

Royal New Zealand Coastguard Incorporated

Special Purpose Consolidated Financial Statements 2021

For the year ended 30 June 2021



Special Purpose Consolidated Financial Statements

For the year ended 30 June 2021

CONTENTS	PAGES
Directory	1
Board's Report and Statement of Responsibility	2
Independent Auditor's Report	3 - 4
Special Purpose Consolidated Statement of Comprehensive Revenue and Expense	5
Special Purpose Consolidated Statement of Changes in Net Assets/Equity	6
Special Purpose Consolidated Statement of Financial Position	7
Special Purpose Consolidated Statement of Cash Flows	8
Statement of Accounting Policies	9 - 14
Notes to the Special Purpose Consolidated Financial Statements	15 - 18

Directory

For the year ended 30 June 2021

Registered Office

3 Solent Street
Auckland

Nature of Organisation

Marine Search & Rescue, Emergency Relief & Training

Charity Number

CC36138

Independent Auditor

RSM Hayes Audit
Level 1, 1 Broadway
Newmarket, Auckland

Bankers

ASB Bank Limited
Bank of New Zealand Limited
Westpac New Zealand Limited

Solicitors

Simpson Grierson
Level 27, Lumley Centre
88 Shortland Street, Auckland

Board's Report and Statement of Responsibility

For the year ended 30 June 2021

Board's Report

The Board of Royal New Zealand Coastguard present this Annual Report, being the special purpose financial statements of the Group for the financial year ended 30 June 2021, and the independent auditor's report thereon. The Board has elected to present special purpose consolidated financial statements, consolidating its controlled entities, except for the separate Coastguard units. Full consolidated financial statements, consolidating all controlled entities will be completed and filed at Charities Services by 31 December 2021. The selected controlled entities as presented in these special purpose consolidated financial statements are not consistent with the entities consolidated in previous years, as Royal New Zealand Coastguard has integrated Auckland Volunteer Coastguard Charitable Trust into the group from 1 July 2020.

Statement of Responsibility

The Board is responsible for the maintenance of adequate accounting records and the preparation and integrity of the special purpose consolidated financial statements and related information.

The independent external auditors, RSM Hayes Audit, have audited the special purpose financial statements and their report appears on pages 3 to 4.

The Board is also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements.

Appropriate systems of internal control have been employed to ensure that all transactions have been executed in accordance with authority and correctly processed and accounted for in the financial records. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The special purpose consolidated financial statements are prepared on a going concern basis. Nothing has come to the attention of the Board to indicate that the Group will not remain a going concern in the foreseeable future.

In the opinion of the Board:

The special purpose consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021 and their financial performance and cash flows for the year then ended, in accordance with special purpose accounting policies adopted.

For and on behalf of the Board:



Mike Purchase, President

7th September 2021

Date



Aaron Wallace, Board Member

7th September 2021

Date

Independent Auditor's Report

To the Members of Royal New Zealand Coastguard Incorporated

Opinion

We have audited the special purpose consolidated financial statements of Royal New Zealand Coastguard Incorporated and its controlled entities except for the separate Coastguard Units (the Group), which comprise:

- the special purpose consolidated statement of financial position as at 30 June 2021;
- the special purpose consolidated statement of comprehensive revenue and expense for the year then ended;
- the special purpose consolidated statement of changes in net assets/equity for the year then ended;
- the special purpose consolidated statement of cash flows for the year then ended; and
- the notes to the special purpose consolidated financial statements, which include significant accounting policies.

In our opinion, the accompanying special purpose consolidated financial statements of Royal New Zealand Coastguard Incorporated and its controlled entities except for the separate Coastguard Units on pages 5 to 18, for the year 30 June 2021, are prepared, in all material respects, in accordance with the accounting policies adopted by the Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). 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 are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We have provided an agreed upon procedures engagement in respect of various lottery certifications of Royal New Zealand Coastguard Incorporated to the Department of Internal Affairs.

Certain staff of our firm are ordinary members of Royal New Zealand Coastguard Incorporated and its controlled entities and trade with the Group on standard membership terms. They have no governing body or management roles or influence. Except in this regard, and other than in our capacity as auditor, we have no relationship with, or interests in, Royal New Zealand Coastguard Incorporated and its controlled entities.

