,352	570,670	587,022
Other Comprehensive Revenue and Expenses							
Revaluation of Property, Plant & Equipment		-	-	-	(33,336)	-	(33,336)
Total Comprehensive Revenue and Expenses for the Year		350,954	(312,673)	38,281	(16,984)	570,670	553,686

SPIRIT OF ADVENTURE TRUST

Statement of Changes in Equity For the Year Ended 31 March 2020

Notes	2020					2019				
	Operations	Asset Revaluation Reserve	Operations Income Reserve	Bequests and Endowments	Total	Operations	Asset Revaluation Reserve	Operations Income Reserve	Bequests and Endowments	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Equity as at 1 April	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
Total Surplus (Deficit) for the Year	350,954	-	-	(312,673)	38,281	16,352	-	-	570,670	587,022
Transfer (to) / from Reserves	(101,871)	-	101,871	-	-	(23,709)	-	23,709	-	-
Revaluation of Property Plant & Equipment	-	-	-	-	-	-	(33,336)	-	-	(33,336)
Prior Period Adjustment	(22,178)	-	-	-	(22,178)	-	-	-	-	-
Equity as at 31 March	7 898,476	3,223,847	281,591	7,629,114	12,033,028	671,571	3,223,847	179,720	7,941,787	12,016,925

Equity as at 31 March

	2020					2019				
	Operations	Asset Revaluation Reserve	Operations Income Reserve	Bequests and Endowments	Total	Operations	Asset Revaluation Reserve	Operations Income Reserve	Bequests and Endowments	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Operational Reserves for Life Enhancement Fund	7 898,476	3,223,847	281,591	-	4,403,914	671,571	3,223,847	179,720	-	4,075,138
Committed Funds for Vessel Replacement Fund	7 -	-	-	7,629,114	7,629,114	-	-	-	7,941,787	7,941,787
Total Cash in Bank Accounts and Investments and Total Committed Equity as at 31 March	898,476	3,223,847	281,591	7,629,114	12,033,028	671,571	3,223,847	179,720	7,941,787	12,016,925

SPIRIT OF ADVENTURE TRUST

Statement of Financial Position
As at 31 March 2020

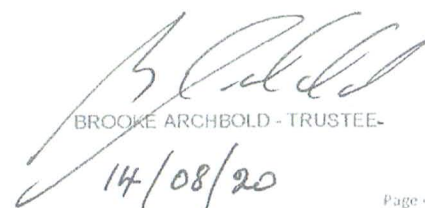
		2020			2019		
	Notes	Operations	Foundation, Bequests and Endowments	Total	Operations	Foundation, Bequests and Endowments	Total
		\$	\$	\$	\$	\$	\$
Equity	7	4,403,914	7,629,114	12,033,028	4,075,138	7,941,787	12,016,925
Represented By:							
Current Assets							
Cash & Cash Equivalents		1,560,137	664,238	2,224,375	910,156	538,314	1,448,470
Receivables - Exchange Transactions		-	7,994	7,994	-	15,098	15,098
Receivables - Non Exchange Transactions		53,841	-	53,841	78,532	-	78,532
Receivables - Internal		28,612	(28,612)	-	93,302	(93,302)	-
Prepayments		12,045	-	12,045	15,149	-	15,149
Inventory on Hand		14,689	-	14,689	16,087	-	16,087
Investments	8	-	6,755,852	6,755,852	-	7,248,243	7,248,243
Advances for Working Capital		(229,642)	229,642	-	(233,434)	233,434	-
		1,439,682	7,629,114	9,068,796	879,792	7,941,787	8,821,579
Non Current Assets							
Property Plant & Equipment	9	3,765,585	-	3,765,585	3,893,198	-	3,893,198
Intangible Assets	10	37,696	-	37,696	68,323	-	68,323
		3,803,281	-	3,803,281	3,961,521	-	3,961,521
Total Assets		5,242,963	7,629,114	12,872,077	4,841,313	7,941,787	12,783,100
Less Current Liabilities							
Accounts Payable & Accruals		187,204	-	187,204	231,126	-	231,126
Fees & Income in Advance		651,845	-	651,845	535,049	-	535,049
		839,049	-	839,049	766,175	-	766,175
Total Net Assets		4,403,914	7,629,114	12,033,028	4,075,138	7,941,787	12,016,925

On behalf of the Board



STEPHEN FISHER - TRUSTEE

DATE



BROOKE ARCHBOLD - TRUSTEE-

14/08/20

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This Statement should be read in conjunction with the notes to the Financial Statements

