

Royal New Zealand Coastguard Incorporated

# Financial Report

**Special Purpose Consolidated  
Financial Statements**

For the year ended 30 June 2023



## Special Purpose Consolidated Financial Statements

For the year ended 30 June 2023

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## Directory

For the year ended 30 June 2023

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### 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  
88 Shortland Street, Auckland

## Board's Report and Statement of Responsibility

For the year ended 30 June 2023

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### 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 2023, 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 2023.

### 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 2023 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:



Bennett Medary, President

20th September 2023

Date



Carolyn Tapley, Board Member

20th September 2023

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 2023;
- 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 19, for the year 30 June 2023, 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 agreed upon procedures engagement in respect of various lotteries certification of Royal New Zealand Coastguard Incorporated to 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.

## 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/standards/assurance-standards/auditors-responsibilities/audit-report-7/>

## 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.



**RSM Hayes Audit**  
Auckland

20 September 2023

**Special Purpose Consolidated Statement of Comprehensive Revenue and Expense**

For the year ended 30 June 2023

	Notes	2023	2022
<b>Revenue from exchange transactions</b>			
Examination Fees		1,054,683	1,213,827
Lotteries Revenue		3,462,199	3,137,210
Other Operating Revenue		589,866	570,781
Sales of Publications		197,744	295,384
SAR Reimbursements		116,147	101,006
Sponsorship		188,500	99,047
Subscriptions		4,948,223	4,596,213
		<u>10,557,361</u>	<u>10,013,467</u>
<b>Revenue from non-exchange transactions</b>			
Auckland Council		771,880	835,966
Bay Trust	20	130,000	129,950
Donations Received		2,289,552	2,371,455
Foundation North	20	35,111	396,277
Lottery Grants Board Funding	20	2,428,310	2,347,726
Other Grants		994,921	629,222
Service Level Agreement Funding	20	4,538,595	4,095,907
Trust Waikato	20	-	190,427
Water Safety New Zealand Funding	20	4,258,827	5,537,573
		<u>15,447,197</u>	<u>16,534,502</u>
<b>Total Revenue</b>		<u><b>26,004,557</b></u>	<u><b>26,547,969</b></u>
<b>Expenses</b>			
Administrative Overheads		4,274,412	3,299,131
Board & Governance Costs		666,222	284,866
Depreciation & Amortisation	9,10	812,393	816,628
Education Course Costs		744,117	585,302
Grants Expenditure		5,789,010	9,065,050
Impairment Loss	10	-	1,782,441
Lotteries Costs		2,648,111	2,314,442
Marketing & Fundraising Costs		2,559,100	2,397,091
National Office Projects		1,225,257	929,162
Personnel Costs		9,102,975	7,695,671
<b>Total Expenses</b>		<u><b>27,821,597</b></u>	<u><b>29,169,783</b></u>
<b>(Deficit)/surplus before net finance income</b>		<u><b>(1,817,039)</b></u>	<u><b>(2,621,814)</b></u>
Finance Income	16	530,836	28,964
<b>Net Finance Income</b>		<u><b>530,836</b></u>	<u><b>28,965</b></u>
<b>Net (deficit)/surplus for the year</b>		<u><b>(1,286,202)</b></u>	<u><b>(2,592,849)</b></u>
Other Comprehensive Revenue and Expenses		-	-
<b>Total Comprehensive revenue and expenses for the year</b>		<u><b>(1,286,202)</b></u>	<u><b>(2,592,849)</b></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 2023

Group	Note	Asset Maintenance Reserve	Course Development Reserve	Accumulated Revenue and Expense	Total Equity
Opening equity 1 July 2021		-	268,639	14,096,374	14,365,013
Total Comprehensive Income		-	-	(2,592,849)	(2,592,849)
Transfers - Reserves		-	79,802	(79,802)	-
<b>Closing equity 30 June 2022</b>		<b>-</b>	<b>348,441</b>	<b>11,423,723</b>	<b>11,772,164</b>
Opening equity 1 July 2022		-	348,441	11,423,723	11,772,164
Total Comprehensive Income		-	-	(1,286,202)	(1,286,202)
Transfers - Reserves		-	63,536	(63,536)	-
<b>Closing equity 30 June 2023</b>		<b>-</b>	<b>411,977</b>	<b>10,073,984</b>	<b>10,485,962</b>

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.