Emphasis of matter – Basis of accounting and restriction on distribution

We draw attention to Note 2 of the special purpose consolidated financial statements, which describes the basis of accounting. The special purpose consolidated financial statements are prepared in accordance with stated accounting policies adopted by the Board and are intended for presentation to the members at the Annual General Meeting as the full Group consolidated financial statements will not be completed until after the meeting.

As a result, the special purpose consolidated financial statements may not be suitable for another purpose. Our report is also intended solely for the members of the Group and should not be distributed to or used by other parties. Our opinion is not modified in respect of this matter.

Other Matters

The special purpose consolidated financial statements of Royal New Zealand Coastguard Incorporated and its selected controlled entities for the year ended 30 June 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 19 September 2020.

Responsibilities of Board for the special purpose consolidated financial statements

The Board is responsible, on behalf of the Group for the preparation of the special purpose consolidated financial statements in accordance with its stated accounting policies, and for such internal control as the Board determines is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for determining that its stated accounting policies are acceptable in the Group's circumstances

In preparing the special purpose consolidated financial statements, the Board is responsible for assessing the Group'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 Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the special purpose consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose consolidated 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 International Standards on Auditing (New Zealand) 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 special purpose consolidated financial statements. A further description of the auditor's responsibilities for the audit of the special purpose consolidated financial statements is located at the XRB's website at:

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

Who we report to

This report is made solely to the members, as a body. Our audit has been undertaken so that we might state to the members those matters 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 Group and the members as a body, for our work, for this report, or for the opinions we have formed.

A handwritten signature in blue ink that reads 'RSM'.

RSM Hayes Audit
Auckland

8 September 2021

Special Purpose Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2021

	Notes	2021	2020
Revenue from exchange transactions			
Subscriptions		4,049,008	-
Lotteries Revenue		3,233,904	3,036,813
Examination Fees		1,272,811	1,089,138
Sales of Publications		256,462	190,843
Sponsorship		62,046	51,333
SAR Reimbursements		102,117	-
Other Operating Revenue		482,448	50,291
		<u>9,458,795</u>	<u>4,418,418</u>
Revenue from non-exchange transactions			
Service Level Agreement Funding	20	3,391,946	2,440,000
Lottery Grants Board Funding	20	2,904,456	5,184,226
Auckland Council		773,338	-
Foundation North	20	552,291	-
Water Safety New Zealand Funding	20	4,548,697	-
Bay Trust	20	130,000	-
Donations Received		2,815,242	1,577,750
Other Grants		1,002,492	758,964
		<u>16,118,462</u>	<u>9,960,940</u>
Total Revenue		<u>25,577,257</u>	<u>14,379,358</u>
Expenses			
Grants Expenditure		5,760,500	3,907,166
Administrative Overheads		3,001,967	817,475
Board & Governance Costs		311,061	475,261
Education Course Costs		547,719	393,192
Lotteries Costs		2,473,007	2,367,534
Marketing & Fundraising Costs		1,864,773	642,641
National Office Projects		1,544,694	224,519
Personnel Costs		7,100,631	2,406,770
Depreciation & Amortisation	9,10	745,957	214,814
Impairment Loss	10	6,729,118	-
Total Expenses		<u>30,079,426</u>	<u>11,449,372</u>
(Deficit)/surplus before net finance income		<u>(4,502,170)</u>	<u>2,929,986</u>
Finance Income	16	447,477	30,498
Net Finance Income		<u>447,477</u>	<u>30,498</u>
Net (deficit)/surplus for the year		<u>(4,054,692)</u>	<u>2,960,484</u>
Other Comprehensive Revenue and Expenses		-	-
Total Comprehensive revenue and expenses for the year		<u>(4,054,692)</u>	<u>2,960,484</u>

These Special Purpose Consolidated Financial Statements should be read in conjunction with the Statement of Accounting Policies, Notes to the Special Purpose Consolidated Financial Statements, and the Auditor's Report.

Special Purpose Consolidated Statement of Changes in Net Assets/Equity

For the year ended 30 June 2021

Group	Note	Asset Maintenance Reserve	Course Development Reserve	Accumulated Revenue and Expense	Total Equity
Opening equity 1 July 2019		22,163	134,092	10,424,597	10,580,852
Total Comprehensive Income		-	-	2,960,484	2,960,484
Transfers - Reserves		(6,504)	64,820	(58,316)	-
Closing equity 30 June 2020		15,659	198,912	13,326,764	13,541,335
Opening equity 1 July 2020		15,659	198,912	13,326,764	13,541,335
Prior Period Adjustment		-	-	(31,370)	(31,370)
Total Comprehensive Income		-	-	(4,054,692)	(4,054,692)
Transfer - AVCG Trust		-	-	1,242,050	1,242,050
Transfer - Regions		-	-	3,667,689	3,667,689
Transfers - Reserves		(15,659)	69,727	(54,068)	-
Closing equity 30 June 2021		-	268,639	14,096,374	14,365,013

These Special Purpose Consolidated Financial Statements should be read in conjunction with the Statement of Accounting Policies, Notes to the Special Purpose Consolidated Financial Statements, and the Auditor's Report.