SPIRIT OF ADVENTURE TRUST

Cash Flow Statement For the Year Ended 31 March 2020

Notes	2020			2019		
	Operations	Foundation, Bequests and Endowments	Total	Operations	Foundation, Bequests and Endowments	Total
	\$	\$	\$	\$	\$	\$
Cash Flows from Operating Activities						
Receipts						
Receipts from Non-Exchange Transactions	2,598,066	-	2,598,066	3,055,173	-	3,055,173
Receipts from Exchange Transactions	1,029,484	-	1,029,484	97,477	-	97,477
Covid-19 Wage Subsidy	140,592		140,592			
Payments						
Payments to Suppliers & Employees	(3,176,132)	(23,435)	(3,199,567)	(3,074,330)	(19,289)	(3,093,619)
Working Capital Advance	89,511	(89,511)	-	4,708	(4,708)	-
Net Cash Flows from Operating Activities	681,521	(112,946)	568,575	83,028	(23,997)	59,031
Cash Flows from Investing Activities						
Receipts						
Interest Received	11,820	60,865	72,685	7,275	62,384	69,659
Dividends Received	822	27,969	28,791	380	122,579	122,959
PIE Income Received	-	85,043	85,043	-	46,123	46,123
Sale of Investments	-	4,114,349	4,114,349	-	-	-
Sale of Property, Plant & Equipment	-	-	-	-	-	-
Payments						
Purchase of Property, Plant and Equipment	(38,528)	-	(38,528)	(21,326)	-	(21,326)
Purchase of Intangibles	(5,654)	-	(5,654)	(73,891)	-	(73,891)
Purchase of Investments	-	(4,049,356)	(4,049,356)	-	(271,359)	(271,359)
Net Cash Flows from Investing Activities	(31,540)	238,870	207,330	(87,562)	(40,273)	(127,835)
Net Cash Flows from Financing Activities	-	-	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	649,981	125,924	775,905	(4,534)	(64,270)	(68,804)
Cash and Cash Equivalents as at 1 April	910,156	538,314	1,448,470	914,690	602,584	1,517,274
Cash and Cash Equivalents as at 31 March	1,560,137	664,238	2,224,375	910,156	538,314	1,448,470

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2020

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 2020. The financial statements were authorised for issue by the Board of Trustees on 14 August 2020.

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 2020

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. For the year ended 31 March 2020, sponsorship & other income includes voyage fees related to the Trusts involvement in the Tuia – Encounters 250 event organised by the Ministry for Culture and Heritage. These voyage fees are accounted for as exchange revenue transactions as the Trust received value approximately equal to the value of services provided.

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.

Fees and income in advance

For the year ended 31 March 2020, Fees and Income in Advance includes \$140,592 received from the New Zealand government under the Covid-19 Wage Subsidy scheme. The Trust will recognise this income as the subsidy is paid to employees of the Trust.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2020

(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 2020

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	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

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2020

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:

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 \$3,600,400 at 31 March 2020 (2019: \$3,733,600). 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.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2020

3. CAPITAL COMMITMENTS

The Trust had capital commitments of \$Nil at 31 March 2020 (2019: \$Nil).

4. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Trust had contingent liabilities of \$58,500 as at 31 March 2020 relating to a letter of credit with the BNZ bank (2019: \$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

	2020 \$	2019 \$
Included in Investment income for the year is:		
Dividends Received	29,082	108,484
Interest Received	47,262	39,345
PIE received	117,520	67,065
Endowment & Fund Distributions (Interest Received)	<u>28,612</u>	<u>26,745</u>
	222,476	241,639
 Included in Administration expenditure for the year is:		
Amortisation		
Software	36,282	25,667
Depreciation		
Vessels	133,200	133,200
Plant and Equipment	13,589	14,667
Furniture and Fittings	1,080	2,288
Computer Equipment	8,868	2,679
Leasehold Improvements	<u>9,404</u>	<u>9,266</u>
	202,423	187,767
 Operating Lease Expense	45,266	54,755
 Employee Benefit Expense		
Salaries & Wages	1,684,337	1,649,095
Defined Contribution Plans (KiwiSaver)	<u>46,603</u>	<u>43,622</u>
	1,730,940	1,692,718
 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

	2020 \$	2019 \$
Voyage Fees	1,877,532	2,218,906
Voyage Direct Costs	<u>(1,961,128)</u>	<u>(1,969,056)</u>
	(83,596)	249,850