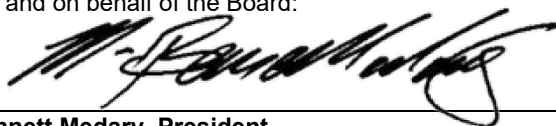


**Special Purpose Consolidated Statement of Financial Position**

As at 30 June 2022

	Notes	2023	2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and Cash Equivalents	5	8,081,909	6,270,983
Investments - Term Deposits	6	10,621,789	8,844,376
Inventories		44,671	32,511
Prepayments and Other Assets		251,042	264,156
Receivables from Exchange Transactions	7	525,546	471,843
Assets Held for Sale	10	-	863,565
		<u>19,524,955</u>	<u>16,747,433</u>
<b>Non-current assets</b>			
Investments	11	1,233,765	1,174,210
Intangible Assets	9	113,541	340,217
Property Plant and Equipment	10	3,956,254	4,424,181
		<u>5,303,561</u>	<u>5,938,609</u>
<b>TOTAL ASSETS</b>		<b><u>24,828,516</u></b>	<b><u>22,686,042</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Employee Benefit Liabilities	13	537,156	464,397
Income Received in Advance		3,186,946	3,297,646
Non-exchange Liabilities	14	7,579,725	4,335,477
Payables from Exchange Transactions	12	1,580,710	1,793,119
		<u>12,884,537</u>	<u>9,890,640</u>
<b>Non-current liabilities</b>			
Income Received in Advance		1,458,017	1,023,237
		<u>1,458,017</u>	<u>1,023,237</u>
<b>TOTAL LIABILITIES</b>		<b><u>14,342,553</u></b>	<b><u>10,913,877</u></b>
<b>TOTAL NET ASSETS</b>		<b><u>10,485,962</u></b>	<b><u>11,772,164</u></b>
<b>EQUITY</b>			
Accumulated Revenue and Expenses	4(i)	10,073,984	11,423,723
Course Development Reserve	4(i)	411,977	348,441
<b>TOTAL EQUITY</b>		<b><u>10,485,962</u></b>	<b><u>11,772,164</u></b>

For and on behalf of the Board:



Bennett Medary, President

20th September 2023

Date



Carolyn Tapley, Board Member

20th September 2023

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.

**Statement of Cash Flows**

For the year ended 30 June 2023

	Notes	2023	2022
<b>CASH FLOWS FROM/(TO) OPERATING ACTIVITIES</b>			
Receipts from exchange transactions		11,052,319	10,191,144
Receipts from non-exchange transactions		18,653,194	18,100,667
Payments to Suppliers		(17,748,898)	(17,915,869)
Payments to Employees		(9,030,216)	(7,691,042)
Transfer of AVCG Funds to Units		-	(516,769)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>2,926,399</b>	<b>2,168,130</b>
<b>CASH FLOWS FROM/(TO) INVESTING ACTIVITIES</b>			
Interest received		310,768	110,556
Distributions from Investments received		(15,845)	35,280
Decrease/ (Increase) in term deposits		(1,777,413)	(3,007,302)
Purchase of property, plant and equipment		(140,632)	(1,440,767)
Sale of property, plant and equipment		551,358	1,538,560
Sale/(Purchase) of investments		(43,710)	1,459,444
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(1,115,475)</b>	<b>(1,304,229)</b>
Net increase/(decrease) in cash and cash equivalents		1,810,925	863,902
Cash and cash equivalents at 1 July		6,270,983	5,407,082
<b>Cash and cash equivalents at 30 June</b>	<b>5</b>	<b>8,081,909</b>	<b>6,270,983</b>

These financial statements should be read in conjunction with the notes to the financial statements.

## Statement of Accounting Policies

For the year ended 30 June 2023

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### 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 2023 comprise of Royal New Zealand Coastguard Incorporated and its controlled entities, Royal New Zealand Coastguard Boating Education Limited (CBE) and Royal New Zealand Coastguard Charitable Trust (CCT). These special purpose consolidated financial statements do not include the separate Coastguard units.