Special Purpose Consolidated Statement of Financial Position

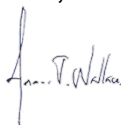
As at 30 June 2020

	Notes	2021	2020
ASSETS			
Current assets			
Cash and Cash Equivalents	5	5,407,082	2,149,372
Investments - Term Deposits	6	5,837,074	1,044,437
Inventories		15,568	21,818
Prepayments and Other Assets		597,240	245,028
Receivables from Exchange Transactions	7	179,985	175,445
		<u>12,036,949</u>	<u>3,636,099</u>
Non-current assets			
Investments	11	2,721,075	1,093,350
Intangible Assets	9	619,565	180,198
Property Plant and Equipment	10	6,654,880	11,045,912
Assets Held for Sale	10	1,702,467	-
		<u>11,697,987</u>	<u>12,319,460</u>
TOTAL ASSETS		<u>23,734,936</u>	<u>15,955,559</u>
LIABILITIES			
Current liabilities			
Employee Benefit Liabilities	13	459,769	153,904
Income Received in Advance		2,844,909	664,709
Non-exchange Liabilities	14	2,769,313	749,429
Payables from Exchange Transactions	12	2,249,007	846,182
		<u>8,322,997</u>	<u>2,414,224</u>
Non-current liabilities			
Income Received in Advance		1,046,924	-
		<u>1,046,924</u>	<u>-</u>
TOTAL LIABILITIES		<u>9,369,922</u>	<u>2,414,224</u>
TOTAL NET ASSETS		<u>14,365,013</u>	<u>13,541,335</u>
EQUITY			
Accumulated Revenue and Expenses		14,096,374	13,326,764
Asset Maintenance Reserve		-	15,659
Course Development Reserve		268,639	198,912
TOTAL EQUITY		<u>14,365,013</u>	<u>13,541,335</u>

For and on behalf of the Board:


Mike Purchase, President

7th September 2021

Date

Aaron Wallace, Board Member

7th September 2021

Date

These Special Purpose Consolidated Financial Statements should be read in conjunction with the Statement of Accounting Policies, Notes to the Special Purpose Consolidated Financial Statements, and the Auditor's Report.

Special Purpose Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021	2020
CASH FLOWS FROM/(TO) OPERATING ACTIVITIES			
Receipts from exchange transactions		10,409,578	4,293,120
Receipts from non-exchange transactions		17,539,215	9,529,818
Payments to Suppliers		(16,053,402)	(8,309,956)
Payments to Employees		(6,595,354)	(2,296,569)
Net cash inflow/(outflow) from operating activities		5,300,038	3,216,413
CASH FLOWS FROM/(TO) INVESTING ACTIVITIES			
Interest received		41,767	45,552
Distributions from Investments received		263,195	41,939
Decrease/(Increase) in term deposits		(4,792,638)	462,195
Purchase of property, plant and equipment		(1,698,507)	(3,229,492)
Purchase of intangibles		(160,006)	-
Purchase of investments		(268,071)	(41,939)
Net cash inflow/(outflow) from investing activities		(6,614,259)	(2,721,745)
Net increase/(decrease) in cash and cash equivalents		(1,314,222)	494,667
Cash and cash equivalents at 1 July		2,149,372	1,654,705
Transfer from Regions/AVCG Trust		4,571,931	-
Cash and cash equivalents at 30 June	5	5,407,082	2,149,372

These Special Purpose Consolidated Financial Statements should be read in conjunction with the Statement of Accounting Policies, Notes to the Special Purpose Consolidated Financial Statements, and the Auditor's Report.

Statement of Accounting Policies

For the year ended 30 June 2021

1. REPORTING ENTITY

The reporting entity is Royal New Zealand Coastguard Incorporated. Royal New Zealand Coastguard Incorporated (the "Society") is domiciled in New Zealand, and is a charitable organisation registered under the Incorporated Societies Act 1908 and the Charities Act 2005. DIA Charities Services registration number CC36138.

