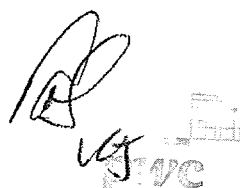


**Emerge Aotearoa Group  
Financial statements  
for the year ended 30 June 2016**

## Contents

Trustees' responsibility statement	Page 3
Financial statements	
Statement of comprehensive revenue and expense	4
Statement of changes in net assets/equity	5
Balance sheet	6
Statement of cash flows	7
Notes to the financial statements	
1 Statement of accounting policies for the year ended 30 June 2016	8
2 Summary of significant accounting policies	8
3 Critical accounting estimates and judgements	12
4 Revenue	13
5 Revenue from exchange and non-exchange transactions	13
6 Expenses	14
7 Cash and cash equivalents	15
8 Trade and other receivables	15
9 Other financial assets	15
10 Property, plant and equipment	16
11 Intangible assets	17
12 Land and buildings	18
13 Trade and other payables	20
14 Employee benefits liabilities	20
15 Borrowings	20
16 Other non-current liabilities	22
17 Equity	22
18 Business combinations	23
19 Contingencies	24
20 Capital adequacy	24
21 Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities	24
22 Financial instruments	25
23 Capital commitments and operating leases	27
24 Related party transactions	27
25 Events occurring after the balance date	28



Handwritten signature and a circular stamp with the letters 'PVC' inside.



## *Independent auditor's report*

To the Trustees of Emerge Aotearoa Trust

Emerge Aotearoa Trust's consolidated financial statements comprise:

- the statement of financial position as at 30 June 2016;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in net assets/equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### *Our opinion*

In our opinion the consolidated financial statements of Emerge Aotearoa Trust (the Trust), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2016, its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards.

---

### *Basis for opinion*

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

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

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

Our firm carries out other services for the Group in the areas of financial statements preparation and other assurance services. The provision of these other services has not impaired our independence as auditors of the Group.

---

### *Information other than the financial statements and auditor's report*

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



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

---

### *Responsibilities of the Trustee for the consolidated financial statements*

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

In preparing the consolidated financial statements, the Trustees are 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 Trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the 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 ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

[https://xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Page7.aspx](https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx)

### *Who we report to*

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

---

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

For and on behalf of:

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

Chartered Accountants  
16 November 2016

Christchurch

## Trustees' responsibility statement

The Trustees are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Emerge Aotearoa Group as at 30 June 2016 and their financial performance and cash flows for the year ended on that date.


The Trustees consider that the financial statements of the Emerge Aotearoa Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Trustees believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Trustees consider they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Trustees of Emerge Aotearoa Group have pleasure in presenting the financial statements for the year ended 30 June 2016 presented on pages 4 to 28.

The Board of Trustees authorised these financial statements for issue.

  
Trustee

16 November 2016

  
Trustee

16 November 2016



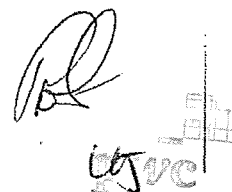
Emerge Aotearoa Group  
Statement of comprehensive revenue and expense  
For the year ended 30 June 2016

**Statement of comprehensive revenue and expense**

For the year ended 30 June 2016

		Consolidated	
		2016	2015
	Note	\$	\$
<b>Income</b>			
Services	4	59,877,004	34,004,103
Other income	4	921,718	2,131,236
Finance income		<u>445,937</u>	<u>308,327</u>
<b>Total income</b>		<b>61,244,659</b>	<b>36,443,666</b>
<b>Expenditure</b>			
Employee benefits expense	6	(42,433,959)	(24,644,570)
Depreciation and amortisation expense	6	(1,309,430)	(815,859)
Impairment of goodwill	6	(225,000)	-
Other operating expenses	6	(14,789,024)	(9,524,621)
Finance costs		<u>(307,695)</u>	<u>(10,620)</u>
<b>Total operating expenditure</b>		<b>(59,065,108)</b>	<b>(34,995,670)</b>
<b>Surplus/(deficit)</b>		<b><u>2,179,551</u></b>	<b><u>1,447,996</u></b>
<b>Other comprehensive income</b>			
Gain on property revaluations	12	<u>8,096,865</u>	-
<b>Total comprehensive income</b>		<b><u>10,276,416</u></b>	<b><u>1,447,996</u></b>

Summary of significant accounting policies and the accompanying notes form part of these financial statements.



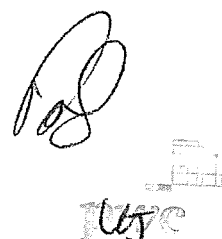
Emerge Aotearoa Group  
Statement of changes in net assets/equity  
For the year ended 30 June 2016

**Statement of changes in net assets/equity**

For the year ended 30 June 2016

Consolidated	Note	Contributed funds \$	Asset revaluation reserve \$	Other reserves \$	Retained earnings \$	Pre-acquisition profits \$	Total equity \$
Balance as at 1 July 2014	11	-	-	60,177	16,269,588	-	16,329,776
<b>Comprehensive income</b>							
Surplus or deficit for the year	-	-	-	-	1,447,996	-	1,447,996
Interest earned on internal reserves	-	-	-	1,727	(1,727)	-	-
Grant application	-	-	-	(4,521)	4,521	-	-
<b>Total comprehensive income</b>	-	-	-	(2,794)	1,450,790	-	1,447,996
Balance as at 1 July 2015	11	-	-	57,383	17,720,378	-	17,777,772
<b>Comprehensive income</b>							
Surplus or deficit for the year	-	-	-	-	2,179,551	-	2,179,551
Interest earned on internal reserves	-	-	-	943	(943)	-	-
Grant application	-	-	-	-	-	-	-
Revaluation	-	-	8,096,865	-	-	-	8,096,865
<b>Total comprehensive income</b>	-	-	8,096,865	943	2,178,608	-	10,276,416
<b>Transactions with owners</b>							
Equity contribution for entity acquired	18	200	-	-	(36,547)	26,649,401	26,613,054
Transfer to reserves	-	-	6,734,173	-	-	(6,734,173)	-
<b>Total transactions with owners</b>	200	6,734,173	-	-	(36,547)	19,915,228	26,613,054
Balance as at 30 June 2016	17	211	14,831,038	58,326	19,862,439	19,915,228	54,667,242

Summary of significant accounting policies and the accompanying notes form part of these financial statements.