### 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 no service performance information have been reported, 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

The following outlines changes in accounting policies adopted for the first time in the preparation of these consolidated special purpose financial statements.

##### Adoption of PBE IPSAS 41 Financial Instruments

The Group has adopted PBE IPSAS 41 Financial Instruments in the current financial year.

This standard replaces the provisions of PBE IPSAS 29 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting.

In accordance with the transitional provisions in PBE IPSAS 41 comparative information for the 30 June 2022 period have not been restated. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies.

There were no material changes in recognition or measurement required upon adoption of PBE IPSAS 41.

## Statement of Accounting Policies

For the year ended 30 June 2023

### 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:

##### **Trade receivables**

The Group assesses expected credit losses arising from its trade receivables at the end of each reporting period. The level of provision recognised is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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.

##### **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
- Other Operating Revenue
- Sales of Publications
- 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
- Service Level Agreement Funding

#### 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).

## Statement of Accounting Policies

For the year ended 30 June 2023

### 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 CCT meet the definition of controlled entities and NZ Coastguard is required to consolidate the financial statements of 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 63 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.

#### i) Revenue from exchange transactions

##### *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.

##### *Course Fee Income*

Course fee income is recognised for classroom courses when a course is complete. Course fee income for home study courses is recognised when a course is sold.

##### *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.

##### *Interest Income*

Interest income from financial assets at amortised cost is included in finance income using the effective interest rate method.

#### 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.

## Statement of Accounting Policies

For the year ended 30 June 2023

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### **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.



## Statement of Accounting Policies

For the year ended 30 June 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### e) Financial instruments

##### Financial assets policy

###### *Financial assets*

The Group classifies its financial assets in the following categories:

- financial assets at fair value through surplus or deficit
- measured at amortised cost

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

###### *Financial assets at fair value through surplus or deficit*

Financial assets that do not meet the criteria for amortised cost are measured at fair value through surplus or deficit.

The Group's derivatives are recognised in this category. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non current.

###### *Amortised cost*

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

These assets are subsequently measured at amortised cost using the effective interest method.

###### *Investments at fair value through surplus or deficit*

The carrying value of other financial assets, such as Investments in managed investment portfolio, approximate their fair value. The investments are subsequently measured at fair value with gains and losses (other than foreign exchange gains or losses) recognized in Surplus/(deficit)

###### *Initial recognition*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through surplus or deficit are expensed in surplus or deficit.

###### *Impairment of financial assets*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The Group applies the simplified approach to providing for expected credit losses prescribed by PBE IPSAS 41, which permits the use of the lifetime expected losses for all trade receivables. Given the low risk of default on other financial assets (primarily short-term deposits with financial institutions with a strong credit rating), other expected credit losses have been assessed to be immaterial.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet been identified.

## Statement of Accounting Policies

For the year ended 30 June 2023

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### f) Impairment of financial assets

##### 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	17.5% - 20% straight line
Motor Vehicles	2 - 6 years	13.5% straight line
Office Equipment, Leasehold Improvements	1 - 16 years	6.0% - 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 2023

### 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
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#### 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.

#### n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment based on expected credit losses. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

## Notes to the Special Purpose Consolidated Financial Statements

For the year ended 30 June 2023

	2023	2022
<b>5. CASH AND CASH EQUIVALENTS</b>		
Cash on Hand	300	300
Cash at Bank	8,081,609	6,270,683
	<u>8,081,909</u>	<u>6,270,983</u>

Included in the above cash and cash equivalent is \$944,786 of funds received including interest earned during the year that was received from Auckland Volunteer Coastguard Trust (AVCT) upon wound up of the Trust in 2022 financial year. This amount was distributed to Coastguard New Zealand to support the redevelopment of the Auckland Marine Rescue Centre (AMRC). The balance has been ring fenced in separate bank account, with a condition if not used within five years for the redevelopment of the AMRC, the funds can be used for operational costs for Coastguard.