These special purpose consolidated financial statements for the year ended 30 June 2021 comprise of Royal New Zealand Coastguard Incorporated and the following entities it controls, being Auckland Volunteer Coastguard Charitable Trust (AVCG), Royal New Zealand Coastguard Boating Education Limited (CBE) and Royal New Zealand Coastguard Charitable Trust (CCT), together the Group. They do not consolidate the operations of the separate Coastguard units. The current year results and financial position include the four regions that were integrated into the group from 1 July 2020.

2. BASIS OF PREPARATION

a) Statement of compliance

The special purpose consolidated financial statements have been prepared for presentation to the Members at the Annual General Meeting as the full group consolidated financial statements will not be completed until after the meeting. Full group consolidated financial statements will be prepared later and filed with Charity Services as required by the Charities Act 2005.

These special purpose consolidated financial statements were authorised for issue by the Board on the date stated in the special purpose consolidated Statement of Financial Position.

The entities comprising the Group are public benefit entities for the purpose of financial reporting. As their primary objective is to provide goods or services for social benefit rather than for making a financial return. These special purpose consolidated financial statements have been prepared utilising the Not-For-Profit Public Benefit Entity Standards, with the exception that not all members of the Group have been consolidated, and therefore they do not fully comply with NZ GAAP. The disclosure concessions available to Tier 2 Not-For-Profit PBE IPSAS RDR have been applied.

The Group has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions.

b) Measurement basis

The special purpose consolidated financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency

The special purpose consolidated financial statements are presented in New Zealand Dollars (\$), which is the functional and presentation currency, rounded to the nearest dollar.

There has been no change in the functional currency of the Group during the year.

d) Changes in accounting policy

There have been no changes in accounting policies during the year.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Group's special purpose consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

a) Judgements:

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments

The Group has entered into a number of vehicle, photocopier and office leases.

The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the assets, that it does not retain all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

Statement of Accounting Policies

For the year ended 30 June 2021

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

a) Judgements (Continued)

Classification of exchange and non-exchange revenue

The Group has evaluated the nature of the transactions and classified revenue into the following:

Revenue from exchange transactions

Subscriptions
 Lotteries Revenue
 Examination Fees
 Sales of Publications
 Sponsorship
 SAR Reimbursements
 Other Operating Revenue

Revenue from non-exchange transactions

Service Level Agreement Funding
 Lottery Grants Board Funding
 Auckland Council
 Foundation North
 Water Safety New Zealand Funding
 Bay Trust
 Donations Received
 Other Grants

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the special purpose consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to determine potential future use and value from disposal:

- The condition of the asset based on the assessment of management employed by the Group
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

The estimated useful lives of the asset classes held by the Group are listed in Note 4(g).

4. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The selected controlled entities are consolidated from the date on which control is transferred and are de-consolidated from the date that control ceases.

AVCG, CBE and CCT meet the definition of controlled entities and NZ Coastguard is required to consolidate the financial statements of AVCG, CBE and CCT. In preparing the special purpose consolidated financial statements, all inter-entity balances and transactions and unrealised gains and losses arising within the consolidated entity are eliminated in full. The accounting policies of the controlled entities are consistent with the policies adopted by the Group and all entities within the Group have a 30 June reporting date. The controlled entities not consolidated in these special purpose consolidated financial statements are 61 separate Coastguard units.

b) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Statement of Accounting Policies

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Revenue from exchange transactions (Continued)

Lotteries Revenue

Lotteries revenue is recognised once a lottery is drawn.

Examination Fees

Examination and course material fees are recognised upon completion of the course or when the group has met its obligations to supply materials if no examination is involved.

Other Revenue

All other revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Group and measured at the fair value of the consideration received.

ii) Revenue from non-exchange transactions

Grants & Donations

The recognition of non-exchange revenue from Grants and Donations depends on the nature of any stipulations attached to the inflow of resources received, and whether this creates a liability (i.e. present obligation) rather than the recognition of revenue.

Stipulations that are 'conditions' specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, resulting in the recognition of a non-exchange liability that is subsequently recognised as non-exchange revenue as and when the 'conditions' are satisfied.

