Royal New Zealand Coastguard Incorporated

Special Purpose Consolidated Financial Statements

For the year ended 30 June 2016

The Charity Saving Lives at Sea

COASTGUARD
NEW ZEALAND

ROYAL NEW ZEALAND COASTGUARD INCORPORATED

SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

ROYAL NEW ZEALAND COASTGUARD INCORPORATED

SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2016

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Registered Office
470 Parnell Road
Parnell, Auckland

Nature of Organisation
Marine Search & Rescue, Emergency Relief & Training

Charity Number
CC36138

Independent Auditor
BDO Auckland
Level 8, BDO Tower
120 Albert Street, Auckland

Bankers
ASB Bank Limited
Westpac New Zealand Limited

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

ROYAL NEW ZEALAND COASTGUARD INCORPORATED

Board's Report and Statement of Responsibility
For the year ended 30 June 2016

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 2016, and the independent auditor's report thereon. The Board has elected to present special purpose consolidated financial statements, consolidating selected controlled entities, as consolidated financial statements for the whole group could not be completed in time for the annual general meeting. Full consolidated financial statements, consolidating all controlled entities will be completed and filed at Charities Services by 31 December 2016. The selected controlled entities as presented in these special purpose consolidated financial statements are consistent with the entities consolidated in previous years under Old GAAP.

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, BDO Auckland, have audited the special purpose financial statements and their report appears on page 3.

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 2016 and their financial performance and cash flows for the year then ended.

For and on behalf of the Board:

Dean Lawrence, President	**Date** 10/9/16
Henry van Tuel, Vice-President	**Date** 10-9-16

INDEPENDENT AUDITOR'S REPORT

To the Members of Royal New Zealand Coastguard Incorporated

Report on the Special Purpose Financial Statements

We have audited the special purpose consolidated financial statements of Royal New Zealand Coastguard Incorporated and it's selected controlled entities (the Group) on pages 4 to 17, which comprise the special purpose statement of consolidated financial position as at 30 June 2016, the special purpose statement of consolidated changes in equity, the special purpose statement of consolidated financial performance and the special purpose statement of consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Members, as a body, in accordance with the constitution of The Royal New Zealand Coastguard Incorporated. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditors' 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 Members, as a body, for our audit work, for this report, or for the opinions we have formed.

Board Responsibility for the Special Purpose Financial Statements

The Board is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE RDR") issued in New Zealand by the New Zealand Accounting Standards Board, amended as described in the accounting policies as only selected controlled entities have been consolidated, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Other than in our capacity as auditor we have no relationship with, or interests in, Royal New Zealand Coastguard Incorporated or its controlled entities.

Opinion

In our opinion, the special purpose consolidated financial statements on pages 4 to 17, present fairly, in all material respects, the consolidated financial position of Royal New Zealand Coastguard Incorporated and its selected controlled entities as at 30 June 2016, and their financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, amended as described in the accounting policies as only selected controlled entities have been consolidated.

Restrictions on use and distribution

As indicated above, the special purpose financial statements have been prepared by the Board, in accordance with PBE RDR, amended as described in the accounting policies as only selected controlled entities have been consolidated, to meet their obligations to present financial statements to the Members at the annual meeting. The special purpose financial statements and this audit report may not be suitable for another purpose. Our report is intended solely for the Board and the members and should not be distributed or used by parties other than the Board and the Members.

BDO Auckland

BDO Auckland
13 September 2016
120 Albert Street
Auckland
New Zealand

ROYAL NEW ZEALAND COASTGUARD INCORPORATED

Special Purpose Consolidated Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2016