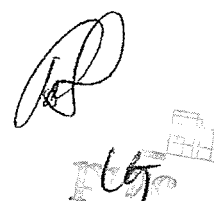
Emerge Aotearoa Group  
Balance sheet  
As at 30 June 2016

**Balance sheet**

As at 30 June 2016

		Consolidated	
		2016	2015
	Note	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	13,684,156	5,797,076
Trade and other receivables	8	5,340,260	3,988,266
Current tax receivables		<u>42,957</u>	<u>-</u>
<b>Total current assets</b>		<u>19,067,373</u>	<u>9,785,342</u>
<b>Non-current assets</b>			
Property, plant and equipment	10	998,555	977,927
Intangible assets	11	332,923	155,409
Land and Buildings	12	35,983,108	6,558,151
Other financial assets	9	<u>10,689,716</u>	<u>5,026,491</u>
<b>Total non-current assets</b>		<u>48,004,302</u>	<u>12,717,978</u>
<b>Total assets</b>		<u>67,071,675</u>	<u>22,503,320</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	3,548,546	1,303,665
Interest bearing liabilities	15	134,837	-
Employee benefits liabilities	14	3,075,785	2,753,988
Deferred income		<u>681,546</u>	<u>667,895</u>
<b>Total current liabilities</b>		<u>7,440,714</u>	<u>4,725,548</u>
<b>Non-current liabilities</b>			
Interest bearing liabilities	15	4,044,433	-
Other non-current liabilities	16	<u>919,286</u>	<u>-</u>
<b>Total non-current liabilities</b>		<u>4,963,719</u>	<u>-</u>
<b>Total liabilities</b>		<u>12,404,433</u>	<u>4,725,548</u>
<b>Net assets</b>		<u>54,667,242</u>	<u>17,777,772</u>
<b>EQUITY</b>			
Contributed funds		211	11
Retained earnings	17	19,862,439	17,720,378
Other reserves	17	<u>34,804,592</u>	<u>57,383</u>
<b>Total equity</b>		<u>54,667,242</u>	<u>17,777,772</u>

Summary of significant accounting policies and the accompanying notes form part of these financial statements.



Emerge Aotearoa Group  
Statement of cash flows  
For the year ended 30 June 2016

**Statement of cash flows**

For the year ended 30 June 2016

	Consolidated	
	2016	2015
Note	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from contracts and clients	61,561,079	36,765,517
Interest and dividends received	169,935	308,331
Rent received	1,061,711	502,898
Other income	411,232	1,524
Payments to suppliers and employees	(56,398,392)	(32,488,894)
Grants provided	-	(56,121)
Interest and bank fees paid	(143,908)	(10,620)
Rent paid	(3,129,881)	(1,785,733)
<b>Net cash flow from operating activities</b>	<b>21 3,531,776</b>	<b>3,236,902</b>
<b>Cash flows from investing activities</b>		
Receipts from of property, plant, and equipment	616,612	1,822,254
Receipts from sale of investments	-	64,335
Purchase of property, plant and equipment	(758,720)	(987,589)
Cash acquired from Recovery Solutions Group	4,982,020	-
Cash acquired from Mind and Body	328,321	-
Purchase of investments	(225,000)	(826,806)
<b>Net cash flow from investing activities</b>	<b>4,943,233</b>	<b>72,194</b>
<b>Cash flows from financing activities</b>		
Net repayment of loans	(183,709)	-
Donation	-	20,000
<b>Net cash flow from financing activities</b>	<b>(183,709)</b>	<b>20,000</b>
<b>Net (decrease)/increase in cash, cash equivalents, and bank overdrafts</b>	<b>8,291,300</b>	<b>3,329,096</b>
Cash, cash equivalents, and bank overdrafts at the beginning of the year	5,797,076	2,467,980
Portfolio investment reclassified	(404,220)	-
<b>Cash, cash equivalents, and bank overdrafts at the end of the year</b>	<b>7 13,684,156</b>	<b>5,797,076</b>

Summary of significant accounting policies and the accompanying notes form part of these financial statements.



## 1 Statement of accounting policies for the year ended 30 June 2016

The reporting entity (the "Emerge Aotearoa Group"), consists of seven entities. This includes the Emerge Aotearoa Trust (parent), formerly named Richmond New Zealand Trust, a trust established by deed dated 3 August 2010, and Emerge Aotearoa Limited, formerly named Richmond Services Limited (operating subsidiary), a limited liability company, formed on 10 August 2010. From the 2016 financial year it also includes Emerge Aotearoa Housing Trust, formerly Recovery Solutions Property Trust, Recovery Solutions Group (non-trading), Recover Solutions Services Limited (non-trading) Mind and Body Consultants Limited and Mind and Body Learning and Development Limited which were acquired during the 2016 financial year. Both Emerge Aotearoa Trust and Emerge Aotearoa Limited commenced operating on 1 November 2010.

The Emerge Aotearoa Group is a provider of community mental health and support services and a wide range of other social services (including residential accommodation owned by Emerge Aotearoa Housing Trust and rented to Emerge Aotearoa Limited).

The Group incorporated and domiciled in New Zealand. The address of its registered office is 320 Ti Rakau Drive, Auckland.