Stipulations that are 'restrictions' do not specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue.

c) Employee benefits

Short term employee benefits

Short-term employee benefit liabilities including employer contributions to kiwisaver at rates required by legislation are recognised when the Group has a legal or constructive obligation to remunerate employees for services provided within 12 months of reporting date, and is measured on an undiscounted basis and expensed in the period in which employment services are provided.

d) Finance income

Finance income comprises interest income, realised gains and unrealised gains on financial assets. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.

e) Financial instruments

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

The Group also derecognises financial assets and financial liabilities when there has been significant changes to the terms and/or the amount of contractual payments to be received/paid.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Statement of Accounting Policies

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (Continued)

The Group classifies financial assets into the following categories: fair value through surplus or deficit; held-to-maturity; loans and receivables and available-for-sale.

The Group classifies financial liabilities into the following categories: fair value through surplus or deficit and amortised cost.

Financial instruments are initially measured at fair value, plus for those financial instruments not subsequently measured at fair value through surplus or deficit, directly attributable transaction costs.

Subsequent measurement is dependent on the classification of the financial instrument, and is specifically detailed in the accounting policies below.

i) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and receivables.

Cash and cash equivalents represent highly liquid investments that are readily convertible into a known amount of cash with an insignificant risk of changes in value, with maturities of 3 months or less.

ii) Amortised cost financial liabilities

Financial liabilities classified as amortised cost are non-derivative financial liabilities that are not classified as fair value through surplus or deficit financial liabilities.

Financial liabilities classified as amortised cost are subsequently measured at amortised cost using the effective interest method. Financial liabilities classified as amortised cost comprise payables.

iii) Fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include items that are either classified as held for trading or that meet certain conditions and are designated at fair value through surplus or deficit upon initial recognition. The Group's investment in managed funds fall into this category of financial instruments.

f) Impairment of financial assets

A financial asset not subsequently measured at fair value through surplus or deficit is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a counterparty, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a counterparty or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

In addition, for an equity security classified as an available-for-sale financial asset, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

i) Financial assets classified as loans and receivables

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Statement of Accounting Policies

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Impairment of financial assets (continued)

i) Financial assets classified as loans and receivables (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

g) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. Items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

iii) Depreciation

For property, plant and equipment, depreciation is based on the cost of an asset less its residual value. Significant components of individual assets that have a useful life that is different from the remainder of those assets, those components are depreciated separately.

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives and depreciation rates are:

Rescue Vessels & Equipment	3 - 16 years	6.5% - 26% straight line
Motor Vehicles	2 - 6 years	13.5% - 36% straight line
Office Equipment, Leasehold Improvements	1 - 16 years	6.5% - 67% straight line

Depreciation methods, useful lives, and residual values are reviewed at reporting date and adjusted if appropriate.

h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits or service potential embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Statement of Accounting Policies

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Intangible assets (continued)

The amortisation expense on intangible assets with finite lives is recognised in surplus or deficit as the expense category that is consistent with the function of the intangible assets.

The Group does not hold any intangible assets that have an indefinite life.

The amortisation period and amortisation rate for the Groups' intangibles is as follows:

Software	2.5 - 10 years	10% - 40% straight line
----------	----------------	-------------------------

i) Equity

Equity is the community's interest in the Group measured as the difference between total assets and total liabilities. Equity is made up of the following components:

Accumulated comprehensive revenue and expense

Accumulated comprehensive revenue and expense is the Group's accumulated surplus or deficit since the formation of the Group.

Asset maintenance reserve

This is a specific reserve created to fund the ongoing depreciation costs of the rescue vessels, the ongoing depreciation and maintenance costs of the promotional caravan and the ongoing depreciation and maintenance costs of the automatic weather stations.

Course development reserve

This is a specific reserve created to fund the ongoing development of courses.

j) Income Tax

All entities within the Group have charitable status from the Charities Commission and are therefore exempt from income tax.

k) Goods and services tax

All amounts are shown exclusive of goods and services tax (GST), except for receivables and payables that are stated inclusive of GST.

l) Inventories

Inventories are initially measured at cost, except items acquired through non-exchange transactions which are instead measured at fair value as their deemed cost at initial recognition.

Inventories are subsequently measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

m) Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Operating leases

Leases that are not finance leases are classified as operating leases.

Operating leases are not recognised in the Group's statement of financial position. Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Notes to the Special Purpose Consolidated Financial Statements

For the year ended 30 June 2021

	2021	2020
5. CASH AND CASH EQUIVALENTS		
Cash on Hand	300	300
Cash at Bank	5,406,782	2,149,072
	5,407,082	2,149,372

There are no restrictions over the above cash held by the Group.