			2023	2022
	<b>Interest rate</b>	<b>Maturity date</b>		
ASB Bank Limited - 72	4.10%	11/08/2023	510,489	113,270
ASB Bank Limited - 72	4.10%	2/10/2023	114,743	504,639
ASB Bank Limited - 73	4.20%	11/10/2023	509,885	118,019
ASB Bank Limited - 73	5.10%	13/11/2023	120,205	505,325
ASB Bank Limited - 74	5.60%	28/03/2024	260,505	251,461
ASB Bank Limited - 75	5.25%	28/12/2023	255,475	251,683
ASB Bank Limited - 76	4.55%	20/07/2023	974,750	954,789
ASB Bank Limited - 77	5.00%	19/09/2023	513,166	502,904
ASB Bank Limited - 78	4.20%	19/10/2023	506,500	500,000
ASB Bank Limited - 79	5.30%	1/02/2024	507,485	
ASB Bank Limited - 80	5.60%	28/12/2023	500,000	
ASB Bank Limited - 81	4.60%	24/11/2023	256,832	252,663
ASB Bank Limited - 82	5.75%	23/06/2024	500,000	
ASB Bank Limited - 84	3.65%	1/07/2023	254,025	251,765
ASB Bank Limited - 85	4.55%	1/09/2023	257,906	254,405
ASB Bank Limited - 86	4.00%	1/06/2023	263,141	255,181
ASB Bank Limited - 87	5.20%	1/12/2023	260,205	255,523
ASB Bank Limited - 88	5.25%	24/12/2023	256,877	251,840
ASB Bank Limited - 90	4.55%	11/07/2023	513,520	503,254
Bank of New Zealand - 22	4.10%	6/10/2023	204,730	201,904
Bank of New Zealand - 24	5.60%	16/04/2024	258,910	252,104
Bank of New Zealand - 25	4.00%	14/08/2023	253,566	251,694
Bank of New Zealand - 26	4.00%	12/09/2023	254,294	251,183
Bank of New Zealand - 27	5.35%	7/11/2023	260,625	252,885
Bank of New Zealand - 28	5.50%	31/03/2024	208,126	203,050
Bank of New Zealand - 29	5.50%	5/04/2024	361,415	350,309
Bank of New Zealand - 30	4.50%	5/07/2023	358,944	353,600
Bank of New Zealand - 31	5.30%	19/02/2024	512,949	500,927
Bank of New Zealand - 32	4.80%	19/08/2023	507,562	500,000
Westpac 14	5.40%	17/11/2023	104,956	104,551
			<u>10,621,788</u>	<u>8,948,927</u>

	2023	2022
<b>7. RECEIVABLES</b>		
<b>Receivables from exchange transactions</b>		
Trade debtors	132,507	84,967
Trade debtors - Related Party Balances	82,502	211,928
Sundry debtors	224,622	66,123
Victoria Cruising Club	85,915	108,825
	<u>525,546</u>	<u>471,843</u>

There are no amounts overdue nor impaired as at year end relating to trade receivables from exchange and non-exchange transactions (2022: \$Nil).

Transactions between the Group and Units are considered to be related party transactions. Receipts from related parties during the year totalled \$652,404 (2022: \$868,229). 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.

## Notes to the Special Purpose Consolidated Financial Statements

For the year ended 30 June 2023

### 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 as well as the senior management groups of Royal New Zealand Coastguard Incorporated and Royal New Zealand Coastguard Boating Education Limited respectively.

There are 9 Board members, 1 of which are also Trustees of CCT. 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:

	<b>2023</b>	<b>2022</b>
Number of key management personnel:	9	10
Key management personnel remuneration:	\$1,608,045	\$1,509,791

Aaron Wallace, a Director of Bellingham Wallace Limited was a Member of the Board of Royal New Zealand Coastguard Incorporated until 3 October 2021. He is a trustee of Royal NZ Coastguard Charitable Trust.

During the year the Group paid Bellingham Wallace Limited fees for services rendered totalling \$123,212 (2022: \$109,945). The Group vacated Bellingham Wallace Limited's leased office space in March 2022. The total amount paid to Bellingham Wallace Limited during the year under the license to occupy was \$nil (2022: \$47,977).