The Group and its subsidiaries are designated as public benefit entities for financial reporting purposes.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

The consolidated financial statements of the group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity Standards (PBE Standards) and authoritative notices that are applicable to entities that apply PBE Standards.

The group is classified as a Tier 1 reporting entity and it applies full PBE Standards. These standards are based on International Public Sector Accounting Standards.

The financial statements have been prepared on a historical cost basis, except where modified by the revaluation of land and buildings, investment property, and certain financial instruments (including derivative instruments).

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar (\$) . The functional currency of the Group is New Zealand dollars.

### Changes in accounting policies

The Group have adopted the PBE Standards for the first time this year. More information is given in note 2.17.

### Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### 2.2 Revenue

In the provision of services, Emerge Aotearoa enters into a number of contracts with District Health Boards to provide community mental health and support services including provision of housing. This is also supported by contributions from client benefits.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for supplies, stated net of discounts, and GST. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

## 2 Summary of significant accounting policies (continued)

### *Contracted income*

Revenue from service contracts is recognised when services have been performed.

### *Client benefits and contributions*

Revenue from client benefits and contributions is recognised when services have been performed.

### *Interest income*

Interest is recognised in the Statement of Comprehensive Revenue and Expenses as it accrues, using the effective interest rate method.

### *Rent income*

Rent income is recognised on a straight-line basis over the rental period.

### *Exchange and non-exchange transactions*

The group enters into exchange transactions where it receives or provides assets or services, or has liabilities extinguished, and value to the supplier or customer in exchange.

The group also records non-exchange transactions which arise where the group receives value from another entity without giving approximately equal value in exchange.

## 2.3 Government grants

Grants and donations are recognised as income when they are received or become receivable, unless the Group has a liability to repay the grant in the event that the requirements of the grant or donation are not fulfilled. A liability is recognised to the extent that such conditions are unfulfilled at the end of the reporting period. They are presented as deferred income in the balance sheet.

## 2.4 Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 2.5 Income tax

The Group has been granted charitable status and accordingly no taxation expense or liability is recognised in the financial statements.

## 2.6 Goods and services tax

The Statement of Comprehensive Revenue and Expenses and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

## 2.7 Leases

The Group leases certain buildings, motor vehicles, and office equipment. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the surplus/deficit as rental expense in the Statement of Comprehensive Revenue and Expenses on a straight-line basis over the period of the lease.

## 2.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

## 2 Summary of significant accounting policies (continued)

### 2.9 Debtors and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Revenue and Expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

### 2.10 Other financial assets and liabilities

Financial instruments are transacted on a commercial basis to derive an interest yield/cost with terms and conditions, having due regard to the nature of the transaction and the risks involved. All financial instruments are recognised on settlement date. They are classified in one of the following categories at initial recognition: loans and receivables, financial assets and liabilities at fair value through surplus or deficit, available for sale financial assets, held to maturity investments, and other financial liabilities.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.8 and 2.9).

#### (ii) Held-to-maturity investments

Assets in this category are measured at amortised cost. Assets in this category are presented in the balance sheet as "other financial assets".

#### (iii) Other financial liabilities

This category includes all financial liabilities other than those at fair value through surplus or deficit. Liabilities in this category are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments. These amounts are unsecured. It also represents term liabilities with determinable repayment terms and interest rates.

Other financial liabilities include:

- Trade payables (note 13)
- Employee entitlements (note 14)
- Borrowings (note 15)

#### (iv) Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through surplus or deficit upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in the reported surplus or deficit. The fair values are determined by reference to active market transactions or using a valuation technique where no active market exists.

Equity investments are measured at cost less any impairment charges, where the fair value cannot currently be estimated reliably.

## 2 Summary of significant accounting policies (continued)

### 2.11 Property, plant and equipment

Property, plant, and equipment consists of the following asset classes: leasehold improvements, plant and equipment, motor vehicles, and other property, plant and equipment.

Asset classes are measured at cost, less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using straight line rates so as to expense the cost of the assets over their useful lives. The useful lives are as follows:

- Land - Not depreciated
- Buildings – 50 years
- Leasehold improvements - 5-10 years
- Plant and equipment - 3-7 years
- Motor vehicles - 5 years
- Other property, plant and equipment - 3 years

Capital work in progress is not depreciated until commissioned.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the surplus or deficit.

Assets are classified as cash generating or non-cash generating. Cash generating assets are held with the primary objective of generating a return. Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For cash generating assets, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

For non-cash generating assets, an asset's carrying amount is written down immediately to its recoverable service amount if the asset's carrying amount is greater than its estimated recoverable service amount.

The recoverable amount or recoverable service amount is determined as the greater of fair value less costs to sell and value in use. Value in use of non-cash-generating assets is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

### 2.12 Intangible assets

#### *Computer software*

Intangible assets consist of software purchased by the Group. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful economic lives of 3 years.

### 2.13 Impairment of property, plant, and equipment and intangible assets

The Group does not have any intangible assets that are not subject to amortisation and are tested annually for impairment.

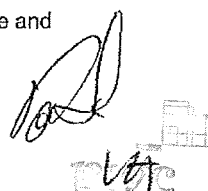
Property, plant, and equipment held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped by class.

### 2.14 Land and Buildings

Land and Buildings is measured initially at its cost, including transaction costs. After initial recognition, all land and buildings is measured at fair value at each reporting date

Gains or losses arising from a change in the fair value of land and buildings flow through other comprehensive income and are recognised in the asset revaluation reserve.

A handwritten signature in black ink is written over a rectangular stamp. The stamp contains some illegible text and a small graphic element.

## 2 Summary of significant accounting policies (continued)

### 2.15 Creditors and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.16 Employee entitlements

Provision is made for benefits accruing to employees in respect of salaries and wages, and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at amounts expected to be paid.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Emerge Aotearoa Group in respect of services provided by employees up to balance date.