	2021	2020
6. INVESTMENTS - TERM DEPOSITS		
	Interest rate	Maturity date
Westpac New Zealand Limited - 08	2.10%	20/11/2020
Westpac New Zealand Limited - 11	2.55%	14/09/2020
Westpac New Zealand Limited - 12	2.65%	7/08/2020
Westpac New Zealand Limited - 13	2.40%	15/01/2021
Westpac New Zealand Limited - 14	2.30%	30/10/2020
ASB Bank Limited - 72	1.00%	2/07/2021
ASB Bank Limited - 72	0.85%	11/08/2021
ASB Bank Limited - 73	1.40%	13/08/2021
ASB Bank Limited - 73	0.85%	11/10/2021
ASB Bank Limited - 74	0.35%	28/09/2021
ASB Bank Limited - 75	0.90%	28/03/2022
ASB Bank Limited - 81	0.80%	24/11/2021
ASB Bank Limited - 84	0.80%	1/10/2021
ASB Bank Limited - 85	0.80%	1/11/2021
ASB Bank Limited - 86	0.80%	1/12/2021
ASB Bank Limited - 87	1.30%	1/09/2021
ASB Bank Limited - 88	0.80%	24/12/2021
ASB Bank Limited - 90	0.60%	11/07/2021
Bank of New Zealand - 22	0.80%	6/10/2021
Bank of New Zealand - 23	0.60%	2/07/2021
Bank of New Zealand - 24	0.80%	16/04/2022
Bank of New Zealand - 25	0.35%	14/08/2021
Bank of New Zealand - 26	0.55%	15/07/2021
Bank of New Zealand - 27	0.80%	13/09/2021
Bank of New Zealand - 28	0.80%	31/03/2022
	5,837,074	1,044,437

	2021	2020
7. RECEIVABLES		
Receivables from exchange transactions		
Trade debtors	148,667	39,284
Trade debtors - Related Party Balances	-	84,674
Sundry debtors	31,318	51,486
	179,985	175,445

There are no amounts overdue nor impaired as at year end relating to trade receivables from exchange and non-exchange transactions (2020: \$Nil).

Transactions between the Group and Units are considered to be related party transactions. Receipts from related parties during the year totalled \$57,789 (2020: \$876,233). These principally relate to the recovery of costs incurred, or part thereof, of search and rescue equipment purchased by Royal New Zealand Coastguard Incorporated on behalf of Coastguard Units. The outstanding balances owed are receivable on normal trade terms and accordingly do not attract interest.

8. RELATED PARTY TRANSACTIONS AND BALANCES

The key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, are the members of the governing body which is comprised of the Board of Royal New Zealand Coastguard Incorporated, the Board of Directors of Royal New Zealand Coastguard Boating Education Limited, the Trustees of the Royal New Zealand Coastguard Charitable Trust and the Trustees of the Auckland Volunteer Coastguard Charitable Trust as well as the senior management groups of Royal New Zealand Coastguard Incorporated and Royal New Zealand Coastguard Boating Education Limited respectively.

There are 19 natural persons in Board positions, 7 of which are also Trustees. No remuneration or fees are paid to them.

The aggregate remuneration of the senior management groups and the number of individuals, determined on a full-time equivalent basis, receiving remuneration are as follows:

	2021	2020
Number of key management personnel:	10	9
Key management personnel remuneration:	\$1,494,578	\$1,096,953

During the year the Group paid Bellingham Wallace Limited fees for services rendered totalling \$106,244 (2020: \$123,811). The Group also sub leases a portion of Bellingham Wallace Limited's leased office space. The total amount paid to Bellingham Wallace Limited during the year under the license to occupy totalled \$31,598 (2020: \$79,107). Aaron Wallace, member of the Board of Royal New Zealand Coastguard Incorporated, and Trustee of Royal New Zealand Coastguard Charitable Trust, is a Director of Bellingham Wallace Limited.

Details of transactions between the Group and Coastguard Units and closing balances are recorded in notes 7 and 14.