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

### 9. INTANGIBLES

	2023			2022		
	Cost	Accumulated Amortisation	Carrying value	Cost	Accumulated Amortisation	Carrying value
Intangibles	1,762,627	1,649,086	113,541	1,762,627	1,422,410	340,217
	<u>1,762,627</u>	<u>1,649,086</u>	<u>113,541</u>	<u>1,762,627</u>	<u>1,422,410</u>	<u>340,217</u>

#### Reconciliation - June 2023

	Opening balance	Transfer from WIP	Additions	Disposals at BV	Amortisation	Closing balance
Intangibles	340,217	-	-	-	226,677	113,541
	<u>340,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,677</u>	<u>113,541</u>

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

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

	2023			2022		
	Cost	Accumulated depreciation/impairment	Carrying value	Cost	Accumulated depreciation/impairment	Carrying value
Rescue Vessels & Equipment	3,004,423	1,329,274	1,675,149	3,004,423	1,021,542	1,982,881
Motor Vehicles	145,629	111,176	34,453	215,506	132,058	83,448
Office Equipment, Leasehold Improvements	3,310,852	1,691,082	1,619,771	3,310,852	1,459,246	1,851,606
Broadcast & Communications Assets	189,550	26,659	162,891	189,550	6,665	182,885
Capital Work In Progress	463,992	-	463,992	2,351,232	2,027,872	323,360
	<u>7,114,446</u>	<u>3,158,191</u>	<u>3,956,254</u>	<u>9,071,563</u>	<u>4,647,382</u>	<u>4,424,181</u>

#### Reconciliation - June 2023

	Opening balance	Transfer from WIP	Transfer to Units	Net transfer to Assets Held for Sale	Additions	Disposals at BV	Depreciation	Closing balance
Rescue Vessels & Equipment	1,982,881	-	-	-	-	-	307,733	1,675,148
Motor Vehicles	83,448	-	-	-	-	22,842	26,153	34,453
Office Equipment, Leasehold Improvements	1,851,606	-	-	-	-	-	231,836	1,619,770
Broadcast & Communications Assets	182,885	-	-	-	-	-	19,994	162,891
Subtotal	<u>4,100,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,842</u>	<u>585,716</u>	<u>3,492,262</u>
	Opening balance	Transfer to PPE	Transfer to Units	Net transfer to Assets Held for Sale	Additions	Disposals	Impairment	Closing balance
Capital Work In Progress	323,360	23,219	-	-	163,851	-	-	463,992
Subtotal	<u>323,360</u>	<u>23,219</u>	<u>-</u>	<u>-</u>	<u>163,851</u>	<u>-</u>	<u>-</u>	<u>463,992</u>
Total	<u>4,424,180</u>	<u>23,219</u>	<u>-</u>	<u>-</u>	<u>163,851</u>	<u>22,842</u>	<u>585,716</u>	<u>3,956,254</u>

Capital work in progress is in relation to America's Cup vessels.

Previously, 14 America's Cup vessels were 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 their recoverable amount therefore the vessels were impaired down to their net realisable value in the special purpose consolidated financial statements. It is important to note that there will be no impairment recorded in the full Coastguard Group financial statements as a result of write down relating to transfer of these vessels to the Units.

In the current financial year, further 3 America's Cup vessels were agreed to be gifted to Coastguard Units. The total cash contribution received at year end totalled to \$570,320, which includes additional refit work charged to the Units as well.

Prior to transfer of the vessel at a nominal value, as assessment was performed to ensure the Units recognised the acquired vessels at their fair value on initial recognition of the asset. As such an independent valuation was performed by a registered valuer with expertise in the marine industry. As a result of the independent valuation, it was determined that the carrying value of some of the vessels exceeded their recoverable amount and as such the vessels have been impaired further down to their net realisable value. The impairment included vessels that were transferred to property, plant and equipment and assets held for sale.