### 2.17 Standards, amendments and interpretations effective in 2016

A new Accounting Standards Framework (incorporating a Tier structure and a separate suite of accounting standards for PBEs) was issued by the External Reporting Board (XRB) in 2012. Under the new Accounting Standards Framework, the Group was required to transition to the Public Benefit Entities (PBE) Standards issued in September 2015 by the XRB for reporting periods beginning on or after 1 April 2015 (with early adoption permitted). Therefore the Group has prepared its financial statements in accordance with the PBE Standards for the first time this year.

The implications of the new Framework on the Group are primarily presentational and have not materially changed the measurement basis of any items. The comparative figures have been reclassified to align with the new Framework.

### 2.18 Standards, amendments and interpretations to existing standards that are not yet effective

There are no PBE Standards or amendments to PBE Standards that are not yet effective and may result in a significant impact on the Group.

## 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) *Estimated impairment in trade receivables and property, plant and equipment*

The Group has assessed that there are doubtful debts totalling \$100,000 at balance date (2015: \$10,000) and there is no impairment of property, plant and equipment as at balance date (2015: \$nil).

### (b) *Interest free period*

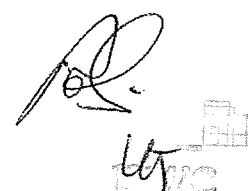
The Group has applied the effective interest rate with respect to the interest free period on the Housing New Zealand loans. Amortised interest charges over the interest free period have been estimated by using historical lending trends over the last 25 years from the Reserve Bank of New Zealand.

#### 4 Revenue

	Consolidated	
	2016	2015
	\$	\$
<i>Operating revenue</i>		
Contracted income	56,482,780	31,315,400
Sleepover contract income	517,696	1,291,032
Client benefits and contributions	2,465,296	1,257,938
Other income	411,232	139,733
	<u>59,877,004</u>	<u>34,004,103</u>
<i>Other income</i>		
Rental income	1,061,711	502,898
Gain/(loss) on fair value of investments	(139,993)	294,069
Gain/(loss) on foreign exchange	-	233,786
Gain/(loss) on sale of investments	-	64,335
Gain on disposal of property, plant and equipment	-	1,036,148
	<u>921,718</u>	<u>2,131,236</u>

#### 5 Revenue from exchange and non-exchange transactions

	Consolidated	
	2016	2015
	\$	\$
Note		
Exchange		
Service income	59,877,004	34,004,103
Other revenue	921,718	2,131,237
Finance income	445,937	308,327
Total exchange	<u>61,244,659</u>	<u>36,443,667</u>
Total non-exchange	-	-
Total exchange and non-exchange	<u>61,244,659</u>	<u>36,443,667</u>



Handwritten signature and a circular stamp with the letters 'LTC' inside.



## 6 Expenses

	Consolidated	
	2016	2015
	\$	\$
<i>Depreciation and amortisation</i>		
Buildings	-	83,596
Plant and equipment	88,868	53,081
Leasehold improvements	48,269	-
Motor vehicles	127,802	312,380
Other property, plant and equipment	467,750	91,574
Social Housing Buildings	106,811	-
Service Housing Buildings	174,686	-
Investment Property Buildings	18,833	-
Amortisation of software	276,411	275,228
Total depreciation and amortisation	<u>1,309,430</u>	<u>815,859</u>
Total impairment	225,000	-
<i>Employee benefit expense</i>		
Salaries and wages	40,764,715	23,385,435
Kiwisaver contributions	922,448	557,139
ACC levies	166,777	190,530
Training expenses	250,135	219,451
Other employee expenses including sleepover expenses	329,884	292,015
Total employee benefit expense	<u>42,433,959</u>	<u>24,644,570</u>
<i>Other operating expenses</i>		
Audit fees paid to auditor	47,950	37,000
Audit fees paid to auditor (other assurance services)	27,170	-
Other accounting services	45,950	5,800
Directors' remuneration	276,042	125,729
Care of clients and other expenses	8,447,161	5,306,042
Grants provided	-	56,121
Loss on disposal of property, plant and equipment	13,088	255,550
Rates	171,906	41,475
Rental expense	3,129,881	1,785,733
Repairs and maintenance	569,259	271,968
TAG operating expenses	-	791,433
Travel and accommodation	786,136	602,808
Other operating expenses	1,274,481	244,962
Total operating expenses	<u>14,789,024</u>	<u>9,524,621</u>

All expenses previously incurred as part of the merger of Richmond Services Ltd and Recovery Solutions Services Ltd (of Auckland) have been accumulated in TAG Operating Expenses



## 7 Cash and cash equivalents

	Consolidated	
	2016	2015
	\$	\$
Cash at bank and in hand	13,529,738	3,634,536
Deposits at call	154,418	2,162,540
<b>Total cash and cash equivalents</b>	<b>13,684,156</b>	<b>5,797,076</b>

## 8 Trade and other receivables

	Consolidated	
	2016	2015
	\$	\$
<b>Net trade receivables</b>		
Trade receivables	4,170,899	2,980,698
Provision for doubtful receivables	(100,000)	(10,000)
Prepayments	236,019	198,030
<b>Other receivables</b>		
Accrued income	1,033,342	788,230
Other receivables	-	16,196
Interest income receivable	-	15,112
<b>Total debtors and other receivables</b>	<b>5,340,260</b>	<b>3,988,266</b>

## 9 Other financial assets

	Consolidated	
	2016	2015
	\$	\$
Investment portfolio	58,326	57,383
Equity securities	10,631,389	4,969,107
	1	1
<b>Total other financial assets</b>	<b>10,689,716</b>	<b>5,026,491</b>

Non-current financial assets are made up of a term deposit for the John Blackaby Memorial Fund of \$58,326 (2015: \$57,383). Other financial assets also includes a \$1 shareholding in Community Support Services Industry Training Organisation Limited, an investment portfolio of \$10,631,389 (2015: \$4,969,107).