	Notes	2016	2015
Revenue from exchange transactions			
Lotteries Revenue		3,090,331	2,769,113
Examination Fees		1,010,276	753,534
Sales of Publications		168,259	246,526
Sponsorship		91,578	109,143
Other Operating Revenue		80,876	108,542
		4,441,320	3,986,858
Revenue from non-exchange transactions			
Service Level Agreement Funding	19	1,874,000	1,874,000
Lottery Grants Board Funding	19	1,704,874	2,148,513
Donations Received		758,380	488,131
Other Grants		421,489	559,954
		4,758,743	5,070,598
Total Revenue		**9,200,063**	**9,057,456**
Expenses			
Grants Expenditure		3,037,015	3,511,076
Administrative Overheads		1,137,062	1,246,141
Board & Governance Costs		123,712	322,122
Lotteries Costs		2,188,641	1,966,199
Marketing & Fundraising Costs		450,605	543,485
National Office Projects		145,123	77,323
Personnel Costs		1,829,635	1,434,421
Depreciation & Amortisation		138,894	187,299
		9,050,687	9,288,066
Surplus/(deficit) before net financing costs		**149,376**	**(230,610)**
Finance Income		63,993	91,382
Finance Costs		-	-
Net Finance Income		**63,993**	**91,382**
Net surplus/(deficit) for the year		**213,369**	**(139,228)**
Other Comprehensive Revenue and Expenses		-	-
Total Comprehensive revenue and expenses for the year		**213,369**	**(139,228)**

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.

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ROYAL NEW ZEALAND COASTGUARD INCORPORATED

Special Purpose Consolidated Statement of Changes in Net Assets/Equity
For the year ended 30 June 2016

Group	Note	Asset Maintenance Reserve	Course Development Reserve	Accumulated Revenue and Expense	Total Equity
Opening equity 1 July 2014 (previously reported)		92,046	-	2,089,093	2,181,139
Adjustment for changes in accounting policies due to initial application of PBE Standards	19	-	-	-	-
Opening equity 1 July 2014 (restated)		92,046	-	2,089,093	2,181,139
Total Comprehensive Income		-	-	(139,228)	(139,228)
Transfers - Reserves		(43,866)	7,630	36,236	-
Closing equity 30 June 2015		48,180	7,630	1,986,101	2,041,911
Total Comprehensive Income		-	-	213,369	213,369
Transfers - Reserves		(6,504)	27,360	(20,856)	-
Closing equity 30 June 2016		41,676	34,990	2,178,615	2,255,281

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ROYAL NEW ZEALAND COASTGUARD INCORPORATED

Special Purpose Consolidated Statement of Financial Position
For the year ended 30 June 2016

	Notes	2016	2015
ASSETS			
Current assets			
Cash and Cash Equivalents	5	2,227,991	2,110,794
Term Deposits	6	797,674	771,106
Inventories		32,939	24,863
Prepayments and Other Assets		117,536	231,767
Receivables from Exchange Transactions	7	272,710	246,956
		3,448,850	3,385,286
Non-current assets			
Intangibles	9	85,401	97,800
Property Plant and Equipment	10	330,232	500,625
		415,633	598,425
TOTAL ASSETS		3,864,483	3,983,711
LIABILITIES			
Current liabilities			
Employee Benefit Liabilities	13	81,186	92,629
Non-exchange Liabilities	14	1,074,003	1,025,999
Payables from Exchange Transactions	12	454,013	823,172
		1,609,202	1,941,800
TOTAL LIABILITIES		1,609,202	1,941,800
TOTAL NET ASSETS		2,255,281	2,041,911
NET ASSETS/EQUITY			
Accumulated Funds		2,178,615	1,986,101
Asset Maintenance Reserve		41,676	48,180
Course Development Reserve		34,990	7,630
TOTAL NET ASSETS/EQUITY		2,255,281	2,041,911

For and on behalf of the Board:

Lawrence

Dean Lawrence, President

10/9/16
Date

Henry van Tuel, Vice-President

12/9/16
Date

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ROYAL NEW ZEALAND COASTGUARD INCORPORATED

Special Purpose Consolidated Statement of Cash Flows
For the year ended 30 June 2016