Notes to the Special Purpose Consolidated Financial Statements

For the year ended 30 June 2021

9. INTANGIBLES

	2021			2020		
	Cost	Accumulated Amortisation	Carrying value	Cost	Accumulated Amortisation	Carrying value
Intangibles	1,762,627	1,143,063	619,565	538,656	358,458	180,198
	1,762,627	1,143,063	619,565	538,656	358,458	180,198

Reconciliation - June 2021

	Opening balance	Transfer from Regions	Additions	Disposals at BV	Amortisation	Closing balance
Intangibles	180,198	624,839	160,006	-	345,478	619,565
	180,198	624,839	160,006	-	345,478	619,565

Intangibles include CRM databases, trip reporting platform and other software.

10. PROPERTY, PLANT AND EQUIPMENT, CAPITAL WORK IN PROGRESS & ASSETS HELD FOR SALE

	2021			2020		
	Cost	Accumulated depreciation/impairment	Carrying value	Cost	Accumulated depreciation/impairment	Carrying value
Rescue Vessels & Equipment	1,909,106	1,466,005	443,100	937,511	802,711	134,800
Motor Vehicles	303,071	183,338	119,733	212,458	143,071	69,388
Office Equipment, Leasehold Improvements	3,100,593	1,260,051	1,840,542	961,465	847,658	113,808
Capital Work In Progress	10,312,306	6,060,801	4,251,505	10,727,918	-	10,727,918
	15,625,075	8,970,195	6,654,880	12,839,352	1,793,440	11,045,912

Reconciliation - June 2021

	Opening balance	Transfer from Regions	Additions	Disposals at BV	Depreciation	Closing balance
Rescue Vessels & Equipment	134,800	438,686	-	-	130,385	443,100
Motor Vehicles	69,388	60,933	25,652	-	36,240	119,733
Office Equipment, Leasehold Improvements	113,808	1,731,072	347,223	117,707	233,854	1,840,542
Subtotal	317,995	2,230,690	372,876	117,707	400,478	2,403,375
	Opening balance	Transfer to Assets Held for Sale	Additions	Disposals at BV	Impairment	Closing balance
Capital Work In Progress	10,727,918	(2,370,784)	1,955,172	-	6,060,801	4,251,505
Subtotal	10,727,918	(2,370,784)	1,955,172	-	6,060,801	4,251,505
Total	11,045,912	(140,093)	2,328,047	117,707	6,461,279	6,654,880

Capital work in progress is in relation to Coastguard App Development, Broadcast Services, VHF Equipment (Wave) & America's Cup vessels.

Capital work in progress has been impaired per PBE IPSAS 21 Impairment of Non-Cash-Generating Asset. As at the reporting date, 14 America's Cup vessels have been agreed to be gifted to Coastguard units with an agreed cash contribution from the units of \$35,000 per vessel. The carrying amount of the 14 America's Cup vessels exceed its recoverable amount, the vessels have been impaired down to \$35,000 per vessel.

It is important to note that there will be no impairment recorded in the full Coastguard Group financial statements which will consolidate the assets of the Coastguard Units.

ASSETS HELD FOR SALE

	2021	2020
Transfer from Capital Work in Progress	2,370,784	-
Less: Impairment Loss	(668,317)	-
	1,702,467	-

As at the reporting date 4 America's Cup vessels, Salthouse Chase 1, Salthouse Chase 2, Rayglass 2 & Rayglass 3 are held for sale.

11. INVESTMENTS - MANAGED FUNDS

	2021	2020
Non-current Investments		
Jarden - Managed Portfolio	1,467,214	-
Clarity Funds Management - Dividend Yield Fund	794,102	634,858
Clarity Funds Management - Fixed Income Fund	459,759	458,492
	2,721,075	1,093,350

The above units investments are managed by professional fund managers in accordance with Royal New Zealand Coastguard Charitable Trust's investment strategy. The Jarden investments are independently managed in accordance with the Auckland Volunteer Coastguard Charitable Trust's investment strategy.

12. PAYABLES - EXCHANGE TRANSACTIONS

	2021	2020
Accounts payable	1,231,195	778,650
Other Accruals	1,017,812	67,532
	2,249,007	846,182

13. EMPLOYEE BENEFIT LIABILITY

	2021	2020
Salaries including PAYE	65,450	15,800
Holiday pay	394,319	138,104
	459,769	153,904

Notes to the Special Purpose Consolidated Financial Statements

For the year ended 30 June 2021

14. NON-EXCHANGE LIABILITIES

	2021	2020
Unspent Grant Funds - Lottery Grants Board (LGB)	66,400	523,130
Unspent Grant Funds - Other	2,557,770	14,335
Related Party Balances	145,143	211,964
	<u>2,769,313</u>	<u>749,429</u>

Transactions between the Group and Units are considered to be related party transactions. Payments to related parties during the year totalled \$3,983,892 (2020: \$3,682,554). These principally relate to the distribution of grant income to cover operating costs, rescue vessels, engine replacement and repairs. The outstanding balances owing to the Units are payable on normal trade terms and accordingly do not attract interest.