Investment Portfolio represents New Zealand equities, Offshore equities, New Zealand bonds, Offshore bonds and term deposits held. The portfolios are managed by JB Were and Forsyth Barr.

## 10 Property, plant and equipment

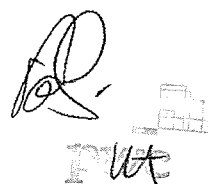
	Construction In progress \$	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Other property, plant and equipment \$	Total \$
<b>Cost</b>						
Balance as at 1 July 2014	83,309	-	489,187	2,983,862	1,255,320	4,811,678
<b>Year ended 30 June 2015</b>						
Additions	521,788	-	132,484	169,003	164,315	987,590
Disposals	(390,467)	-	(111,374)	(923,363)	(806,304)	(2,231,508)
Balance as at 30 June 2015	<u>214,630</u>	<u>-</u>	<u>510,297</u>	<u>2,229,502</u>	<u>613,331</u>	<u>3,567,760</u>
<b>Year ended 30 June 2016</b>						
Additions	848	88,052	90,619	-	269,399	448,918
Additions upon merger	-	138,902	81,306	17,778	1,086,646	1,324,632
Asset category reclassification	(214,630)	86,566	(194,617)	-	41,502	(281,179)
Disposals	-	(10,163)	(4,932)	(595,491)	(431,361)	(1,041,947)
Balance as at 30 June 2016	<u>848</u>	<u>303,357</u>	<u>482,673</u>	<u>1,651,789</u>	<u>1,579,517</u>	<u>4,018,184</u>
<b>Accumulated depreciation</b>						
Balance as at 1 July 2014	-	-	(369,830)	(2,293,582)	(1,090,997)	(3,754,409)
<b>Year ended 30 June 2015</b>						
Depreciation charge (note 6)	-	-	(53,081)	(312,380)	(91,574)	(457,035)
Depreciation released on disposal	-	-	96,896	752,855	771,860	1,621,611
Balance as at 30 June 2015	<u>-</u>	<u>-</u>	<u>(326,015)</u>	<u>(1,853,107)</u>	<u>(410,711)</u>	<u>(2,589,833)</u>
<b>Year ended 30 June 2016</b>						
Accumulated depreciation upon merger	-	(39,513)	(354)	(16,668)	(374,777)	(431,312)
Asset category reclassification	-	(10,497)	97,890	-	(23,350)	64,043
Depreciation charge	-	(48,269)	(88,867)	(127,802)	(467,750)	(732,688)
Depreciation released on disposal	-	-	-	586,611	83,550	670,161
Balance as at 30 June 2016	<u>-</u>	<u>(98,279)</u>	<u>(317,346)</u>	<u>(1,410,966)</u>	<u>(1,193,038)</u>	<u>(3,019,629)</u>
<b>As at 30 June 2015</b>	<u>214,630</u>	<u>-</u>	<u>184,282</u>	<u>376,395</u>	<u>202,620</u>	<u>977,927</u>
<b>As at 30 June 2016</b>	<u>848</u>	<u>205,078</u>	<u>165,327</u>	<u>240,823</u>	<u>386,479</u>	<u>998,555</u>

## 11 Intangible assets

	Computer software \$
Balance as at 1 July 2014	1,525,615
Year ended 30 June 2015	
Disposals	<u>(787,643)</u>
Balance as at 30 June 2015	<u>737,972</u>
Additions	230,427
Additions upon merger	98,639
Asset category reclassification	281,179
Disposals	<u>(83,137)</u>
Balance as at 30 June 2016	<u>1,265,080</u>
Accumulated amortisation and impairment	
Balance as at 1 July 2014	(898,771)
Year ended 30 June 2015	
Amortisation charge	(275,228)
Released on disposal	<u>591,436</u>
Balance as at 30 June 2015	<u>(582,563)</u>
Year ended 30 June 2016	
Accumulated amortisation upon merger	(73,778)
Asset category reclassification	(63,042)
Amortisation charge	(276,411)
Released on disposal	<u>64,638</u>
Balance as at 30 June 2016	<u>(932,157)</u>
As at 30 June 2015	<u>155,409</u>
As at 30 June 2016	<u>332,923</u>

## 12 Land and buildings

Cost	Social Housing Land	Social Housing Buildings	Service Property Land	Service Property Buildings	Total
Balance as at 1 July 2014	-	-	3,245,490	5,072,485	8,317,975
Year ended 30 June 2015	-	-	-	-	-
Additions	-	-	-	-	-
Revaluation	-	-	-	-	-
Disposals	-	-	-	-	-
Balance as at 30 June 2015	-	-	(120,690)	(224,643)	(345,333)
Year ended 30 June 2016	-	-	3,124,800	4,847,842	7,972,642
Additions acquired upon merger	5,370,563	6,205,406	2,091,172	2,565,816	16,232,957
Revaluation acquired upon merger	5,040,183	(726,722)	1,573,568	(291,946)	5,595,083
Additions	-	78,028	-	1,247	79,275
Revaluation	-	-	6,415,200	680,225	7,095,425
Asset category reclassification	-	-	95,260	97,774	193,034
Disposals	-	-	(205,000)	(267,000)	(472,000)
Disposals upon revaluation	-	-	-	(397,515)	(397,515)
Balance as at 30 June 2016	10,410,746	5,556,712	13,095,000	7,236,443	36,298,901