	Notes	2016	2015
CASH FLOWS FROM/(TO) OPERATING ACTIVITIES			
Receipts from exchange transactions		4,246,003	3,893,408
Receipts from non-exchange transactions		5,321,869	4,737,605
Payments to Suppliers		(7,693,192)	(7,125,202)
Payments to Employees		(1,793,541)	(1,386,191)
GST paid (net)		(40,575)	(171,878)
Net cash inflow/(outflow) from operating activities		**40,564**	**(52,258)**
CASH FLOWS FROM/(TO) INVESTING ACTIVITIES			
Interest Received		63,995	91,381
Proceeds from disposals of property, plant and equipment	10	71,740	-
Increase/Decrease in term deposits	6	(26,569)	178,240
Purchase of property, plant and equipment	10	(32,533)	(35,551)
Net cash inflow/(outflow) from investing activities		**76,633**	**234,070**
Net increase/(decrease) in cash and cash equivalents		117,197	181,812
Cash and cash equivalents at 1 July		2,110,794	1,928,982
Cash and cash equivalents at 30 June	5	**2,227,991**	**2,110,794**

Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit)

	Notes	2016	2015
Surplus/(Deficit)		213,369	(139,228)
Add/(deduct) non-cash movements			
Depreciation	10	126,495	174,899
Amortisation	9	12,399	12,400
Increase/(Decrease) in provisions relating to employee costs	13	(11,445)	6,897
		127,449	194,196
Add/(deduct) movements in working capital			
Increase/(Decrease) in payables	12	(368,838)	68,046
Increase/(Decrease) in non-exchange liabilities	14	48,004	261,486
Decrease/(Increase) in inventories		(8,273)	8,911
Decrease/(Increase) in prepayments & other assets		114,232	(248,868)
Decrease/(Increase) in receivables	7	(26,075)	(107,468)
		(240,950)	(17,893)
Add/(deduct) items classified as investing			
Gains/(losses) on sale of property, plant and equipment		4,691	2,048
Interest Received		(63,995)	(91,381)
		(59,304)	(89,333)
Net cash flows from operating activities		40,564	(52,258)

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.

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Statement of Accounting Policies
For the year ended 30 June 2016

1. REPORTING ENTITY

Royal New Zealand Coastguard Incorporated (NZ Coastguard) is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act 2013.

These special purpose consolidated financial statements for the year ended 30 June 2016 comprise of Royal New Zealand Coastguard Incorporated and its selected 100% controlled entities, Royal New Zealand Coastguard Boating Education Limited (CBE) and Royal New Zealand Coastguard Charitable Trust ("the Trust"), together the "Group". Comparative figures are for the same Group.

2. BASIS OF PREPARATION

a) Statement of compliance

The special purpose consolidated financial statements have been prepared as special purpose financial reports intended for presentation to the Members at the Annual General Meeting.

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

The Group is a public benefit entity for the purpose of financial reporting. As the primary objective of the Group is to provide goods or services for social benefit rather than for making a financial return, the Group is a public benefit entity and the special purpose consolidated financial statements comply with Public Benefit Entity Standards. Under NZ GAAP, the Group is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS RDR on the basis that it does not have public accountability and it is not defined as large. As the Group has not, due to time constraints, been able to include all controlled entities for the current and comparative year, special purpose consolidated financial statements that consolidate the selected controlled entities listed above, have been prepared and distributed as the annual general meeting. Full consolidated financial statements will be prepared at a later date and filed with Charity Services as required by the Charities Act 2005. Therefore, these special purpose consolidated financial statements do not fully comply with NZ GAAP.

The Group has taken advantage of all applicable Reduced Disclore Regime ("RDR") disclosure concessions except that it has chosen to show comparative information under PBE standards.

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

For the year ended 30 June 2015, the Group prepared its consolidated financial statements using "Old GAAP". These have now been restated to Not-For-Profit PBE IPSAS – RDR. An explanation of the transition to Tier 2 Not-For-Profit PBE Accounting Standards and a reconciliation of Net Assets is provided in Note 20.

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.

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3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

a) Judgements (Continued)

Reclassification of property, plant and equipment to intangibles

The Group has reclassified the following items from property, plant and equipment to intangibles:

- Software

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
Lotteries Revenue
Examination Fees
Sales of Publications
Sponsorship
Other Operating Revenue

Revenue from non-exchange transactions
Service Level Agreement Funding
Lottery Grants Board Funding
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.