15. FINANCIAL INSTRUMENTS

The table below shows the carrying amounts of the Group's financial assets and financial liabilities.

Classification and fair values of financial instruments

	2021		2020	
	Loans and receivables	Financial liabilities at amortised cost	Loans and receivables	Financial liabilities at amortised cost
Cash and cash equivalents	5,407,082		2,149,372	
Term Deposits	5,837,074		1,044,437	
Receivables from exchange transactions	179,985		175,445	
Investments	2,721,075		1,093,350	
Non-Exchange Related Party Balances (Note 14)		145,143		211,964
Payables from exchange transactions		2,249,007		846,182
	<u>14,145,217</u>	<u>2,394,151</u>	<u>4,462,603</u>	<u>1,058,147</u>

16. NET FINANCE INCOME

	2021	2020
Finance Income comprises:		
Interest Received	58,335	51,894
Exchange Rate Variation	2,155	-
Realised/Unrealised Gain/(Loss) on Investments	123,792	(21,396)
Dividends Received	16,144	-
Investment Income	247,051	-
	<u>447,477</u>	<u>30,498</u>

17. OPERATING LEASE COMMITMENTS

The Group leases motor vehicles and photocopiers under non-cancellable operating lease agreements.

The Group has a right to occupy premises at:

492 Moorhouse Ave, Waltham,
25A Raiha Street, Porirua,
33 Nikau Crescent, Mt Maunganui,
3 Solent St, Auckland and
165 Westhaven Drive, Auckland.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
Payable within one year	352,541	280,959
Payable between one and five years	588,981	474,408
Payable more than five years	95,590	-
	<u>1,037,112</u>	<u>755,367</u>

The amount of expenditure recognised in the current year in respect of leases amounts to \$491,217 (2020: \$247,628).

Notes to the Special Purpose Consolidated Financial Statements

For the year ended 30 June 2021

18. CAPITAL COMMITMENTS

There are capital commitments at the reporting date for \$750,000 for the second half of the Rayglass contract for the refurbishment of the America's Cup boats (2020: \$Nil).

19. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities at the reporting date (2020: \$Nil).

20. SERVICE LEVEL AGREEMENT, LOTTERY GRANTS BOARD FUNDING & FOUNDATION NORTH

Service Level Agreement funding income recognised during the year totalled \$3,391,946 (2020: \$2,440,000). This funding is set for three years, with the current funding period ending 30 June 2023.

Lottery Grants Board funding income recognised during the year totalled \$2,904,454 (2020: \$5,184,226). This is a contestable annual funding source.

Foundation North funding income recognised during the year totalled \$552,291 (2020: \$Nil). This is a contestable annual funding source.

Water Safety Services Service Level Agreement funding income recognised during the year totalled \$4,548,697 (2020: \$Nil). This funding is set for three years, with the current funding period ending 30 June 2023.

Bay Trust funding income recognised during the year totalled \$130,000 (2020: \$Nil). This is a contestable annual funding source.

21. EVENTS AFTER THE REPORTING DATE

The Trustees of the Auckland Volunteer Coastguard Charitable Trust, (Trust) have resolved to wind up the Trust and distribute the assets prior to 30 September 2021. The Trust has \$1.44m in liquid assets to distribute to relevant parties.

The board is not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these special purpose consolidated financial statements that have significantly or may significantly affect the operations of the Group (2020: as a result of successful vote on 7 March 2020, the Group has integrated the four Regional units into Coastguard New Zealand on 1 July 2020).

22. IMPACT OF COVID-19

On 17 August 2021, the New Zealand Government commenced Covid-19 lockdown restrictions for Auckland, which are still in place at this time. While further extended lockdowns would likely further negatively affect operations and some revenue streams, after consideration of the future funding secured and the organisation's financial position at the date of authorising these financial statements the Board are satisfied that the organisation will be able to meet its financial obligations for the foreseeable future. Hence the preparation of the financial statements using the going concern assumption remains appropriate.