## 12 Land and buildings (continued)

	Social Housing Land	Social Housing Buildings	Service Property Land	Service Property Buildings	Total
Accumulated Depreciation					
Balance as at 1 July 2014	-	-	-	(1,439,153)	(1,439,153)
Year ended 30 June 2015					
Depreciation	-	-	-	(83,596)	(83,596)
Depreciation write back on disposal	-	-	-	108,258	108,258
Balance as at 30 June 2015	-	-	-	(1,414,491)	(1,414,491)
Year ended 30 June 2016					
Opening Accumulated depreciation for assets acquired upon merger	-	(910,643)	-	(152,573)	(1,063,216)
Depreciation write back on revalued assets acquired upon merger	-	902,829	-	236,262	1,139,091
Depreciation	-	(125,644)	-	(174,686)	(300,330)
Asset category reclassification	-	317	-	(92,957)	(92,957)
Depreciation write back on disposal	-	-	-	16,839	17,156
Depreciation write back on revalued assets	-	-	-	1,398,954	1,398,954
Balance as at 30 June 2016	-	(133,141)	-	(182,652)	(315,794)
As at 30 June 2015	-	-	3,124,800	3,433,351	6,558,151
As at 30 June 2016	10,410,746	5,423,571	13,095,000	7,053,791	35,983,108

Gain on property revaluation represented by:

	Consolidated 2016 \$	2015 \$
Revaluation of cost	7,095,425	-
Disposals upon revaluation	(397,515)	-
Depreciation write back on revalued assets	1,398,954	-
Total Gain on property revaluation	8,096,864	-

Properties were independently valued as at 30 September 2015 by The Property Group Ltd. Value has been determined in accordance with "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion"

### 13 Trade and other payables

	Consolidated	
	2016	2015
	\$	\$
Trade payables	720,341	704,543
Accrued expenses	955,865	341,112
GST payable	535,923	248,697
Other payables	1,336,417	9,313
<b>Total creditors and other payables</b>	<b>3,548,546</b>	<b>1,303,665</b>

### 14 Employee benefits liabilities

	Consolidated	
	2016	2015
	\$	\$
Annual leave	1,897,217	1,069,931
Alternative days	198,015	108,349
Accrued wages and salaries	455,687	1,015,471
PAYE and kiwisaver	440,755	400,375
ACC	84,111	159,862
<b>Total current portion</b>	<b>3,075,785</b>	<b>2,753,988</b>

### 15 Borrowings

	Consolidated	
	2016	2015
	\$	\$
<b>Current portion</b>		
<b>Secured</b>		
Westpac Limited Loans	93,858	-
Housing New Zealand Loans	40,979	-
<b>Total secured current interest bearing borrowings</b>	<b>134,837</b>	<b>-</b>
<b>Total current portion</b>	<b>134,837</b>	<b>-</b>
<b>Non-current portion</b>		
<b>Secured</b>		
Westpac Limited Loan	1,599,984	-
Housing New Zealand Loans	1,612,484	-
ANZ Loan	831,965	-
<b>Total secured non-current interest bearing borrowings</b>	<b>4,044,433</b>	<b>-</b>
<b>Total non-current portion</b>	<b>4,044,433</b>	<b>-</b>
<b>Total borrowings</b>	<b>4,179,270</b>	<b>-</b>

## 15 Borrowings (continued)

### Westpac Limited Loans

Westpac Limited has provided 4 mortgage facilities to Emerge Group.

Details of the drawdowns are below:

	Drawdown date	Maturity date	Amount	Repayment programme	Interest options	Interest rate	Monthly payments
1	24-Apr-14	24-Apr-19	\$700,000	Interest only	Floating	5.36%	\$3,326
2	24-Apr-14	24-Apr-19	\$300,000	Interest only	Floating	5.36%	\$1,431
3	4-Jun-14	4-Jun-19	\$600,000	Interest only	Floating	5.94%	\$2,969
4	11-Nov-14	11-Nov-19	\$119,022	Principal and Interest	Fixed for 3 yrs	6.54%	\$2,737

Westpac Limited has a first charged registered mortgage over the following properties:

Loan 1: Registered first mortgage over residential property situated 290 Paremoremo Road, Albany.

Loan 2: Registered first mortgage over residential property situated 16 Galbraith Street, Rotorua.

Loan 3: Registered first mortgage over residential property situated 62 Westminster Drive, Tauranga.

Loan 4: Registered first mortgage over residential property situated 191 Wainui Road, Gisborne.

### Housing New Zealand Loan

Housing New Zealand Corporation has provided a mortgage facility of \$3,100,000 to the Group. This facility is to be used to purchase and modify existing houses in the Auckland district in order to provide affordable, long-term rental accommodation for people experiencing mental illness.

The terms for each amount drawn down commence from the drawdown date and are the same for each amount. These are: twenty-five (25) year terms with ten (10) years interest free. The interest rate to be charged following the interest free period is the lender's fixed or floating residential mortgage lending rate plus, where required, a margin advised to the borrower.

Details of the drawdowns are below:

	Drawdown date	Maturity date	Interest charged from	Amount	Monthly repayment
1	26-Sep-07	25-Sep-32	26-Sep-17	\$289,268	\$965
2	9-Nov-07	8-Nov-32	9-Nov-17	\$309,383	\$934
3	14-Mar-08	13-Mar-33	14-Mar-18	\$283,684	\$950
4	22-May-08	21-May-33	22-May-18	\$291,014	\$970
5	30-Jun-08	29-Jun-33	30-Jun-18	\$226,651	\$760
6	31-May-09	24-May-34	31-May-19	\$308,853	\$1,030
7	1-Sep-09	1-Sep-34	1-Sep-19	\$371,460	\$1,238
8	1-Oct-09	1-Oct-34	1-Oct-19	\$244,034	\$813
9	1-May-10	1-May-35	1-May-20	\$75,653	\$252
10	28-Mar-12	27-Mar-37	28-May-22	\$700,000	\$2,333

Monthly repayments are those for the interest free period. When interest charges commence, the minimum repayment will include the monthly interest charge. Housing New Zealand has a first charge registered mortgage over each and every property purchased with the funds from these loans.