CBE and the Trust meet the definition of controlled entities and NZ Coastguard is required to consolidate the financial statements of CBE and the Trust. 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.

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
i) Revenue from exchange transactions (Continued)
Interest revenue
For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate. Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is included in finance income in the statement of comprehensive revenue and expense.

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 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.

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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.

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.

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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 and for buildings is based on the revalued amount 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	18% - 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.

BDO

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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	10 years	10% 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 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.

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5. CASH AND CASH EQUIVALENTS

	2016	2015
Cash on Hand	200	200
Cash at Bank	2,227,791	2,110,594
	2,227,991	2,110,794

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

6. TERM DEPOSITS

	Interest rate	Maturity date		
Westpac New Zealand Limited - 06	3.35%	23/09/2016	166,350	160,378
Westpac New Zealand Limited - 08	3.35%	27/09/2016	210,096	202,125
Westpac New Zealand Limited - 09	3.50%	17/08/2016	212,705	206,877
Westpac New Zealand Limited - 10	3.30%	17/10/2016	208,523	201,726
			797,674	771,106

7. RECEIVABLES

Receivables from exchange transactions		
Trade debtors	84,212	68,911
Trade debtors - Related Party Balances	159,890	150,294
Sundry debtors	28,608	27,751
	272,710	246,956

There are no amounts overdue nor impaired as at year end relating to trade receivables from exchange and non-exchange transactions (2015: $Nil).

Transactions between the Group and Coastguard Regions and Units are considered to be related party transactions. Invoices issued to related parties during the year totalled $442,773. These principally relate to the recovery of costs incurred, or part therof, of search and rescue equipment purchased by Royal New Zealand Coastguard Incorporated on behalf of Coastguard Regions and 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, and the Trustees of the Royal New Zealand 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 15 natural persons in Board positions, 3 of which are also Trustees. No remuneration or fees are paid to any of these persons.

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

	2016	2015
Number of key management personnel:	7	7
Key management personnel remuneration:	$860,958	$781,041

During the year the Group paid Bellingham Wallace Limited fees for services rendered totalling $93,458 (2015: $30,224). The Group also holds a license to occupy 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 $74,000 (2015: $74,000). Aaron Wallace, a member of the Board of Royal New Zealand Coastguard Incorporated, is a Director of Bellingham Wallace Limited.

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9. INTANGIBLES

	2016			2015		
	Cost	Accumulated Amortisation	Carrying value	Cost	Accumulated Amortisation	Carrying value
Software	253,154	167,753	85,401	253,154	155,354	97,800
	253,154	167,753	85,401	253,154	155,354	97,800

Reconciliation of intangibles - June 2016

	Opening balance	Revaluation	Additions	Disposals at BV	Amortisation	Closing balance
Software	97,800	-	-	-	12,399	85,401
	97,800	-	-	-	12,399	85,401

10. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Rescue Vessels & Equipment	1,285,379	1,131,640	153,739	1,609,349	1,314,005	295,344
Motor Vehicles	162,134	148,851	13,283	159,501	144,755	14,746
Office Equipment, Leasehold Improvements	1,023,424	860,214	163,210	1,004,294	813,759	190,535
	2,470,937	2,140,705	330,232	2,773,144	2,272,519	500,625

Reconciliation of property, plant and equipment - June 2016

	Opening balance	Revaluation	Additions	Disposals at BV	Depreciation	Closing balance
Rescue Vessels & Equipment	295,344	-	-	71,274	70,331	153,739
Motor Vehicles	14,746	-	11,520	5,156	7,827	13,283
Office Equipment, Leasehold Improvements	190,535	-	21,012	-	48,337	163,210
	500,625	-	32,532	76,430	126,495	330,232

11. 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

	2016		2015	
	Loans and receivables	Financial liabilities at amortised cost	Loans and receivables	Financial liabilities at amortised cost
Cash and cash equivalents	2,227,991		2,110,794	
Term Deposits	797,674		771,106	
Receivables from exchange transactions	272,710		246,956	
Payables (from exchange transactions)		454,013		823,172
	3,298,375	454,013	3,128,856	823,172