### ASSETS HELD FOR SALE

	<b>2023</b>	<b>2022</b>
Opening Balance	863,565	1,702,467
Less: Sale of remaining two vessels	(863,565)	(950,000)
Transfer from Capital Work in Progress	-	111,098
	<u>-</u>	<u>863,565</u>

During the reporting date two Americas Cup vessels, Rayglass 16 & Rayglass 17 were sold for \$185,000 each including GST. Total loss on sale amounted to \$541,825.

**Notes to the Special Purpose Consolidated Financial Statements**

For the year ended 30 June 2023

**11. INVESTMENTS - MANAGED FUNDS**

	2023	2022
<b>Non-current Investments</b>		
Clarity Funds Management - Dividend Yield Fund	786,119	735,238
Clarity Funds Management - Fixed Income Fund	447,646	438,971
	1,233,765	1,174,210

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**

	2023	2022
Accounts payable	839,504	900,988
Other Accruals	741,205	892,131
	1,580,710	1,793,119

**13. EMPLOYEE BENEFIT LIABILITY**

	2023	2022
Holiday pay	537,156	464,397
	537,156	464,397

**14. NON-EXCHANGE LIABILITIES**

	2023	2022
Unspent Grant Funds - Lottery Grants Board (LGB)	218,706	150,400
Unspent Grant Funds - Other	6,753,218	4,141,439
Related Party Balances	607,801	43,639
	7,579,725	4,335,477

Transactions between the Group and Units are considered to be related party transactions. Payments to related parties during the year totalled \$5,210,189 (2022: \$6,165,218). 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**

	2023			2022		
	Financial assets at FV through surplus/(deficit)	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial assets at FV through surplus/(deficit)
Cash and cash equivalents	-	8,081,909	-	6,270,983	-	-
Term Deposits	-	10,621,789	-	8,948,927	-	-
Receivables from exchange transactions	-	525,546	-	471,843	-	-
Clarity Funds Management - Dividend Yield Fund	786,119	-	-	-	-	735,238
Clarity Funds Management - Fixed Income Fund	447,646	-	-	-	-	438,971
Non-Exchange Related Party Balances (Note 14)	-	-	607,801	-	43,639	-
Payables from exchange transactions	-	-	1,580,710	-	1,793,119	-
	1,233,765	19,229,243	2,188,511	15,691,753	1,836,758	1,174,210

**16. NET FINANCE INCOME**

	2023	2022
Finance Income comprises:		
Interest Received	469,638	110,556
Realised/Unrealised Gain/(Loss) on Investments	15,845	(116,872)
Dividends Received	169	710
Investment Income	45,183	34,570
	530,836	28,964



**Notes to the Special Purpose Consolidated Financial Statements**

For the year ended 30 June 2023

**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,  
5 - 11 Solent St, Auckland and  
165 Westhaven Drive, Auckland.

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

	<b>2023</b>	<b>2022</b>
Payable within one year	640,235	393,121
Payable between one and five years	810,551	906,190
Payable more than five years	-	47,795
	<u>1,450,786</u>	<u>1,347,106</u>

The amount of expenditure recognised in the current year in respect of leases amounts to \$581,470 (2022: \$478,544).

**18. CAPITAL COMMITMENTS**

There are no capital commitments at the reporting date. (2022: \$Nil).

**19. CONTINGENT ASSETS AND LIABILITIES**

There are no contingent assets or liabilities at the reporting date (2022: \$Nil).

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

Service Level Agreement funding income recognised during the year totalled \$4,538,595 (2022: \$4,095,907). 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 \$2,428,310 (2022: \$2,347,726). This is a contestable annual funding source.

Foundation North funding income recognised during the year totalled \$35,111 (2022: \$396,277). This is a contestable annual funding source.

Water Safety Services Service Level Agreement funding income recognised during the year totalled \$4,258,827 (2022: \$5,537,573). 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 (2022: \$129,950). This is a contestable annual funding source.

Trust Waikato funding income recognised during the year totalled \$0 (2022: \$190,427).

**21. EVENTS AFTER THE REPORTING DATE**

CBE and CNZ have operated under the same board since the 2nd of October 2022 and are currently in the process of integrating from the 1st of July 2023 to become a more streamlined operation under the same umbrella.