## 15 Borrowings (continued)

### ANZ Limited Loan

ANZ Limited has provided a mortgage facility to Emerge Aotearoa Housing Trust.

Details of the drawdown are below:

	Drawdown date	Maturity date	Amount	Repayment programme	Interest options	Interest rate	Monthly payments
1	19-Dec-13	19-Dec-18	\$900,000	Principal and interest	Floating	5.64%	\$6,218

- All property situated at 1/11 Arthur Road, Manurewa
- All property situated at 2/11 Arthur Road, Manurewa
- All property situated at 9 Fraser Avenue, Northcote

## 16 Other non-current liabilities

	Consolidated 2016 \$	2015 \$
Housing New Zealand grant	919,286	-

Housing New Zealand Corporation (the lender) has conditionally granted \$919,286 to Emerge Aotearoa Housing Trust for the purpose of providing social housing (the "Project Purchase"). If, after 10 years from the date of settlement of the purchase of the first property (and without limiting any other provisions of this Agreement), each Property has been used for the Project Purpose or such other social housing purpose as is approved by the Lender (such approval not to have been unreasonably withheld), the amount of the Conditional Grant shall be non-repayable to, and non-recoverable by, the lender. This conditional grant income is recognised over the original 25 year life of the loans as indicated in note 15.

## 17 Equity

	Consolidated 2016 \$	2015 \$
Accumulated funds		
Balance at 1 July	17,720,378	16,269,588
Retained earnings on business acquisition	(36,547)	-
Transfer to reserves	(943)	2,794
Surplus/(deficit) for the year	2,179,551	1,447,996
Balance 30 June	19,862,439	17,720,378

	Consolidated 2016 \$	2015 \$
Reserves		
Property, plant and equipment revaluation reserve	14,831,038	-
Special fund	58,326	57,383
Pre-acquisition profits	19,915,228	-
Total reserves	34,804,592	57,383

## 17 Equity (continued)

### (a) Purpose of each reserve fund

#### (i) Property, plant and equipment revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 2.

#### (ii) Special fund

John Blackaby, a former trustee of a Emerge Aotearoa Group entity, bequeathed to the Emerge Aotearoa Group the sum of \$25,000. The Emerge Aotearoa Group agreed to match this bequest with a further sum of \$25,000, creating a reserve totalling \$50,000, to which interest (net of grants) have been added. The cash funds represented by this reserve are held in a separate, interest bearing bank account. The cash funds are available to staff members of the Emerge Aotearoa Group, to contribute towards course fees or educational events that are of direct relevance to an applicant's work area.

## 18 Business combinations

### (a) Recovery Solutions Group

On 1 July 2015 Richmond NZ Trust and Richmond NZ Services merged with Recovery Solutions Group. From this date the organisations have operated as Emerge Aotearoa. Emerge Aotearoa individual trading and non-trading entities are registered with charities services and retain their charitable status. A number of the Trustees of the Group have changed as have the constitution and Trust deeds of all group members to reflect the new organizational structure of Emerge Aotearoa Group.

Richmond Trust has been named Emerge Aotearoa Trust, and is the controlling entity for the Group.

Recovery Solutions Property Trust has been renamed Emerge Aotearoa Housing Trust and operates the property portfolio.

Richmond Services continues to operate as Emerge Aotearoa Limited. All contracts with the funding agencies have been novated to the Emerge Aotearoa Limited. Contractual agreements with other stakeholders have continued under Emerge Aotearoa Limited.

Details of the fair value of the assets and liabilities acquired are as follows:

	\$
Assets acquired	35,806,002
Liabilities acquired	<u>(9,156,601)</u>
Net assets acquired	26,649,401
Consideration	<u>-</u>
Equity contribution for entity acquired	26,649,401

The acquisition of the above entity has resulted in the increased trading as illustrated in the statement of comprehensive revenue and expenses. From 1 July 2015, the combined businesses operated through one trading operation and therefore the individual contribution of the above assets and liabilities is not separately identifiable.

### (b) Mind and Body

On 1 July 2015 Emerge Aotearoa Group purchased Mind and Body Consultants Ltd and Mind and Body Learning and Development Ltd. The purchase price paid was \$225,000.

Details of the fair values of the assets and liabilities acquired are as follows:

Assets acquired in Mind & Body Learning and Development	125,048
Assets acquired in Mind & Body Consulting	553,172
Assets acquired in Mind & Body Learning and Development	(149,050)
Assets acquired in Mind & Body Consulting	<u>(565,717)</u>
Net assets acquired	(36,547)
Consideration	<u>(225,000)</u>
Gain/(loss) on acquisition	(261,547)

## 19 Contingencies

As at 30 June 2016 the Group had no contingent liabilities or assets (2015: \$Nil).

## 20 Capital adequacy

As a public benefit entity, the Group has a number of roles and responsibilities in managing capital. It defines its capital as its equity, which comprises retained earnings and an internal reserve. Equity is represented by net assets.

Revenues, expenses, assets and liabilities, investments and financial dealings are managed prudently and in a manner that promotes the current and future interests of the Group. Equity is managed as a result of managing revenues, expenses, assets, liabilities, investments and general financial dealings. The objective of managing these items is to achieve sustainable equity, which is a key strategic priority for the trustees of the Group.

The Group does not have any externally imposed capital requirements or obligation (such as the traditional quantitative measures set by bank covenants, debt to equity ratios, and the like) given the nature of operations, the asset allocation and funding structure.

There have been no changes to capital management since the prior year.