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12. PAYABLES - EXCHANGE TRANSACTIONS

	2016	2015
Accounts payable	289,870	566,936
Other Accruals	153,143	53,266
Income received in advance	11,000	202,970
	454,013	823,172

13. EMPLOYEE BENEFIT LIABILITY

Salaries and wages	2,119	3,412
Holiday pay	57,450	69,751
PAYE	21,617	19,466
	81,186	92,629

14. NON-EXCHANGE LIABILITIES

Unspent Grant Funds - Lottery Grants Board (LGB)	563,127	4,487
Unspent Grant Funds - Other	6,280	23,555
Related Party Balances	504,596	997,957
	1,074,003	1,025,999

Transactions between the Group and Coastguard Regions and Units are considered to be related party transactions. Invoices issued to the Group from related parties during the year totalled $3,114,089. These principally relate to the distribution of grant income to cover operating costs, rescue vessel, engine replacement and repairs. The outstanding balances owing to the Regions are payable on normal trade terms and accordingly do not attract interest.

15. OPERATING LEASE COMMITMENTS

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

The Group leases premises at 470 Parnell Road, Auckland and 165 Westhaven Drive, Auckland.

Operating lease expenditure incurred by the group and included in Administrative Overheads for the year totalled $235,361.

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

The meeting

	2016	2015
Payable within one year	342,637	235,739
Payable between one and five years	551,904	533,866
Payable more than five years	-	49,333
	894,541	818,938

16. CAPITAL COMMITMENTS

There are no capital commitments at the reporting date. (2015: $Nil).

17. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities at the reporting date. (2015: $Nil).

18. EVENTS AFTER THE REPORTING DATE

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 (2015: $Nil).

19. SERVICE LEVEL AGREEMENT & LOTTERY GRANTS BOARD FUNDING

Service Level Agreement funding income during the year totaled $1,874,000 (2015: $1,874,000). This funding is set for three years, with the current funding period ending 30 June 2017.

Lottery Grants Board funding income received during the year totaled $1,704,874 (2015: $2,148,513). This is a contestable annual funding source.

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20. CHANGES IN ACCOUNTING POLICY

a) Changes due to the initial application of a new, revised and amended PBE Standards

This is the first set of special purpose consolidated financial statements of the Group that is presented in accordance with PBE Standards. The Group has previously reported in accordance with Old GAAP.

The accounting policies adopted in these special purpose consolidated financial statements are consistent with those of the previous year, except for instances when the accounting or reporting requirements of a PBE Standard are different to requirements under Old GAAP as outlined below.

The changes to accounting policies and disclosures caused by first time application of PBE accounting standards are as follows:

PBE IPSAS 1: Presentation of financial statements

There are minor differences between PBE IPSAS 1 and the equivalent standard in the previous GAAP. These differences have an effect on disclosure only. The main changes in disclosure resulting from application of PBE IPSAS 1 are the following:

Receivables/payables from exchange and non-exchange transactions:

In the special purpose consolidated financial statements of the previous financial year, receivables/payables were presented as single totals in the statement of financial position. However, PBE IPSAS 1 requires receivables/payables from non-exchange transactions and receivables/payables from exchange transactions to be presented separately in the statement of financial position. This requirement affected the presentation of both current and comparative receivables/payables figures, however the Group did not have receivables/payables from non-exchange revenue to report.

The classification of cash and cash equivalents

Under PBE Standards, cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Term Deposits with a maturity date of three months or less were reallocated to "Cash and Cash Equivalents" from "Term Deposits".

PBE IPSAS 31: Intangible assets

The classification of intangibles

Under PBE Standards, intangible assets are defined as identifiable non-monetary assets without physical substance. Software meets this definition and has therefore been reallocated to "Intangibles" from "Property, plant and equipment".

Impact on net assets/equity

There is no impact on the net assets/equity of the Group on transition to PBE Standards. Reclassification and disclosure requirements are the main impacts on transition.

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