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2020

7. EQUITY

	2020 \$	2019 \$
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 Estate of Gus Fisher	100,000	100,000
The Vessel Replacement Fund	6,327,195	6,639,868
Total Foundation Reserves (Vessel Replacement Reserve)	7,629,114	7,941,787
Operational Income Reserves	281,591	179,720
Asset Revaluation Reserve	3,223,847	3,223,847
Operational Reserves (Life Enhancement Fund)	898,476	671,572
Total Operations Reserves	4,403,914	4,075,138
Total Equity	12,033,028	12,016,925

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

	2020 \$	2019 \$
Loans and receivables		
Bank Term Deposits	1,485,000	685,000
Fair value through surplus or deficit		
Shares	4,335,547	5,194,947
Bonds	935,305	1,338,558
Forestry Right	-	29,739
Total Investments	6,755,852	7,248,243

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2020

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 2020 Accum. Depn	Book Value	Cost/Fair Value	31 March 2019 Accum. Depn	Book Value
	\$	\$	\$	\$	\$	\$
Spirit of New Zealand	4,000,000	399,600	3,600,400	4,000,000	266,400	3,733,600
Plant & Equipment	292,798	218,623	74,175	272,918	205,033	67,885
Furniture & Fittings	40,764	36,462	4,302	40,764	35,382	5,382
Leasehold Improvements	216,587	146,777	69,810	213,013	137,373	75,640
Computer Equipment	44,291	27,393	16,898	29,217	18,526	10,691
	4,594,440	828,855	3,765,585	4,555,912	662,715	3,893,198

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

	1 April 2019					31 March 2020
	Opening Balance	Additions	Disposals	Revaluations	Depreciation	Closing Balance
	\$	\$	\$		\$	\$
Spirit of New Zealand	3,733,600	-	-	-	(133,200)	3,600,400
Plant & Equipment	67,885	19,879	-	-	(13,589)	74,175
Furniture & Fittings	5,382	-	-	-	(1,080)	4,302
Leasehold Improvements	75,640	3,574	-	-	(9,404)	69,810
Computer Equipment	10,691	15,075	-	-	(8,868)	16,898
	3,893,198	38,528	-	-	(166,141)	3,765,585

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.

The Trustees intend to review the valuation position every 4 years, in line with the accounting policy Note 2j, the next valuation is due to occur in late 2020 early 2021 for inclusion in the 2021 financial statements.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2020

10. INTANGIBLE ASSETS

	31 March 2020			31 March 2019		
	Cost	Accum. Amort	Book Value	Cost	Accum. Amort	Book Value
	\$	\$	\$	\$	\$	\$
Software	137,755	100,059	37,696	132,099	63,777	68,322
	137,755	100,059	37,696	132,099	63,777	68,322

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

	1 April 2019				31 March 2020
	Opening Balance	Additions	Disposals	Amortisation	Closing Balance
	\$				\$
Software	68,322	5,656	-	(36,282)	37,696
	68,322	5,656	-	(36,282)	37,696

11. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	31 March 2020			31 March 2019		
	Loans and receivables	Fair value through surplus or deficit	Total	Loans and receivables	Fair value through surplus or deficit	Total
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	2,224,375	-	2,224,375	1,448,469	-	1,448,469
Receivables - non-exchange	53,841	-	53,841	78,532	-	78,532
Receivables - exchange	7,994	-	7,994	15,098	-	15,098
Investments	1,485,000	5,270,852	6,755,852	685,000	6,563,243	7,248,243
	3,771,210	5,270,852	9,042,062	2,227,099	6,563,243	8,790,342

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 2020

Financial liabilities

	31 March 2020		31 March 2019	
	Amortised cost	Total	Amortised cost	Total
	\$	\$	\$	\$
Accounts Payable & Accruals	62,108	62,108	90,668	90,668
Fees & Income in Advance	651,845	651,845	535,049	535,049
	<u>713,953</u>	<u>713,953</u>	<u>625,717</u>	<u>625,717</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:

	2020	2019
	\$	\$
No later than one year	36,767	51,152
Later than one year and no later than five years	142,861	143,912
Later than five years	<u>68,454</u>	<u>104,169</u>
Total non-cancellable leases	<u>248,082</u>	<u>299,233</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	2020	Full Time Equivalent	2019
		\$		\$
Trustees	9	-	9	-
Employees	6	701,744	6	694,675
Total		<u>701,744</u>		<u>694,675</u>