## 21 Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

	Consolidated	
	2016	2015
	\$	\$
Surplus/(deficit) after tax	2,179,551	1,447,996
Add/(less) non-cash items		
Depreciation and amortisation expense	1,309,429	815,859
Movements in doubtful debts	60,267	(31,167)
Donation received	-	(20,000)
Write back of accruals / provisions	(61,709)	-
Notional interest free on loans	84,799	-
Increase in reserves	(942)	-
Impairment expense	225,000	-
Net foreign exchange (gains) / losses	-	(233,786)
(Gains) / losses on disposal of property, plant, and equipment	13,088	(843,409)
(Gains) / losses on fair value of investments	(243,205)	(294,069)
Add/(less) movements in working capital items		
(Decrease) / increase in receivables	1,161,320	1,813,973
Increase / (decrease) in payables	445,612	342,317
Increase / (decrease) in income in advance	(11,349)	206,398
Increase / (decrease) in employee entitlements	(1,630,085)	32,790
Net movement in working capital items	(34,502)	2,395,478
Net cash inflow/(outflow) from operating activities	3,531,776	3,236,902

## 22 Financial instruments

The Group's activities expose it to a variety of financial risks (market risk, liquidity risk and credit risk). The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

### (a) Market risk

#### Interest rate risk

Interest rate risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group is exposed to interest rate risk in respect to its cash and cash equivalents, term deposits and term loans. The Group manages interest rate risk by monitoring the level of borrowings and deposits secured using fixed rate instruments.

30 June 2016

Interest rate risk  
 Financial assets  
 Cash and cash equivalents  
 Investment portfolio  
 Financial liabilities  
 Borrowings

Interest rate risk			
-1%		+1%	
Surplus	Equity	Surplus	Equity
(65,455)	(583)	65,455	583
(65,000)	-	65,000	-
47,437	-	(47,437)	-
(83,018)	(583)	83,018	583

Total sensitivity

### (b) Credit risk

The Group has no significant concentrations of credit risk. Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a deficit. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, credit exposures to receivables and other debtors as well as derivative financial instruments.

The Group places its cash and cash equivalents and any term deposits with quality financial institutions with good credit ratings. The Group enters into financial arrangements under service contracts with government departments. They also transact with various counterparties who are entitled to government subsidies. The Group does not require any collateral or security to support these financial arrangements.

The maximum credit risk is the carrying value of the financial assets detailed below, however the Group considers the risk of non-recovery of these amounts to be low.

The maximum exposures are net of any recognised impairment losses on these financial instruments.

All of the Group's cash and cash equivalents are with large and reputable banks. The investment portfolio is managed by reputable organisations.

### (c) Liquidity risk


Liquidity risk represents the Group's ability to meet their financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate bank balances and continuously monitoring cash flow forecasts.

## 22 Financial instruments (continued)

### (d) Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

	Consolidated	
	2016	2015
	\$	\$
<b>Financial Assets</b>		
Loans and receivables		
Cash and cash equivalents	13,684,156	5,797,076
Receivables	<u>5,383,217</u>	<u>3,988,266</u>
Total loans and receivables	<u>19,067,373</u>	<u>9,785,342</u>
 Financial assets at fair value through surplus or deficit		
Other financial assets:		
Investment portfolio	10,631,390	4,969,108
Non classified other financial assets	<u>58,326</u>	<u>57,383</u>
Total financial assets at fair value through surplus or deficit	<u>10,689,716</u>	<u>5,026,491</u>
 <b>Financial Liabilities</b>		
Financial liabilities at amortised cost		
Trade and other payables	3,012,623	1,054,968
Employee benefits liabilities	3,075,785	2,753,988
Interest bearing liabilities	<u>4,179,270</u>	<u>-</u>
Total financial liabilities at amortised cost	<u>10,267,678</u>	<u>3,808,956</u>

  
 WVC

## 23 Capital commitments and operating leases

As at 30 June 2016 the Group had no capital commitments (2015: \$Nil).

### Operating leases as lessee

The Group has lease commitments for office accommodation, motor vehicles and office equipment. Items of plant and equipment have lease terms of between 0 to 5 years, while land and buildings have lease terms of between 0 to 3 years. Most of these operating leases have rights of renewal for further terms and have normal provisions for periodic rent reviews to market rates. The Emerge Aotearoa Group does not have an option to purchase the property at the expiry of the lease period.

	Consolidated	
	2016	2015
	\$	\$
Not later than one year	1,854,774	880,227
Later than one year and not later than five years	2,264,175	1,995,301
Later than five years	319,221	611,637
<b>Total non-cancellable operating leases</b>	<b>4,438,170</b>	<b>3,487,165</b>

The Group leases residential property for use by its service recipients. These periodic residential property leases have no fixed terms and are not included in the above table.

No operating leases impose any restrictions on the Group's ability to raise debt or enter into further leasing arrangements.

## 24 Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Entity and group would have adopted in dealing with the party at arm's length in the same circumstances.

### Transactions with key management personnel

#### Key management personnel compensation

	Consolidated	
	2016	2015
	\$	\$
Board members		
Remuneration	265,625	255,729
Full-time equivalent members	9	8
Senior Management Team, including the Chief Executive		
Remuneration	1,449,766	978,254
Full-time equivalent members	8	5
<b>Total key management personnel compensation</b>	<b>1,715,391</b>	<b>1,233,983</b>
<b>Total full-time equivalent personnel</b>	<b>17</b>	<b>13</b>

## 24 Related party transactions (continued)

Transactions with related parties		Payments made to organisation		Balance owing at period end	
Related party	Nature of transaction	2016 \$	2015 \$	2016 \$	2015 \$
Yesterday Today Tomorrow Limited	Purchase of consulting services	3,000	-	-	-
Saunders Robinson Brown	Purchase of legal services	-	2,192	-	-
O'Hagen and McCook Weir Consulting Limited	Grants provided	-	51,600	-	-
	Other transactions	-	42,200	-	-
Tim Walker		-	8,696	-	-

All entities listed above are related parties due to the involvement of various Board members within these entities.

## 25 Events occurring after the balance date

There were no events occurring subsequent to balance date which require adjustment to or disclosure in the financial statements.