Trustees perform their roles on an honorary basis.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2020

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 2020 \$	Accounts payable at year end 2020 \$	Transactions during the year 2019 \$	Accounts payable at year end 2019 \$
Fisher International Limited	Office and secretarial services	Associated with Mr Stephen Fisher, a Trustee	6,972	-	4,348	-
Spencers Chartered Accountants & Advisers Limited	Accounting services	Associated with Mr Andrew Spencer, a Trustee	28,662	-	31,598	-

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 \$965,700 (2019: \$742,616). In this figure was \$703,950 (2019: \$520,250) 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 \$261,750 (2019: \$222,366) was for professional services or consumable goods supplied.

15. SIGNIFICANT EVENTS – COVID 19

On 11 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 all non-essential services) for an initial 4 week period. Prior to the lockdown, the Trust made the decision to bring its operating ship, The Spirit of Adventure, back to its Auckland base. The ship arrived back in Auckland on the 22nd March 2020 and will not resume sailing until 21st August 2020.

With the sailing program halted, the Trust will experience a significant reduction in revenue for the first five months of the 2021 financial year. In addition, the Trust is expecting lower than normal income once sailing resumes due to a forecast reduction in consumer spending and a perceived health risk associated with being on the ship.

As a result, the Trust has;

- Stopped all marine operations whilst the ship remains at port, putting all sea crew on operational stand-down at reduced salaries.
- Closed the support office and put all shore crew on remote working systems to all for work from home functionality at reduced salaries.
- Applied for and received the Government Covid-19 wage subsidy to assist with staff salary payments.
- Ceased all non-essential operating expenses where possible.
- Drastically reduced the annual Ship Refit Program (annual maintenance) down to core work that is required for legal and/or regulatory purposes. The refit is to be completed before sailing resumes in September 2020.

SPIRIT OF ADVENTURE TRUST

Notes to the Financial Statements For the Year Ended 31 March 2020

- (f) Implemented a Business Continuity Plan (BCP). The BCP included a review of the Trusts financial stability, assessment of the short to medium term cash requirements with ongoing review of outgoings, debtor collectability, and update of forward cash projections.
- (g) The longer-term effects of Covid-19 on the Trusts activities is still uncertain, but early indications for bookings from September 2020 are indicating a positive return for the remainder of the financial year.

Balance Sheet Item	Covid 19 Assessment	Note
Cash	No impact on the carrying value of cash on hand.	11
Accounts Receivable and Prepayments	There is no expected impact on Accounts Receivable and Prepayments as at balance date.	11
Assets held for sale, Property plant and equipment	The Spirit of New Zealand is held at Fair Value. Given that alert level 4 restrictions have not in place long at balance date, there is insufficient transaction in the marketplace to draw any conclusions on the impact of the market at balance date. Plant & Equipment, Fitout and Office Equipment are held at depreciated replacement cost. The Trust has no evidence that there has been a decline in the value of these assets post Covid-19.	9
Commitments	The Trust has been granted a 3 month rent holiday from April to June 2020.	12
Intangibles	There is no perceived impairment of intangibles.	10
Investments	Investments are stated at market value as at balance date.	8
Accounts payable, accruals and other liabilities	Spirit of Adventure Trust has accrued for all committed costs related to the expected impact of Covid-19.	11
Subsequent event	A wage subsidy of \$140,569 was received pre balance date. Post balance date a further \$93,000 was applied for and received.	

In light of the current situation the Trustees have reviewed the financial position and outlook of the Trust and consider that the Trust remains a going concern on the basis of:

- Our plans to recommence sailing and normal operations in August 2020, as allowed by Alert Level 1 rules
- The voyages are nearly fully booked for the 2020/2021 sailing calendar
- In the short term we have managed costs and obtained government funding as explained above, and
- The Trust has sufficient cash and investments to fund the Trust for at least the next 12 months in absence of revenues or other support.

All of the above plans regarding future operations and sailings are subject to the government COVID-19 Alert Level restrictions at the time.



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 2020;
- the statement of comprehensive revenue and expenses 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 2020, 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We perform the audit engagement on a pro bono basis. In recognition of this service in the current year the Trust is providing a complimentary half day sailing on the *Spirit of New Zealand* for a group of partners and staff of PwC. This has not impacted our independence as auditors.

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 and will not express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the financial statements, if other information is included in the annual report, 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.

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/assurance-standards/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:



Chartered Accountants
14 August 2020

Auckland